CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE

CITY OF ALAMEDA HEALTH CARE DISTRICT

BOARD OF DIRECTORS

REGULAR MEETING AGENDA

Monday, October 10, 2011

RESCHEDULED FROM OCTOBER 3, 2011

6:00 p.m. (Closed) | 7:30 p.m. (Open)

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

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

I. Call to Order **(6:00 p.m. – 2 East Board Room)** — Jordan Battani

II. Roll Call — Kristen Thorson

III. Adjourn into Executive Closed Session

IV. Closed Session Agenda

A. Call to Order

B. Approval of Closed Session Minutes –

1. September 12, 2011 (Regular)
2. September 28, 2011 (Special)

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

D. Board Quality Committee Report (BQC) — H & S Code Sec. 32155

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

F. Consultation with Legal Counsel Regarding Pending and Threatened Litigation — Gov't Code Sec. 54956.9(a)

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

H. Adjourn into Open Session

V. Reconvene to Public Session **(Expected to start at 7:30 p.m. – Dal Cielo Conference Room)**

A. Announcements from Closed Session — Jordan Battani

VI. Regular Agenda

A. Consent Agenda **ACTION ITEMS**

✔ 1) Approval of September 12, 2011 Regular Meeting Minutes [enclosure] **(PAGES 3-10)**

✔ 2) Approval of September 28, 2011 Special Meeting Minutes [enclosure] **(PAGE 11)**

✔ 3) Approval of Administrative Policies and Procedures [enclosure] **(PAGE 12)**

B. Action Items

✔ 1) Acceptance of FY Ending June 30 , 2011 Audited Financial Statements [enclosure] **(PAGES 13-41)** — Rick Jackson, TCA Partners

✔ 2) Acceptance of August 2011 Unaudited Financial Statements and October 5, 2011 Committee Report [enclosure] **(PAGES 42- 63)** — Diana Surber, J. Michael McCormick

✔ 3) Approval of Resolution 2011-6I – Authorizing Further Development of Proposed Transaction to Sublease and Operate Waters Edge Skilled Nursing Facility [enclosure] **(PAGES 64-109)** — Deborah E. Stebbins

✔ 4) Approval of Resolution 2011-7I – Delegation of Authority to On-Site SNF Manager [enclosure] **(PAGE 110-111)** — Deborah E. Stebbins

C. Presidents Report — Jordan Battani

D. Chief Executive Officer's Report **INFORMATIONAL** — Deborah E. Stebbins

1) Special Reports | Presentations | Updates

a) Stroke Survey Report and Update

(Mary Bond, RN, Claudine Dutaret, MD, Michaele Baxter, RN)

✔ 2) FY Ending June 30, 2011 Goals and Objectives Update (Year End) [enclosure] **(PAGES 112-129)**

3) Monthly Volume Statistics

4) Monthly Quality Metrics

a) HCAHPS (Hospital Consumer Assessment of Healthcare Provider and Systems)

5) Hospital Updates / Events

E. Medical Staff President Report **INFORMATIONAL** — James Yeh, DO

F. Finance and Management Committee Report **INFORMATIONAL**

✔ 1) Revenue Cycle Review Findings [enclosure] **(PAGE 130)** — Diana Suber

G. Community Relations and Outreach Committee Report **INFORMATIONAL** — Stewart Chen, DC

VII. General Public Comments

VIII. Board Comments

IX. Adjournment

Minutes of the City of Alameda Health Care District Board of Directors
Open Session
Monday, September 12, 2011 Regular Meeting

Board Members Present	Management Present	Legal Counsel Present	Guests
Jordan Battani Stewart Chen, DC Robert Deutsch, MD Elliott Gorelick J. Michael McCormick	Deborah E. Stebbins Kerry J. Easthope Diana Surber Phyllis Weiss Tony Corica	Thomas Driscoll, Esq.	N/A
		Medical Staff Present	**Excused**
		Jim Yeh, DO	N/A
Submitted by: Kristen Thorson, District Clerk			

Topic		Discussion	Action / Follow-Up
I.	Call to Order	The meeting was called to order at 6:08 p.m.	
II.	Roll Call	Ms. Thorson called roll noting a quorum of Directors were present.	
III.	Adjourn into Executive Closed Session	The meeting was adjourned into Executive Closed Session at 6:10 p.m.	
IV.	Closed Session Agenda		
V.	Reconvene to Public Session	The meeting was reconvened into public session at 8:14 p.m.	
	A. Announcements From Closed Session Director Battani stated that the Minutes were approved from August 8, 2011. There was no Board Quality Committee Report as there was no meeting in August. The process for the CEO performance evaluation was initiated and is scheduled to be completed in October.		
VI.	Regular Agenda		
	A. Consent Agenda		Director Chen requested #7 be pulled from

Topic	Discussion	Action / Follow-Up
	Director Battani asked if there were any items that the Board would like to pull form the consent calendar for additional discussion and/or clarification.	the Consent Agenda for further discussion. Director Gorelick requested Items #1, #5, #6 be pulled from the consent agenda for further discussion.
	1) Acceptance of August 8, 2011 Regular Meeting Minutes Director Gorelick requested the meeting minutes be changed under section VII., A., 5) as indicated below. Director Battani also noted that David Neapolitan was not present at the meeting as indicated. Director Gorelick stated that ~~he had distributed a set of studies to the Board~~ each of the Board members had the information in their ~~with the~~ Board packet. Corrections will be made to the minutes.	After no further discussion, Director Chen made a motion to accept the minutes with changes. Director Deutsch seconded the motion. The motion carried.
	2) Approval Administrative Policies Procedures	Director Deutsch made a motion to approve consent items #2, #3 and #4 as presented. Director McCormick seconded the motion. The motion carried.
	3) Approval of Departmental Policy and Procedures	
	4) Approval of Amendment to Article X, Medical Staff By-Laws	
	5) Approval of ALPHA Fund Resolution Director Gorelick asked for clarification on the cost of the membership dues for ACHD as required for participation in ALPHA Fund. Ms. Stebbins stated the annual membership is approximately $28,000. Director Chen asked if the premiums for ALPHA stay the same from year to year. Ms. Weiss, Director of Human Resources indicated that the policy renews annually with potential for changes in the premium.	After no further discussion, Director McCormick made a motion to approve the ALPHA Fund Resolution. Director Chen seconded the motion. The motion carried.
	6) Acceptance of July 2011 Unaudited Financial Statements Director Gorelick asked Ms. Stebbins if the budget reduction initiative were fully implemented in July and asked she could explain the loss for the month if such initiatives had been implemented. Ms. Stebbins stated that the contributing factors to the loss for the month were low volumes and to some extent acuity. Director Gorelick also asked about case mix index for the month as well as observation patients versus inpatients. Ms. Stebbins stated that she will add the case mix to her	After no further discussion, Director Gorelick made a motion to accept the July unaudited financial statements as presented. Director McCormick seconded the motion. The motion carried.

Topic	Discussion	Action / Follow-Up
	monthly statistic that she reports to the Board next month. Director Gorelick also noted that the Board approved up to $750,000 draw on the Line of Credit and that only $250,000 had been drawn down. Ms. Stebbins stated that an additional $100,000 was drawn the week of September 26th, with a goal of only drawing down when critically needed and no more than the $750,000 approved by the Board. Director Gorelick asked for additional comments from Ms. Stebbins in her CEO Report as to additional budgetary cuts planned since the hospital did not need budget for the month.	
7)	Approval of Physician Recruitment Agreement – Alameda Family Physicians Director Chen asked about the practice and history of this type of recruitment agreement. Ms. Stebbins, Director Battani, and Mr. Corica clarified that this agreement provides access to primary care physicians to the community. Ms. Stebbins stated that no element of the agreement requires the group or individual physician to refer volume to the hospital. Director Chen inquired about recruiting to the hospital's clinic instead of assisting another medical group. Ms. Stebbins stated that recruitment strategies for the clinic and for community medical groups are important to both the hospital and to the community. Dr. John Carper, from Alameda Family Physicians was present to answer question regarding the wait time to see a physician in his medical group. Director Deutsch stated that over the years that the number and availability of primary care physicians has diminished in Alameda. It was noted that there has been a well documented shortage of primary care physicians in the area. Director Chen asked what the loan amount is used for. Ms. Stebbins stated that the loan will subsidize any shortfalls in the practice until the physician is fully covering the cost of their services in the practice. Director Gorelick asked if other healthcare districts used similar type of agreements. Mr. Driscoll gave a history and background information on the type of agreement, but neither he nor Ms. Stebbins could comment on what other districts in the area use as recruitment agreements. Director McCormick asked if the County could assist with physician recruitment efforts such as this one. Ms. Stebbins stated that the maximum guarantee is not always paid as in the case with Dr. Chan as outline in the memorandum. Director Chen asked how this loan would be funded. Ms. Stebbins stated that it will be funded out of operations / cash. Ms. Surber stated that when the loan is forgiven it will be reflected in the expense line of the financials	After no further discussion, Director McCormick made a motion to approve the Physician Recruitment Agreement with alameda Family Physicians. Director Deutsch seconded the motion. The motion carried with one abstention (Gorelick)
B.	Action Items	
1)	Request to Reschedule October 2011 District Board Meeting Ms. Stebbins stated that due to the timing of the September meeting and an	The Board agreed to cancel the October 3, 2011 Board meeting. Staff will poll Board members with potential new dates for the

Topic	Discussion	Action / Follow-Up
	important initiative to talk about at the next Board meeting, she has requested that the meeting be moved to October 10, 2011.	Board meeting and find an agreed upon date. Poll will include dates of October 10 and October 17.
2)	Approval of District Policy 2011-0c District Board Referrals Ms. Stebbins stated that the Board had requested Management develop a draft procedure to add agenda items for discussion on any committee and or Board agendas. Management has proposed a procedure similar to Alameda City Council but following the District Board By-Laws, in which the Board President oversees the development of the agenda and if two or more Board members want to add an item to an agenda, then it can be added. Mr. Driscoll stated that this policy implements the by-laws by creating a process for creating the agendas. Director Gorelick asked what the timeframe is for the Board President get back to the requester as to the decision to place an item on the agenda or not. Director Gorelick suggested that an answer as to the decision should be provided to the requesting Board member 4 days prior to the meeting.	Director Deutsch made a motion to approve the District Policy on Board referrals with the addition of the time frame of a response to the requesting Board member. Director Chen seconded the motion. The motion carried.
C.	President's Report Director Battani did not have a report.	No action taken.
D.	Chief Executive Officer's Report	
1)	Special Reports | Presentations | Updates	
a)	Stroke Survey Preparation Report and Update Ms. Stebbins stated that the Report and update will be deferred until the next meeting,	No action taken
2)	Alameda County Uncompensated Care Program The hospital has had discussions with Alex Briscoe Alameda County Health Care Services Agency Director, regarding eligibility of reimbursement for uncompensated care provided by the hospital. Data has been collected as is ready to submit to the County for potential funding of the uncompensated care. A formula of cost to charge ration is applied to the cost of care we provide and the hospital is eligible to receive up to 50% of such cost.	No action taken
3)	IGT Update The State and CMS reached an agreement to approve the level and definitions and	No action taken.

Topic	Discussion	Action / Follow-Up
	formulas that were in place in 2011. She sated that the hospital expects the funding within the next several weeks, which will help our cash situation. In addition, the 2012 allocation is expected to be twice of what it was in 2011.	
4)	Revenue Cycle Review Ms. Stebbins reported that a complete report on the Revenue Cycle Review will be forthcoming, but a number of initiatives are underway to increase cash collections, as well as reviewing an evaluation of workflow and the appropriateness of staffing levels within the revenue cycle.	No action taken.
5)	Affinity Medical Group Relationships Ms. Stebbins reported that a formal proposal to the Affinity physicians in San Pablo in wake of recent difficulties and possible closure of Doctors Medical Center, including an arrangement to offer transportation and facilitated admissions of elective patients from their practice.	No action taken.
6)	Monthly Volume Statistics and Quality Metrics Ms. Stebbins noted several of the key statistic below for the month of August.	No action taken.

	August Preliminary	August Budget	% □ compared to Budget	% Δ compared to July	July Actual
Average Daily Census	87.1	83.2	4.7%	6.1%	82.1
Acute	29.94	29.26	2.3%	7.2%	27.9
Subacute	33.61	33.00	1.8%	7.1%	31.4
South Shore	23.58	20.97	12.4%	3.6%	22.8
Patient Days	2,701	2,580	4.7%	6.1%	2,545
ER Visits	1,360	1,426	-4.6%	-8.4%	1,485
OP Registrations	1,916	2,003	-4.3%	7.9%	1,775
Total Surgeries	231	216	6.9%	17.3%	197
Inpatient Surgeries	38	42	-9.5%	15.2%	33
Outpatient Surgeries	193	174	10.9%	17.7%	164

Topic	Discussion	Action / Follow-Up
a)	Quality Metrics Calendar Ms. Stebbins presented a tentative quality metrics reporting schedule that she will highlight a key area of quality reporting at each months District Board meeting. Next month HCAHPS (Hospital Consumer Assessment of Healthcare Provider and Systems) data will be presented.	No action taken
b)	Hospital Acquired Infections	

Topic	Discussion	Action / Follow-Up
	Ms. Stebbins reported on hospital acquired infection rates at the hospital noting that the hospital has had no incidence of the following hospital acquired infections specifically in Q2-2011 and historically very low rates over the years. (surgical site infections, blood stream infections, blood stream infections, ventilator related pneumonias (VAP), central line associated blood stream infections (CLABSI), catheter associated urinary tract infections). Copies of the report will be included with the original board packet for reference.	
	Ms. Stebbins reported on additional initiatives to reduce expenses, including ways to further flex the skill mix in the skilled nursing units while still meeting the required staffing guidelines. Ms. Stebbins also stated that the target is to always to exceed budget each year, which will come from additional revenue sources and initiative and not just from cutting expenses.	
	7) Hospital Updates | Events	
	a) Alameda Hospital Foundation Gala – October 1, 2011 Ms. Stebbins reported that the Foundation will hold its annual fall gala on October 1 and will honor Drs. Stephen and Sharon Van Meter with the Kate Creedon Award.	No action taken
E. Facilities Report		
	1) Marina Village Wound Care Program Update Mr. Easthope presented an update on the Wound Care Program including a timeline of key milestones of the project as well as a recap of the construction budget for the project. The project will be put out to bid as required by public entities. Estimated time of completion for construction and the opening of the program are scheduled for first quarter 2012. Copies of the presentation will be kept with the original board packet. Director McCormick asked if any of the pre-qualified contractors use union labor. Mr. Easthope stated that it is not a requirement in the bid document, but contractors are required to pay prevailing wages. Director McCormick stated that use of union labor was important to him. Director Battani asked that follow-up be brought to the board regarding this issue. Director Chen asked if any of the contractors that submitted prequalification forms were from Alameda. Mr. Easthope stated, at the time, that he did not recall, but would provide info to the Board at the next meeting. Director Deutsch asked if there were incentive items for completing the project early, since there has already been a delay from the original schedule. Mr. Easthope replied that incentive are an	No action taken.

Topic	Discussion	Action / Follow-Up
	option and can be include in the bid document for the contractors.	
F.	Medical Staff President Report Dr. Yeh reported that the medical staff looking forward to presentation by Accelcare on September 27 regarding the wound care program. He also stated a majority of the physicians have completed NIH Stroke scale certification in preparation for the upcoming stroke survey.	
G.	Finance and Management Report	
	1) August 31, 2011 Committee Meeting Report Director McCormick updated the Board on the discussion of the August 31, Finance and Management Committee meeting. The Committee discussed the July financial statements in detail, received an update on the status of the audit, the status of the revenue cycle review as well as an update from Ms. Stebbins on the county uncompensated care program and IGT funds as previously discussed. He noted that the combined expense over revenue for the month was a loss of $135,000 versus a budgeted profit of $103,000. Average Daily Census was 82.1 versus a budget of 86.1.	No action taken
	2) FYE June 30 Audit Update Ms. Surber informed the Board that the auditor was on site August 22-24. She was not aware of any unusual adjustments based on the field work thus far. She indicated that she is working with the auditor to accurately reflect the Banc of America master equipment lease agreement in the financials and audit. The audit is still on track to be presented to the Finance and Management Committee and Board in September and October, respectively.	No action taken.
H.	Community Relations and Outreach Report	
	1) August 23, 2011 Committee Meeting Report Director Chen reported that committee met on August 23 and welcomed Mike McMahon, Alameda School Board Trustee to the committee. Director Chen reported that there was a presentation from John Ellis, Director of Diagnostic Imaging on the new upgrades and advances in imaging technology and that a direct mail postcard is being developed highlighting the advances and upgrades as well as digital mammography. The committee also discussed the importance of communication with referring physicians when new programs and services begin at the hospital. He reported that the next stroke assessment is scheduled for	No action taken

Topic	Discussion	Action / Follow-Up
	September 29 and that the Let's Move Alameda celebration was held on September 10 at the Webster Street Jam. Director Chen also invited the Hospital and Board to participate in the October 15th Walk for Life benefiting the American Lung Association.	
VII. General Public Comments		
VIII. Board Comments		
IX. Adjournment	Being no further business, the meeting was adjourned at 9:53 p.m.	

Attest:

Jordan Battani
President

Elliott Gorelick
Secretary

Minutes of the Board of Directors

September 28, 2011
SPECIAL MEETING
2 East Board Room – Alameda Hospital

Directors Present:

Jordan Battani
Elliott Gorelick
Stewart Chen, DC
J. Michael McCormick

Legal Counsel Present:

Thomas Driscoll, Esq.

Management:

Deborah E. Stebbins
Kerry Easthope
Diana Surber
Phyllis Weiss
Mary Bond, RN

Guests:

Larry Blitz, HFS Consultants
Paul Fayollatt, PHM

Submitted by: Kristen Thorson

Excused:

Robert Deutsch, MD
James Yeh, DO

Topic	Discussion	Action / Follow-Up
I. Call to Order	Jordan Battani called the Open Session of the Board of Directors of the City of Alameda Health Care District to order at 7:36 a.m.	
II. Roll Call	Kristen Thorson called roll, noting that a quorum of Directors were present.	
III. Closed Session Agenda	The meeting was adjourned into Executive Closed Session at 7:37 a.m.	
IV. Reconvene to Public Session	The meeting was reconvened into public session at 9:41 a.m. A. Announcements from Closed Session	Director Battani reported that there was no action taken in closed session.
X. Board Comments	None	
VI. General Public Comments	None	
XII. Adjournment	A motion was made to adjourn the meeting and being no further business, the meeting was adjourned at 9:42 a.m.	

Attest:

____
Jordan Battani
President

____
Elliott Gorelick
Secretary

Date: October 10, 2011

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

From: Deborah E. Stebbins, Chief Executive Officer

Subject: Approval of Administrative Policies and Procedures

Recommendation:

Management requests approval of the Administrative Policies and Procedures listed below.

Background:

The following Administrative Policies and Procedures are either a new policy and procedure or a policy and procedure that has been revised to reflect current practices, regulatory language and/or other pertinent information. Each policy and procedure has been reviewed by the appropriate Medical Staff Committees, Hospital Committees, Management Team, and Administration. Policies and Procedures are available for review upon request.

Policy #	Type of Change	Policy Title & Purpose Statement
No. 33	Revision	**5150 HOLD** **PURPOSE:** To outline the necessary steps in evaluating an individual for an involuntary psychiatric hold, including medical clearance and detention. *Note: Policy was revised to meet regulatory requirement.*
No. 53	New Policy	**STROKE CENTER PROGRAM** **PURPOSE:** To provide comprehensive acute stroke care and enhance stroke recognition to the community. Recognizing that effective stroke treatment requires an integrated and coordinated approach, hospital leadership provides an organization-wide Stroke Center Program that includes activities within the organization which contribute to the maintenance and improvement of acute stroke care and prevention. *Note: Policy developed for Joint Commission Stroke Certification Survey*

Audited Financial Statements

CITY OF ALAMEDA HEALTH CARE DISTRICT

Dba ALAMEDA HOSPITAL

June 30, 2011

Audited Financial Statements

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2011

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Audited Financial Statements
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Management's Discussion and Analysis

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2011

The management of the City of Alameda Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2011 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2011 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Volumes and Statistics

- Acute care patient days were 10,443 for fiscal year 2011 as compared to 10,579 for the prior year. Discharges were 2,527 for the current year versus 2,802 for the prior year resulting in lengths of stay of 4.13 for 2011 as compared to 3.78 for 2010.

- Sub-acute and skilled nursing days were 19,827 for fiscal year 2011 as compared to 20,028 for fiscal year 2010, equaling an average daily census of 54.3 for 2011 versus 54.9 for 2010.

- Overall combined occupancy for the Hospital, including the sub-acute and skilled nursing programs, was 51.5% for the year ended June 30, 2011 versus 52.1% for the year ended June 30, 2010.

- There were 2,232 surgery cases during fiscal year 2011 (502 inpatient and 1,730 outpatient cases) as compared to 4,912 surgery cases for the prior fiscal year (683 inpatient and 4,229 outpatient cases). However, it is important to note that prior year included nine months of outpatient surgery associated with the Kaiser contract. Alameda surgery cases for the prior year, excluding Kaiser, were 1,943. Therefore the Hospital experienced a 15% increase in non-Kaiser surgery cases between 2010 and 2011.

- Outpatient registrations decreased by 5,283 registrations over the prior year (23,796 for 2011 versus 29, 079 for 2010).

- Emergency room visits were 16,816 in the fiscal year 2011 as compared to 17,624 for the prior year.

- FTE's per adjusted occupied bed were 3.41 for 2011 versus 3.11 for the prior year.

Financial Highlights

During fiscal year 2011, the health care industry continued to face operational and financial challenges. At the local, regional and national levels, health care institutions continue to experience serious cost and payment pressures dictated by federal and state health care reforms, and from both governmental payors (Medicare and Medi-Cal) and private insurance carriers. The continued uncertainty surrounding current economic conditions continues to place challenges on the health care market.

Specific challenges to the Hospital were the continued affects of the loss of the Kaiser contract which has negatively impacted the financial performance of the Hospital. Despite this, there were some factors that contributed to the Hospital's financial performance:

- The steady utilization of the 26-bed skilled nursing facility which opened in August, 2008 continues to add to the Hospital's continuum of care for residents of Alameda.
- The disproportionate share/intergovernmental transfer program added approximately $775,000 to fiscal year 2011 net patient revenue.
- The State's Quality Assurance program added approximately $600,000 to net patient revenue for the year 2011. These disproportionate share programs have been approved to continue through December, 2013.
- While net patient revenues decreased approximately $10 million, the Hospital was able to counter these decreases by flexing operating expenses $5.1 million in order to help reduce costs due to the loss of volumes and revenues.
- The Hospital realized an extraordinary gain of $1,451,597 to reverse a liability that had been carried on the records of the Hospital for a substantial period of time. Significant and concerted efforts had been made for several years by the Hospital to resolve the issue and several contacts to the vendor had been made with no response by them. It was assumed that any future efforts would be met with the same silence. This statutory forgiveness of debt results from the fact that any attempt at collection by the vendor would be barred by the four-year statue of limitations applicable to claims that arise with respect to contracts in California. Therefore, given the passing of the four-year statue of limitations and following discussions with Hospital legal council on this matter, the Hospital has written off the debt from its financial statements.

These financial factors resulted in the following:

- Net assets decreased by $1,429,000 in 2011 as compared to an increase of $2,017,000 in 2010
- Net patient service revenues decreased by $10,021,000 or 15% while total operating expenses decreased by $5,070,000 or 7% over the prior fiscal year.

- The Hospital's operating loss, before parcel tax revenue, was $9,108,000 for fiscal year 2011 as compared to $4,127,000 for fiscal year 2010.
- Current assets decreased by $2,927,000 while current liabilities decreased by $47,000 over the prior fiscal year. This resulted in a reduction of the current ratio at June 30, 2011 to 1.11 as compared to 1.23 for the prior year.
- Net days in patient accounts receivable improved to 45.2 at June 30, 2011 as compared to 51.5 at June 30, 2010.
- Total assets decreased by $1,602,000 over the prior fiscal year. Total operating cash and cash equivalents decreased by $1,661,000 over the prior year (see the *Statements of Cash Flows* for changes).

The Hospital's financial statements consist of three statements: balance sheet; statement of revenues, expenses, and changes in net assets; and statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The balance sheet includes all of the Hospital's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose.

The statement of revenues, expenses and changes in net assets reports all of the revenues earned and expenses incurred during the time period indicated. Nets assets (the difference between total assets and total liabilities) is one way to measure the financial health of the Hospital.

The statement of cash flows reports the cash provided by and used by the Hospital's operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements. This statement provides meaningful information on how the Hospital's cash was generated and how it was used during the fiscal year.

Balance Sheet - Assets

For the fiscal year ended June 30, 2011, the Hospital's unrestricted and restricted cash and investments totaled $2.5 million as compared to $4.2 million in the prior fiscal year. At June 30, 2011, day's cash on hand was 14.1 as compared to 21.6 for the prior year. The Hospital's goal is to maintain sufficient cash and cash equivalent balances to pay all short-term liabilities and to be able to expand services available to the community.

During the year, the Hospital added $2,279,000 in capital assets for major moveable equipment and various minor construction and improvement projects on the Hospital's campus. The Hospital has several projects in process at year end for various renovations and equipment improvements. The significant additions during the fiscal year were seismic planning work ($1,024,000) and Electronic Health Record (EHR) implementation ($1,569,000).

Balance Sheet - Liabilities

As previously discussed, the Hospital's current liabilities decreased by $47,000 from the prior year. Changes were comprised of increases in trade payables by $799,000, increases in current maturities of debt borrowings by $327,000 due to the reclassification of the FY09 Medi-Cal settlement payable, decreases in deferred revenues by $12,000, decreases in third party payor settlements by $500,000, decreases in health insurance claims by $302,000 and decreases in accrued payroll and related liabilities of $360,000.

Balance Sheet - Net Assets

The Hospital reports its net assets in three categories:

- ***Invested in capital assets net of related debt***: Total investment in Hospital property and equipment (capital assets) net of accumulated depreciation and outstanding debt borrowings related towards the purchase of those capital assets.
- ***Restricted by contributors***: Resources the Hospital is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or external third parties that have placed a time limit or purpose restriction on the use of the asset.
- ***Unrestricted net assets***: All other funds available for use by the Hospital to meet general obligations and to fund current operating expenses.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the operating results of the Hospital, as well as the non-operating revenues and expenses. Activities are reported as either operating or nonoperating. The use of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of the asset over its expected useful life.

Gross Patient Charges

The Hospital charges all patients equally based on its established pricing structure for the services rendered.

Acute inpatient gross charges decreased by $760,000 from fiscal year 2010 due to a combination of price increases and a decrease in acute care patient days of 136 days in fiscal year 2011. The subacute and skilled nursing unit charges decreased in fiscal year 2011 by only $29,700 as patient day decreased by only 201 days.

Outpatient gross charges continued to decrease by $33.9 million as a result of a full years record of affect of the loss of the Kaiser Outpatient Surgery Services contract as previously discussed.

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and provisions for bad debts. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

The provision for bad debts for fiscal year 2011 and fiscal year 2010 were $8.0 million and $6.3 million, respectively. As a percentage of gross patient charges, the allowance has increased from 2.3% in fiscal year 2010 to 3.3% in fiscal year 2011.

Contractual allowances and the provision for bad debts (as a percentage of gross patient charges) were 76.4% for fiscal year 2011 as compared to 75.7% for fiscal year 2010. The slight increase in contractual allowances was due primarily to programs such as the disproportionate share program as previously discussed (a positive impact) and by price increases in the Hospital's pricing structure.

Net Patient Service Revenues

Net patient service revenues are the difference between gross patient charges and deductions from revenue. Net patient service revenues decreased by $10.0 million as a result primarily of contract losses and volume changes as previously noted.

Operating Expenses

Total operating expenses were $66.9 million for fiscal year 2011 compared to $72.1 million for fiscal year 2010. This 7.6% decrease is due primarily to:

- A $2.9 million or 6.1% decrease in salaries, wages, registry and benefits from the prior year. Total full time equivalents (FTE's) were 420.8 in 2011 versus 442.3 in 2010, a 5% decrease over the prior year. The decrease was primarily due to the reduction to direct and indirect staffing levels that previously supported the Kaiser Outpatient Surgery Services contract.

- Other variable expenses such as professional fees, supplies and purchased services decreased during the year by approximately $1.9 million while other expenses (rent, insurance, utilities, depreciation and other operating expenses) decreased slightly by approximately $263,000.

Statement of Cash Flows

The statement of cash flows presents the information related to cash inflows and outflows summarized by operating capital, and noncapital financing and investing activities. It also summarizes information about cash receipts and cash payments during the year and is presented in various categories. The statement also helps users assess the Hospital's ability to: (1) generate net cash flows; (2) meet its obligations as they become due; and (3) meet its need for external financing.

The main sections of the statement of cash flows include:

- ***Operating activities***: This section reflects operating cash flows and the net cash provided or used by the operating activities of the Hospital.

- ***Noncapital financing activities***: This section shows the cash received and spent for non-operating, non investing, and non capital purposes.

- ***Capital and related financing activities***: This section reflects the sources and uses of cash for the acquisition of capital related items and other debt borrowings.

- ***Investing activities***: This section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities.

Economic Factors and Next Fiscal Year's Budget

The Hospital's board has approved operating and capital budgets for fiscal year ending June 30, 2012. For fiscal year 2012, the Hospital is budgeted to increase its net assets by approximately $540,000. The increase is due to several assumptions:

- The Hospital has factored in a "worst case" projected Medi-Cal reimbursement reduction of approximately $2.1 million in long-term care reimbursement as a result of AB 97. It is still not clear how AB 97 will impact the Hospital as there exists a potential CMS rejection.

- The Hospital's average daily census is projected to increase by over 4% over 2011 due to the implementation of a physician advisory program and the addition of the Wound Care Center, expected to open in January, 2012.

- The South Shore Skilled Nursing Unit and the 35-bed Sub Acute Unit are both projected to perform at levels consistent with prior years.

- The outpatient registrations are expected to increase by 2.1% over 2011 levels due to changes in radiology and other services while observation visits are projected to decrease by 29% due to the physician advisory program previously mentioned.

- Operating expenses are expected to approximate $66,486,000, a slight decrease from the 2011 levels due to continued monitoring of FTE levels and variable expenses.

Management is confident that, despite the challenges that confront Alameda Hospital, continued operational improvements will allow Alameda Hospital to be successful into the future.

TCA Partners, LLP

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Report of Independent Auditors

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

We have audited the accompanying balance sheets of the City of Alameda Health Care District (the Hospital) as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal controls over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Alameda Health Care District at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

September 16, 2011

Balance Sheets

CITY OF ALAMEDA HEALTH CARE DISTRICT

	June 30	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 2,064,823	$ 3,725,769
Patient accounts receivable, net of allowances	7,249,185	9,558,147
Other receivables	8,090,457	6,669,235
Estimated third party payor settlements	153,930	374,557
Inventories	1,183,358	1,149,706
Prepaid expenses and deposits	262,359	453,871
Total current assets	19,004,112	21,931,285
Assets limited as to use	483,716	476,630
Capital assets, net of accumulated depreciation	8,632,791	7,314,870
Total assets	$ 28,120,619	$ 29,722,785
Liabilities and Net Assets		
Current liabilities:		
Current maturities of debt borrowings	$ 777,897	$ 450,831
Accounts payable and accrued expenses	6,911,766	6,112,296
Accrued payroll and related liabilities	3,991,254	4,351,133
Deferred revenues	5,725,900	5,736,951
Estimated third party payor settlements		500,000
Health insurance claims payable (IBNR)	343,382	645,750
Total current liabilities	17,750,199	17,796,961
Debt borrowings, net of current maturities	1,110,286	1,236,831
Total liabilities	18,860,485	19,033,792
Net assets:		
Invested in capital assets, net of related debt	8,321,570	7,314,870
Restricted, by contributors	483,716	476,630
Unrestricted	454,848	2,897,493
Total net assets	9,260,134	10,688,993
Total liabilities and net assets	$ 28,120,619	$ 29,722,785

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Assets

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2011	2010
Operating revenues		
Net patient service revenue	$ 57,757,879	$ 67,778,668
Other operating revenue	127,017	157,493
Total operating revenues	57,884,896	67,936,161
Operating expenses		
Salaries and wages	35,233,864	37,493,274
Registry	2,385,110	2,029,651
Employee benefits	9,147,660	10,115,302
Professional fees	3,666,706	3,447,118
Supplies	8,180,393	10,002,904
Purchased services	4,317,577	4,650,202
Building and equipment rent	837,899	843,137
Utilities and phone	769,760	836,617
Insurance	383,797	496,418
Depreciation and amortization	961,544	1,163,436
Other operating expenses	1,108,797	984,815
Total operating expenses	66,993,107	72,062,874
Operating income (loss)	(9,108,211)	(4,126,713)
Nonoperating revenues (expenses)		
District tax revenues	5,775,241	5,762,661
Investment income	19,303	28,988
Interest expense	(122,255)	(97,191)
Rent and other income	264,070	255,108
Grants and contributions	291,396	193,686
Total nonoperating revenues (expenses)	6,227,755	6,143,253
Increase (decrease) in net assets before extraordinary gain	(2,880,456)	2,016,539
Extraordinary gain on extinguishment of debt	1,451,597	
Increase (decrease) in net assets	(1,428,859)	2,016,539
Net assets at beginning of the year	10,688,993	8,672,454
Net assets at end of the year	$ 9,260,134	$ 10,688,993

See accompanying notes and auditor's report

Statements of Cash Flows

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2011	2010
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$ 57,901,250	$ 68,460,560
Cash received from operations, other than patient services	580,962	107,172
Cash payments to suppliers and contractors	(19,543,480)	(24,264,829)
Cash payments to employees and benefit programs	(44,741,403)	(47,023,126)
Net cash provided by operating activities	(5,802,671)	(2,720,223)
Cash flows from noncapital financing activities:		
District tax revenues	5,775,241	5,762,661
Grants, contributions and other nonoperating revenues	555,466	448,794
Net cash provided by noncapital financing activities	6,330,707	6,211,455
Cash flows from capital financing activities:		
Purchase and donations of capital assets, net of loss on disposals	(2,279,465)	(1,240,845)
Proceeds from debt borrowings	641,823	
Principal payments on debt borrowings	(441,302)	(482,703)
Interest payments on debt borrowings	(122,255)	(97,191)
Net cash provided by (used in) capital financing activities	(2,201,199)	(1,820,739)
Cash flows from investing activities:		
Net change in assets limited as to use	(7,086)	(8,421)
Investment income	19,303	28,988
Net cash provided by (used in) investing activities	12,217	20,567
Net increase (decrease) in cash and cash equivalents	(1,660,946)	1,691,060
Cash and cash equivalents at beginning of year	3,725,769	2,034,709
Cash and cash equivalents at end of year	$ 2,064,823	$ 3,725,769

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2011	2010
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (9,108,211)	$ (4,126,713)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	961,544	1,163,436
Provision for bad debts	8,020,061	6,338,492
Extraordinary gain on extinguishment of debt	1,451,597	
Changes in operating assets and liabilities:		
Patient accounts receivables	(5,711,099)	(5,827,103)
Other receivables	(1,421,222)	(462,472)
Inventories	(33,652)	141,366
Prepaid expenses and deposits	191,512	275,430
Accounts payable and accrued expenses	799,470	(88,601)
Accrued payroll and related liabilities	(359,879)	585,450
Estimated third party payor settlements	(279,373)	170,503
Deferred revenues	(11,051)	(787,849)
Health insurance claims payable (IBNR)	(302,368)	(102,162)
Net cash provided by operating activities	$ (5,802,671)	$ (2,720,223)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: The City of Alameda Health Care District, (d.b.a. Alameda Hospital), heretofore referred to as (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The Hospital is governed by a five-member Board of Directors, elected from within the district to specified terms of office. The Hospital is located in Alameda, California. It operates a 100-bed acute care facility, a 35-bed sub acute unit within the Hospital and another 26-bed skilled nursing facility adjacent to the Hospital campus which began operations in August, 2008. The Hospital provides health care services primarily to individuals who reside in the local geographic area.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Effective July 1, 2002, the Hospital adopted the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. One of the main components of these new provisions allows the inclusion of a management's discussion and analysis to accompany the financial statement presentation.

The management's discussion and analysis is a narrative introduction and analytical overview of the Hospital's financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management's discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements, and 3 to 10 years for major moveable equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2011 and 2010, the Hospital has determined that no capital assets are impaired.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Compensated Absences: The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2011 and 2010 are $2,644,177 and $2,646,428, respectively.

Risk Management: The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the Hospital is self-insured for those claims and is discussed further in the footnotes.

Net Assets: Net assets are presented in three categories. The first category is net assets "invested in capital assets, net of related debt". This category of net assets consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net assets. This category consists of externally designated constraints placed on those net assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net assets. This category consists of net assets that do not meet the definition or criteria of the previous two categories.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

District Tax Revenues: The Hospital receives approximately 9% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net assets.

Operating Revenues and Expenses: The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2011 and 2010, the Hospital had deposits invested in various financial institutions in the form of cash and cash equivalents in the amounts of $2,547,338 and $4,201,199 respectively. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for $250,000 per account that is federally insured.

The CGC and the Hospital's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Hospital would not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the Hospital.

NOTE C - NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are paid under an outpatient classification system subject to certain limitations. Certain reimbursement areas are still subject to final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2011, cost reports through June 30, 2007 have been final settled.

Medi-Cal: For traditional Medi-Cal (non-HMO) services, payments for inpatient services rendered to patients were made based on reasonable costs through May 5, 2010. Effective May 6, 2010, the Hospital entered into a contract under the Selective Provider Contracting Program administered by the California Medical Assistance Commission (CMAC), to receive payments for inpatient services based upon an established rate. The Hospital was paid at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2011, cost reports through June 30, 2009, have been final settled. Outpatient payments are based on a pre-determined fee schedule and Medi-Cal HMO services are paid on a pre-determined rate and are not subject to cost reimbursement

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Other: Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Net patient service revenues summarized by service line are as follows:

	2011	2010
Inpatient acute and inpatient ancillary services	$135,629,202	$136,389,616
Long-term care routine services	27,952,591	27,982,345
Outpatient acute services	80,609,704	114,502,502
Gross patient service revenues	244,191,497	278,874,463
Less deductions from revenue and related allowances	(186,433,618)	(211,095,795)
Net patient service revenues	$ 57,757,879	$ 67,778,668

Medicare and Medi-Cal revenue accounts for approximately 40% of the Hospital's net patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable at June 30, 2011 and 2010 were as follows:

	2011	2010
Medicare	$ 8,230,964	$ 12,868,587
Medi-Cal	6,867,312	10,226,623
Other third party payors	12,159,619	10,358,059
Self pay and other	8,188,321	10,051,064
Gross patient accounts receivable	35,446,216	43,504,333
Less allowances for contractual adjustments and bad debts	(28,197,031)	(33,946,186)
Net patient accounts receivable	$ 7,249,185	$ 9,558,147

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2011 and 2010 were comprised of the following:

	2011	2010
Alameda County property taxes	$ 6,011,855	$ 6,027,398
Kaiser contract receivable	141,183	141,183
Various managed care programs	109,520	
Pension plan forfeitures	180,778	165,579
Intergovernmental Transfer program from the State	1,476,698	
Rents receivable	1,850	5,342
Other various receivables, net of reserves	168,573	329,733
	$ 8,090,457	$ 6,669,235

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2011 and 2010 were comprised of the following:

	2011	2010
Cash and cash equivalents restricted by contributors	$ 483,716	$ 476,630

NOTE G - CAPITAL ASSETS

The Hospital received two parcels of improved rental-real estate by court order dated December 3, 2003, pursuant to the terms of the Alice M. Jaber 1992 Trust. As successor to the former non-profit Alameda Hospital, the Hospital has agreed to abide by the terms of the Trust Agreement. The Trust Agreement and the will of Alice M. Jaber require the Hospital to account for the property as part of the Abraham Jaber and Mary A. Jaber Memorial Fund. Among other things, the Hospital is prohibited from selling all or any portion of the parcels received until after the death of certain named family members and, if the property is sold, it may not be sold to any descendant, spouse or relative to the third degree of any such descendant of a named family member. The net carrying value of this property is $1,089,667 and $1,149,625 at June 30, 2011 and 2010, respectively.

NOTE G - CAPITAL ASSETS (continued)

Capital assets as of June 30, 2011 and 2010 were comprised of the following:

	Balance at June 30, 2010	Transfers & Additions	Reclasses & Retirements	Balance at June 30, 2011
Land and land improvements	$ 1,376,954			$ 1,376,954
Buildings and improvements	23,980,336			23,980,336
Equipment	19,064,608	$ 186,066		19,250,674
Construction-in-progress	827,650	2,093,399		2,921,049
Totals at historical cost	45,249,548	2,279,465		47,529,013
Accumulated depreciation for:				
Land and land improvements	(262,784)	(4,094)		(266,878)
Buildings and improvements	(20,913,759)	(394,347)		(21,308,106)
Equipment	(16,758,135)	(563,103)		(17,321,238)
Total accumulated depreciation	(37,934,678)	(961,544)		(38,896,222)
Capital assets, net	$ 7,314,870	$ 1,317,921	$	$ 8,632,791

	Balance at June 30, 2009	Transfers & Additions	Reclasses & Retirements	Balance at June 30, 2010
Land and land improvements	$ 1,376,954			$ 1,376,954
Buildings and improvements	23,657,283	$ 323,053		23,980,336
Equipment	18,449,576	615,032		19,064,608
Construction-in-progress	533,294	294,356		827,650
Totals at historical cost	44,017,107	1,232,441		45,249,548
Accumulated depreciation for:				
Land and land improvements	(258,275)	(4,509)		(262,784)
Buildings and improvements	(20,530,813)	(382,946)		(20,913,759)
Equipment	(15,990,558)	(767,577)		(16,758,135)
Total accumulated depreciation	(36,779,646)	(1,155,032)		(37,934,678)
Capital assets, net	$ 7,237,461	$ 77,409	$	$ 7,314,870

NOTE H - DEBT BORROWINGS

As of June 30, 2011 and 2010, debt borrowings were as follows:

	2011	2010
Note payable to a bank; principal ant interest at 4.80% due in monthly installments of $42,460 each 15th of the month through February 15, 2014; collateralized by Hospital receivables:	$ 1,273,005	$ 1,672,867
Note payable to the State of California for a cost report settlement; principal and interest at 4.56% due in monthly installments of $26,869 through May, 2013; collateralized by Hospital future revenues from servicing Medi-Cal patients:	615,178	
Note payable to a bank; principal and interest at 5.75% due in monthly installments of $2,146 at month's end through January 31, 2011; collateralized by Hospital property:		14,795
Other		
	1,888,183	1,687,662
Less current maturities of debt borrowings	(777,897)	(450,831)
	$ 1,110,286	$ 1,236,831

Future principal maturities for debt borrowings for the next succeeding years are: $777,897 in 2012; $775,396 in 2013; and $334,890 in 2014.

Line of Credit: The Hospital has a $1,500,000 bank line of credit available at year end with a variable interest rate. Any advances on this line are due at the time of maturity and interest is due and payable monthly. There were no borrowings under this line of credit agreement as of June 30, 2011.

NOTE I - RELATED PARTY TRANSACTIONS

The Alameda Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501 c (3) to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the Hospital or held for the benefit of the Hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for Hospital property and equipment replacement or expansion, reimbursement of expenses, or other specific purposes. Donations in this regard were $162,576 and $165,000 for the years ended June 30, 2011 and 2010 respectively. The Foundation is not considered a component unit of the Hospital as the Foundation, in the absence of donor restrictions, has complete and discretionary control over the amounts, the timing, and the use of its donations to the Hospital.

NOTE J - RETIREMENT PLANS

Contributions to Retirement Plans: Total contributions to all of the retirement plans for the years ended June 30, 2011 and 2010 were approximately $1,857,000 and $1,775,000, respectively.

Defined Contribution Plan: Effective January 1, 2005, the Hospital established and began to administer a noncontributory defined contribution retirement plan covering employees who have completed one year of service in which they worked at least 1,000 hours and are not covered under a collective bargaining agreement. Benefit provisions are contained in plan documents and can be amended by the Board of Directors. The Hospital contributes 6% of eligible employee earnings to this plan. The Hospital also contributes to four union-sponsored defined contribution retirement plans as required under collective bargaining agreements with the Hospital.

Defined Benefit Plan: The Hospital provides retirement benefits under a noncontributory, single-employer defined benefit pension plan (the Plan) for employees not covered under collective bargaining agreements and who have completed one year of continuous service during which they worked at least 1,000 hours. The Plan, administered by the Hospital, provides benefits based on each employee's years of service and annual compensation through December 31, 2004. The Plan's annual pension cost and net pension assets for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Annual required contribution	$ 92,599	$ 118,361
Interest on net pension asset	(9,638)	(5,818)
Adjustment to net pension obligation	17,118	11,196
Annual pension cost	100,079	123,739
Contributions made	(140,000)	(168,000)
Increase (decrease) in net pension obligation	(39,921)	(44,261)
Net pension (asset) liability at the beginning of the year	(160,630)	(116,369)
Net pension (asset) liability at the end of the year	$ (200,551)	$ (160,630)

Benefits under the Plan vest 100% upon five years of service. Upon normal retirement at age 65, participants are entitled to monthly retirement benefits based upon their average compensation and years of credited service. Participants, who have attained the age the latter of age 55 or the date upon which the employee's age and years of service add up to 65, may elect early retirement with benefits determined as of the early retirement date, actuarially reduced. Participants may elect to receive their benefits as a lump sum, life annuity, or joint and survivor annuity upon retirement.

NOTE J - RETIREMENT PLANS (continued)

Pursuant to the Hospital's right to amend, terminate or discontinue making contributions to the Plan, the Hospital's Board of Directors resolved to freeze participation in and benefit obligations under the Plan as of December 31, 2004 and then established a new defined contribution plan in lieu thereof. Retirement benefits earned through December 31, 2004 will be paid as required by the Plan.

The Hospital is required to contribute the actuarially determined amounts necessary to fund benefits for its participants. The actuarial methods and assumptions used are those adopted by the Hospital. The Hospital's required employer contribution rates for 2011 and 2010 do not apply as the Plan has been frozen and has no covered payroll.

The required contribution for the year ended June 30, 2011, was determined as part of the July 1, 2009 actuarial valuation using the unit credit actuarial cost method. The actuarial valuation method was changed from the entry age normal method in 2005 because benefit accruals under the Plan were frozen at December 31, 2004. The actuarial assumptions include an investment rate of return of 8% and no salary increases in the future. The actuarial value of the Plan's assets was equal to the fair value of the assets. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar using a fixed amortization period of 15 years. The remaining amortization period at July 1, 2009 was 13 years. Below is three-year trend information followed by a schedule of funding progress:

Three-Year Trend Information:

Year Ended June 30	Annual Pension Cost (APC) in $	Percentage of APC Contributed	Net Pension Obligation (Asset) in $
2009	$ 133,220	96.2%	$ (116,369)
2010	$ 123,739	135.8%	$ (160,630)
2011	$ 100,079	139.9%	$ (200,551)

Schedule of Funding Progress:

Valuation Date	Accrued Liability in $	Actuarial Value of Assets in $	Unfunded Accrued Liability (UAAL) in $	Funded Ratio Percentage	Annual Covered Payroll	UAAL as a % of Payroll
7/1/08	$ 2,700,503	$ 1,370,353	$ 1,330,150	50.7%	N/A	N/A
7/1/09	$ 2,671,515	$ 1,499,904	$ 1,171,611	56.1%	N/A	N/A
7/1/10	$ 2,324,034	$ 1,504,276	$ 819,758	64.7%	N/A	N/A

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2011 and 2010, the Hospital had recorded $2,921,049 and $827,650, respectively, as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Hospital's premises. No interest was capitalized under FAS 62 during the years ended June 30, 2011 and 2010. Estimated cost to complete these projects as of June 30, 2011 are considered minor.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2011 and 2010, were $837,899 and $843,137, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2011, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2011 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Risk Management Insurance Programs: The Hospital self-insures medical and dental costs up to $100,000 per employee per year under a noncontributory plan. The Hospital also maintains claims-made insurance coverage for its medical malpractice and general liability risks up to $20 million per claim and $20 million in the annual aggregate. Deductible levels are at $10,000 per medical malpractice claim and $25,000 per general liability claim.

The reserves for self-insured risk include provisions for estimated medical and dental, a former self-insured workers' compensation plan and medical malpractice and general liability costs for both uninsured reported claims and for claims incurred but not reported (IBNR), in accordance with projections based upon several factors including past experience. While such claims reserves are based upon these factors, there is a possibility that a material change will occur in the near term. Such estimates are continually monitored, reviewed, and adjusted accordingly with differences reported in the current year operations. While the ultimate amount of medical, dental, workers' compensation and medical and general liability claims is dependent upon future developments, management believes that the associated liabilities recognized in the financial statements are adequate to cover such claims.

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the Hospital is in compliance with HIPAA as of June 30, 2011 and 2010.

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

Health Care Regulation: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statues and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

RAC Audits: Hospitals in California are subject to nationwide Medicare claim audits by Recovery Audit Contractors (RAC's). In March, 2007, RAC auditors examined certain Medicare claims for services provided to Medicare beneficiaries during the years end June 30, 2003, and thereafter. Pursuant to this review, RAC auditors reviewed medical records and compared them to billing records for "perceived" discrepancies. This audit resulted in a recovery process of Medicare payments which to date have been approximately $350,000. It is anticipated that additional recoveries may be collected in the future however any amount is undeterminable at this time. The Hospital does have appeal rights for RAC audit findings.

Seismic Retrofit: The California Hospital Facilities Seismic Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that a California hospital can maintain uninterrupted operations following a major earthquake. By January 1, 2013, all general acute care buildings must be life-safe. Management is in process of developing a plan to bring the Hospital into compliance by the required deadlines.

NOTE L - HOSPITAL COMPONENT UNITS

The City of Alameda Health Care District (District) owns and operates Alameda Hospital (the Hospital). In addition to the Hospital, the District operates CW&S Investment Company, LLC (CW&S), a wholly-owned for-profit subsidiary. The District also controls the City of Alameda Health Care Corporation (AHCC), a charitable, non-profit corporation for which the District is the sole voting member. CW&S owns a skilled nursing facility located on the property adjacent to the Hospital that is leased to the Hospital. AHCC has no operating activities. The financial results for the years ended June 30, 2011 and 2010 of these component units are included within the financial statements of the Hospital. Net assets of these units were $669,402 for 2011 and $581,436 for 2010. Net increase in assets for these units were $87,865 for 2011 and $23,041 for 2010. The financial impact of these component units on the Hospitals's combined financial statements is not considered material and therefore further disclosure of financial detail is not considered necessary.

NOTE M - FAIR VALUE OF ASSETS AND LIABILITIES

The Hospital adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs for the assets or liabilities that are supported by little or no market activity and that are significant to the fair value of the underlying assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the Hospital's balance sheets, as well as the classification pursuant to the valuation hierarchy.

Financial Instruments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 instruments include a variety of financial instruments as listed below. There are no Level 2 or Level 3 types within the balance sheet of the Hospital. The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2011:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market securities	$ 94,290	$ 94,290		
Totals of financial instruments	$ 94,290	$ 94,290		

NOTE M - FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2010:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market securities	$ 593,848	$ 593,848		
Totals of financial instruments	$ 593,848	$ 593,848		

NOTE N - CHARITY CARE AND COMMUNITY BENEFIT SERVICES

The Hospital maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of collections foregone, (based on established rates), for services and supplies furnished under its charity care and community service policies. In addition, the Hospital provides services to other medically indigent patients under certain government public aid reimbursement programs. The following is a summary of the Hospital's charity care and community benefit foregone collections for the years ended June 30, 2011 and 2010, in terms of services to the poor and benefits to the broader community:

	2011	2010
Benefits for the poor:		
Traditional charity care	$ 1,768,460	$ 1,294,078
Unpaid Medi-Cal and other public aid programs	7,716,363	7,348,917
Total quantifiable benefits for the poor	9,484,823	8,642,995
Benefits for the broader community:		
Unpaid Medicare program charges	80,192,749	76,043,551
Total quantifiable benefits for the broader community	80,192,749	76,043,551
Total quantifiable community benefits	$ 89,677,572	$ 84,686,546

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING AUGUST 31, 2011

CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
AUGUST 31, 2011

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST, 2011

The management of the Alameda Hospital (the "Hospital") has prepared this discussion and analysis in order to provide an overview of the Hospital's performance for the period ending August 31, 2011 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's financial performance as a whole.

Financial Overview as of August, 2011

- For the month of August 2011, combined expense over revenues (loss) is $100,000 versus a budgeted excess of revenues over expense of $203,000. This loss was driven by a lower than expected outpatient volume, especially in the Emergency Care Center.

- Gross patient revenue for August was less than budget by $55,000 or .2%. Inpatient programs were favorable to budget by $290,000, and offset by an unfavorable variance of $345,000 in outpatient programs. While the gross patient revenue per adjusted patient day (PAPD) was 2.9% less than the budget of $5,818,000, the August PAPD of $5,651 represents a 1.5% increase from July results of $5,570.

- Total patient days for the month were 2,701, or 4.7% above budget, and YTD days of 5,246 are only 4 days under budget. Prior month was 2,545 and prior year's August was 2,619 total patient days, while prior year August YTD was 5,105.

- The average daily acute care census was 29.9, favorable to a budget of 29.3 and a 2.0 ADC improvement from the 27.9 in the prior month; the average daily Sub-Acute census was 33.6 versus a budget of 33.0 and 31.4 in the prior month and the Skilled Nursing program had an average daily census of 23.6 versus a budget of 20.9 and prior month census of 22.8.

- Emergency Care Center (ECC) visits were 1,360 or 4.6% below the budgeted 1,426 visits and were 125 visits or 8.4% less than the prior month's visits of 1,485.

- Total surgery cases were greater than budgeted expectations by 6.9% for the month at 231 cases versus the budgeted 216 cases. Year-to-date surgery cases were 428 or 9.7% above the budget of 390. The current month's surgical volume was virtually the same as the same month prior year's 229 cases.

- Outpatient registrations were 1,916, 4.3% below budget but 141 or 7.9% above prior month. The average of 61.8 visits per day was 7.8% higher than the prior month's 57.3 visits per day.

Total assets decreased by $213,000 from the prior month, nearly all of which was in current assets. The following items make up the decrease in current assets:

- Total unrestricted cash and cash equivalents for July increased by $1,200,000 and days cash on hand including restricted use funds increased to 15.3 days on hand in August from 7.0 days on hand in July. The increase in cash was the result of the state returning the $700,000 IGT deposit pending CMS approval of the IGT methodology. We expect to receive instructions in the near future to re-send the deposit to the state in order to receive that matching federal funds. In addition, cash on hand was increased due to the timing of payroll checks for pay period ending August 27th, which were issued on September 2nd.

- Net patient accounts receivable decreased in August by $149,000 compared to an increase of $1,348,000 in July. Days in outstanding receivables were 55.2 at August month end, a decrease from 62.0 days in July. Collections in August totaled $5.3 million compared to $3.3 million in July.

- Other Receivables decreased $857,000, or 10.3%, from the prior month due primarily to the return of the $700,000 IGT deposit discussed above. The balance includes the $776,000 balance in IGT matching federal funds, which had not been received as of month end.

Total liabilities increased by $276,000 compared to an increase of $431,000 in the prior month. This increase in the current month was the result of the following:

- Third party settlement accounts increased by $557,000, primarily due to the reserve of $518,000 for the impact of the AB 97 reduction in Medi-Cal SNF reimbursement rates that is currently being reviewed by CMS. Of the total, $251,000 was related to July SNF days and $267,000 was related to August. This reserve will be accrued monthly going forward.

- Payroll related accruals increased by $144,000 as a result of more days of required accrued payroll liabilities at the end of August due to the timing of unpaid payrolls at month-end (18 days accrued at month end versus 15 days accrued in July).

- Deferred revenues decreased by $477,000 due to the recognition of one-twelfth of the 2011/2012 parcel tax revenues of $5.7 million.

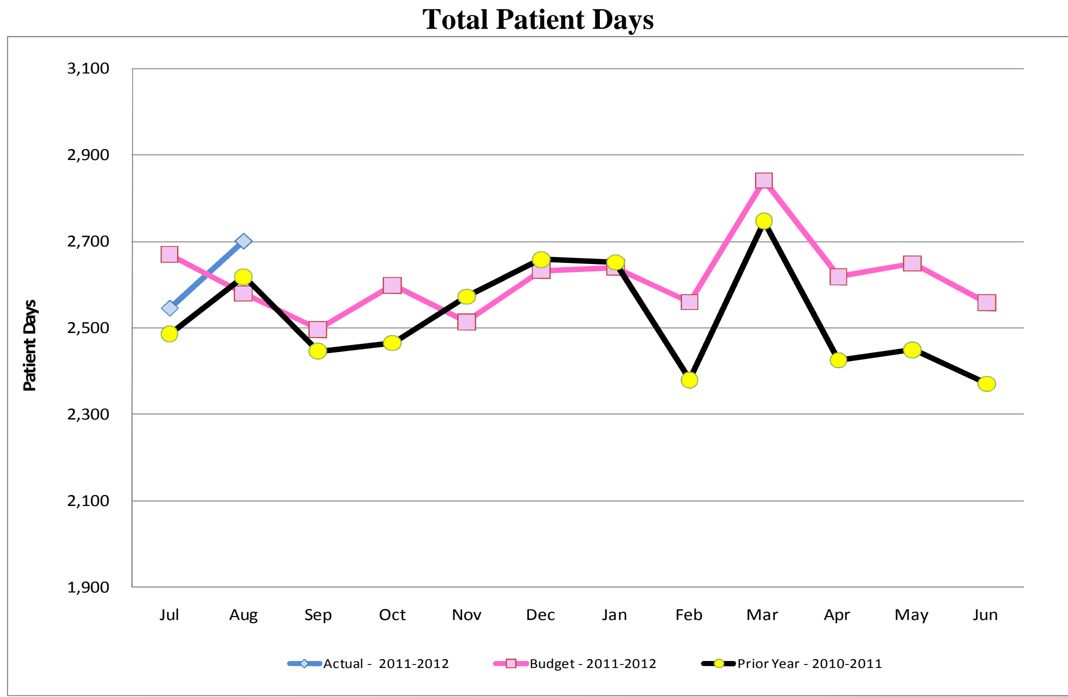
- The Employee Health Accrual increased by $155,000 as a result of an increase in the number of days of claims outstanding based on the plan administrator's report.

Volumes

The combined actual daily census was 87.1 versus a budget of 83.2 or a favorable variance of 4.8%. The current month's overall favorable variance was the result of average daily census that was favorable to budget in the acute care areas by .7 patients per day or 2.40%. The Sub-Acute program was also favorable to budget by 1.9% or.63 in the average daily census, while the Skilled Nursing program had a positive variance to budget of 2.7 patients per day or 12.9%. August's total census represents a 6.1% improvement from July levels, continuing the positive trend seen from June to July.

The graph below shows the total patient days by month for fiscal year 2012 compared to the operating budget and fiscal year 2011 actual.

Total Patient Days

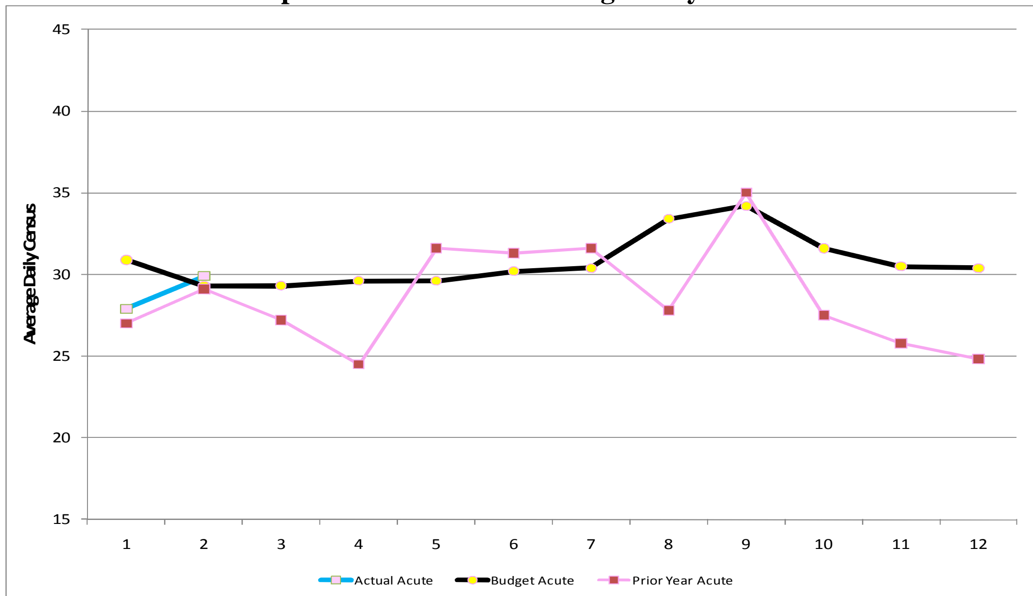


The various components of our inpatient volumes for the month of August are discussed in the following sections.

Acute Care

The acute care patient days were 2.3% (21 days) more than budgeted and were 3.0% greater than the prior year's average daily census of 29.06 for August. The acute care program is comprised of the Critical Care Unit (4.0 ADC, 2.8% unfavorable to budget), Definitive Observation Unit (10.5 ADC, 11.6% below budget) and Med/Surg Units (15.4 ADC, 20.5% favorable to budget). The graph below shows the inpatient acute care census by month for the current fiscal year, the operating budget and prior fiscal year actual.

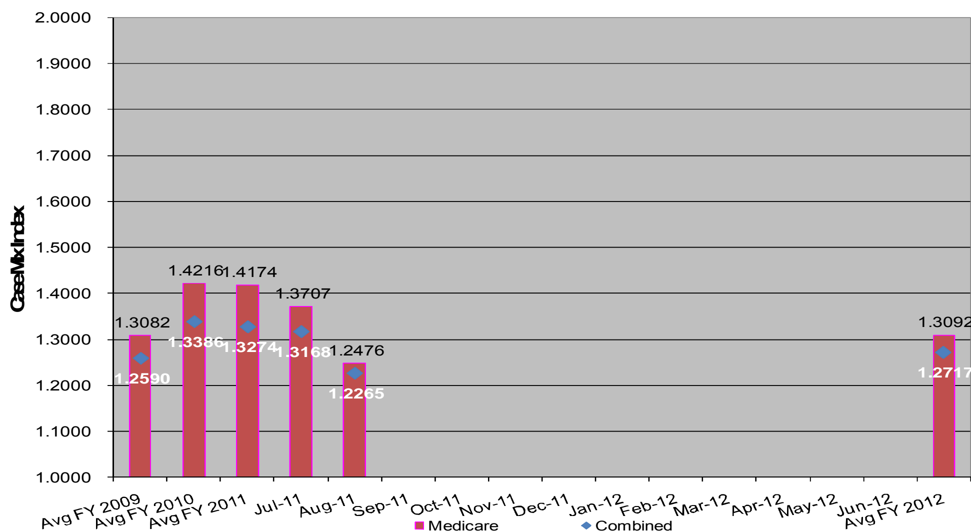
Inpatient Acute Care Average Daily Census



Case Mix Index

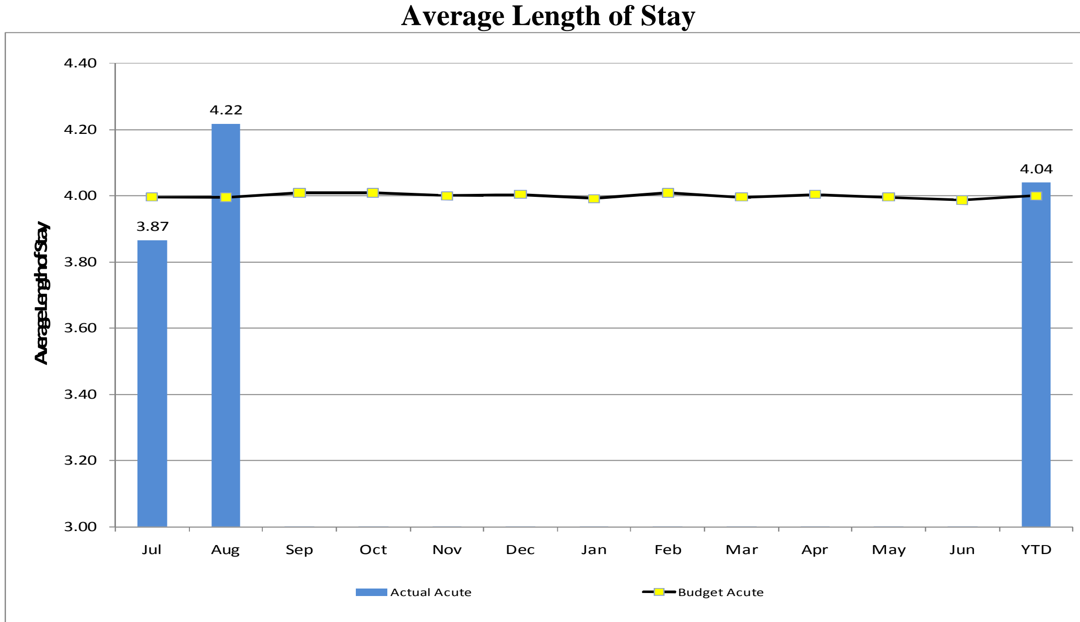
The hospital's overall Case Mix Index (CMI) decreased slightly to 1.2265, from the prior month of 1.2392, which is below the prior fiscal year average of 1.3274. The Medicare CMI decreased from 1.3707 in July to 1.2476 in August. The graph below shows the CMI for the hospital during the current fiscal year as compared to the prior three fiscal years.

Case Mix Index Comparison



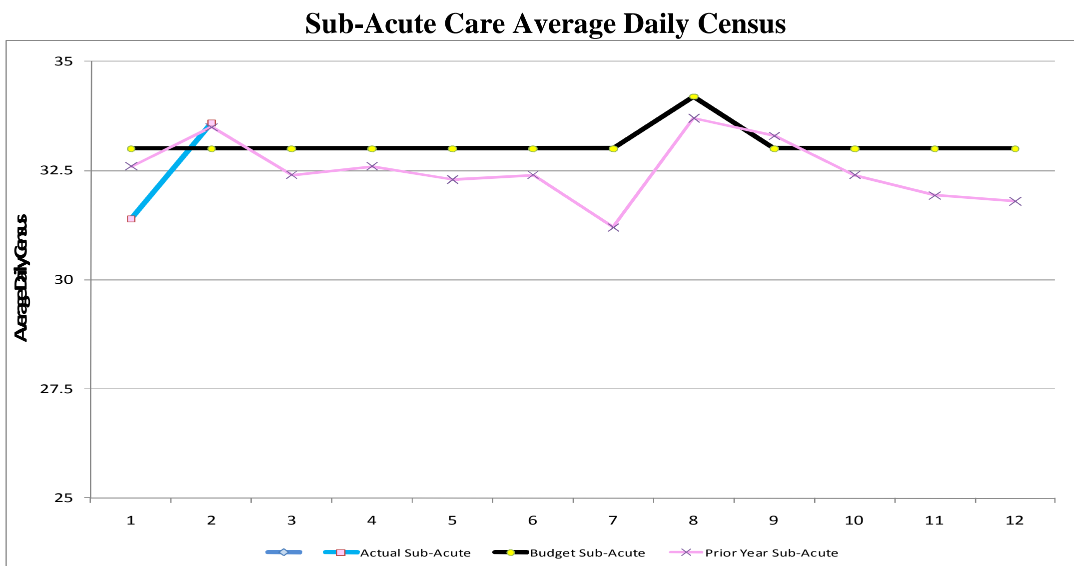
Average Length of Stay

The acute average length of stay (ALOS) increased again from July's 3.87 to 4.22 in August, which is a slight decrease from August in the prior year of 4.40. Budgeted acute ALOS is 4.0. The overall acute ALOS for FY 2011 was 4.13. The graph below shows the ALOS by month and the budgeted ALOS for fiscal year 2012.



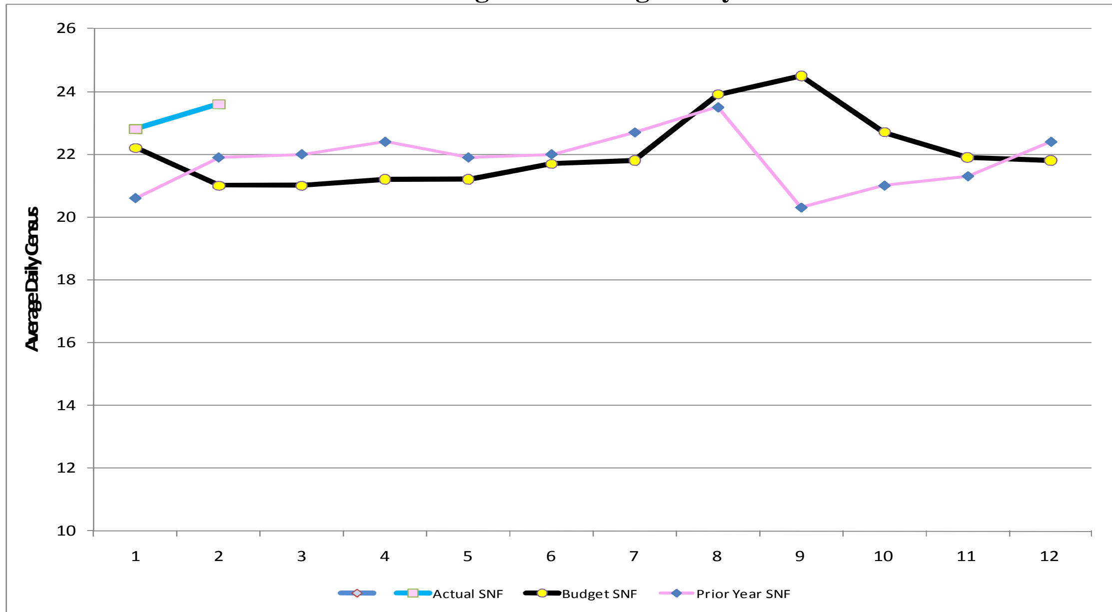
Sub-Acute Care

The Sub-Acute program average daily census of 33.6 in August was slightly more than budgeted projections of 33.0. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.



Skilled Nursing Care

The Skilled Nursing Unit (South Shore) patient days were 12.9% or 81 patient days greater than budgeted for the month of August, up 3.5% from July. This program's volume remains greater than the prior year, with August patient days increased by 7.5% and an average daily census of 23.6 versus 21.9 in fiscal year 2011. The following graph shows the Skilled Nursing Unit monthly average daily census as compared to budget and the prior year.



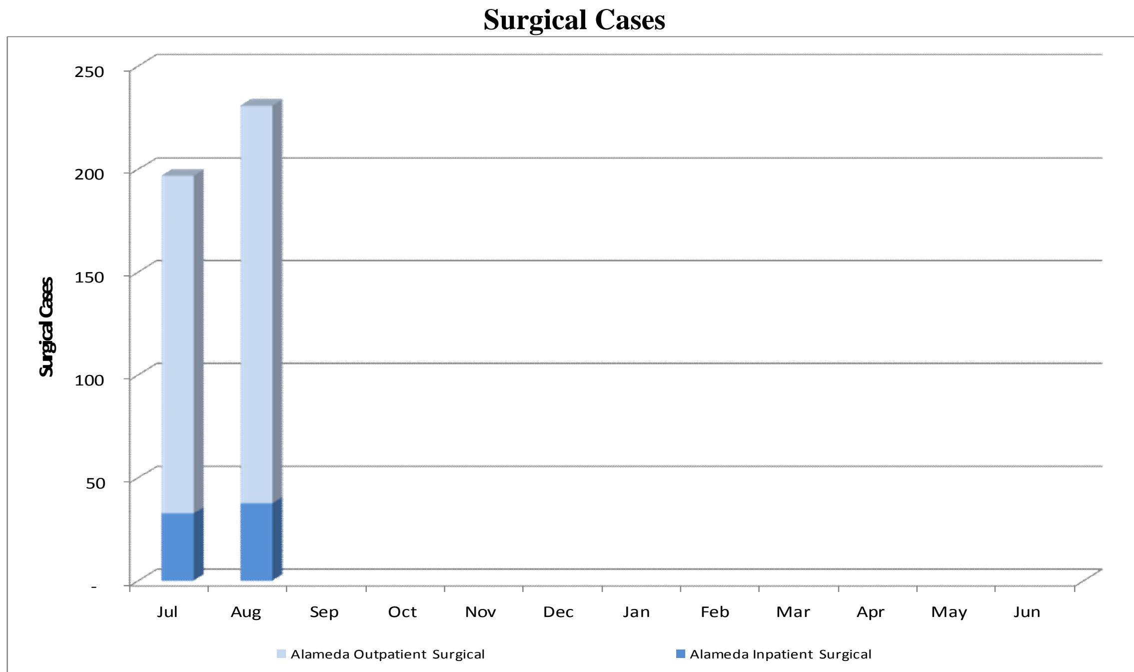
Emergency Care Center (ECC)

Emergency Care Center visits in August totaled 1,360 and were 4.6% or 66 visits less than budgeted for the month with 17.1% of these visits resulting in inpatient admissions versus 16.4% in July. On a per day basis, the total visits represent a decrease of 8.4% from the prior month daily average. In August, there were 302 ambulance arrivals versus 320 in the prior month. Of the 302 ambulance arrivals in the current month, 186 or 61.6% were from Alameda Fire Department (AFD) ambulances.

Surgery

In August, surgery cases were 231 versus 216 budgeted cases and 229 cases in the prior year. Surgery volume was significantly higher than July. Inpatient and outpatient cases totaled 38 and 193 versus 33 and 164 in August and July, respectively.

The graph below shows the number of inpatient and outpatient surgical cases by month for fiscal year 2012.

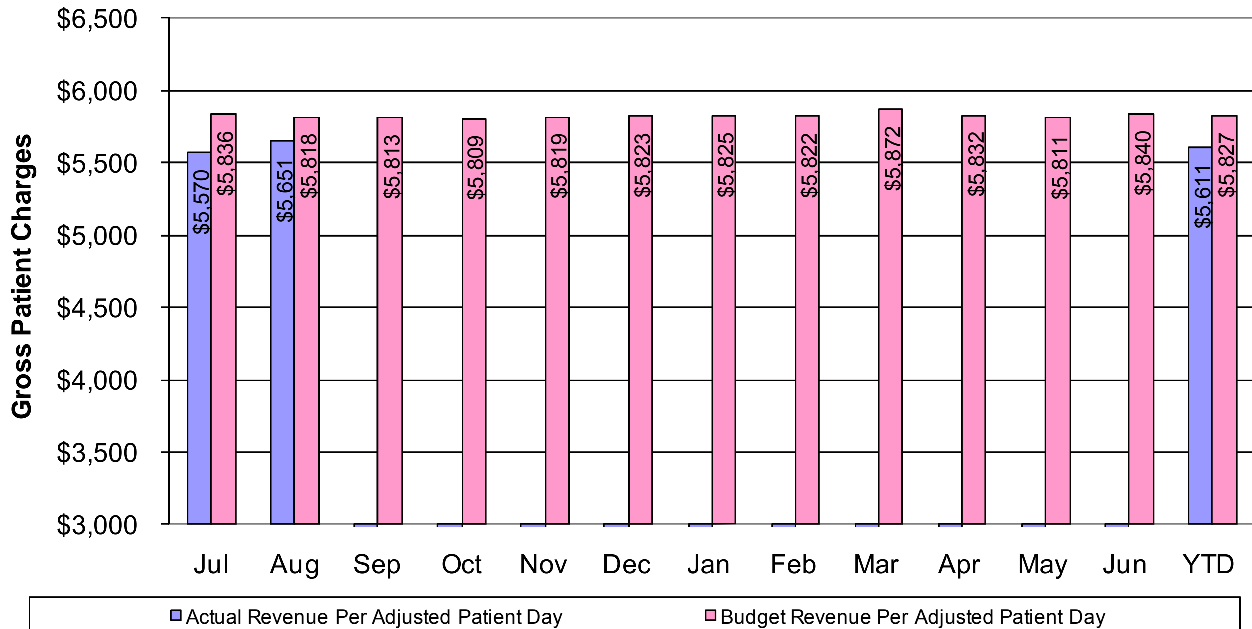


Income Statement

Gross Patient Charges

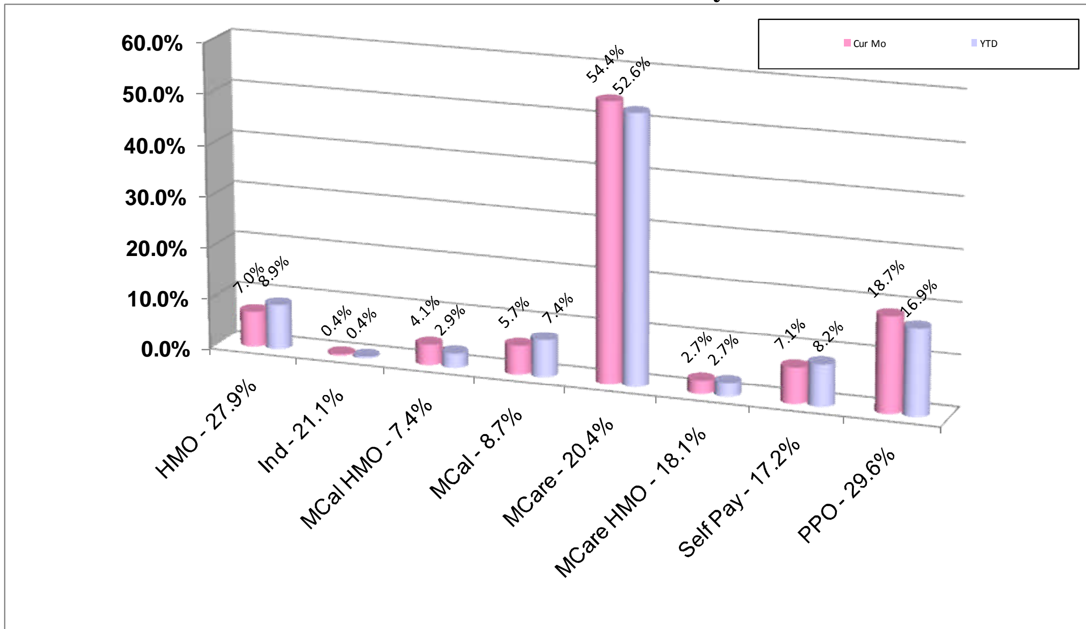
Gross patient charges in August were less than budgeted by $55,000. This unfavorable variance was comprised of a favorable variance of $290,000 and unfavorable variance of $345,000 in inpatient and outpatient revenues, respectively. The increase in inpatient gross revenues was driven primarily by higher volume in the Acute and SNF units. Outpatient revenues were lower than budgeted as a result of lower than expected emergency room visits and lower outpatient visits but offset by below higher outpatient surgeries. On an adjusted patient day basis total patient revenue was $5,651, below the budget of $5,818 for the month of August but increased from July of $5,570. The following table shows the hospital's monthly gross revenue per adjusted patient day by month and year-to-date for fiscal year 2012 compared to budget.

Gross Charges per Adjusted Patient Day

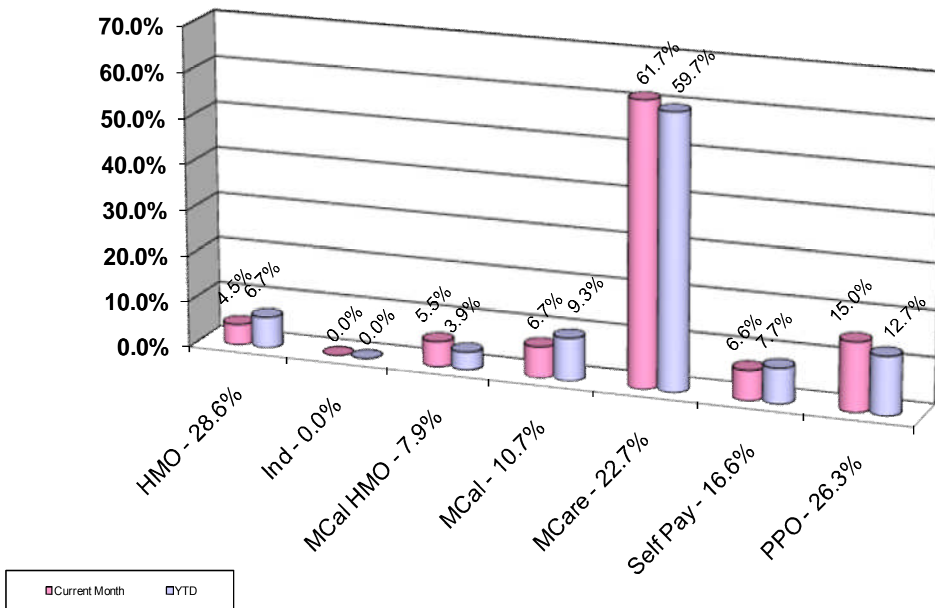


Payor Mix

Combined acute care services, inpatient and outpatient, Medicare and Medicare Advantage total gross revenue in August made up 57.1% of the month's total gross patient revenue. Combined Medicare revenue was followed by HMO/PPO utilization at 25.7%, Medi-Cal Traditional and Medi-Cal HMO utilization at 9.8% and self pay at 7.1%. The graph on the following page shows the percentage of gross revenues generated by each of the major payors for the current month and fiscal year to date as well as the current month's estimated reimbursement for each payor for the combined inpatient and outpatient acute care services.

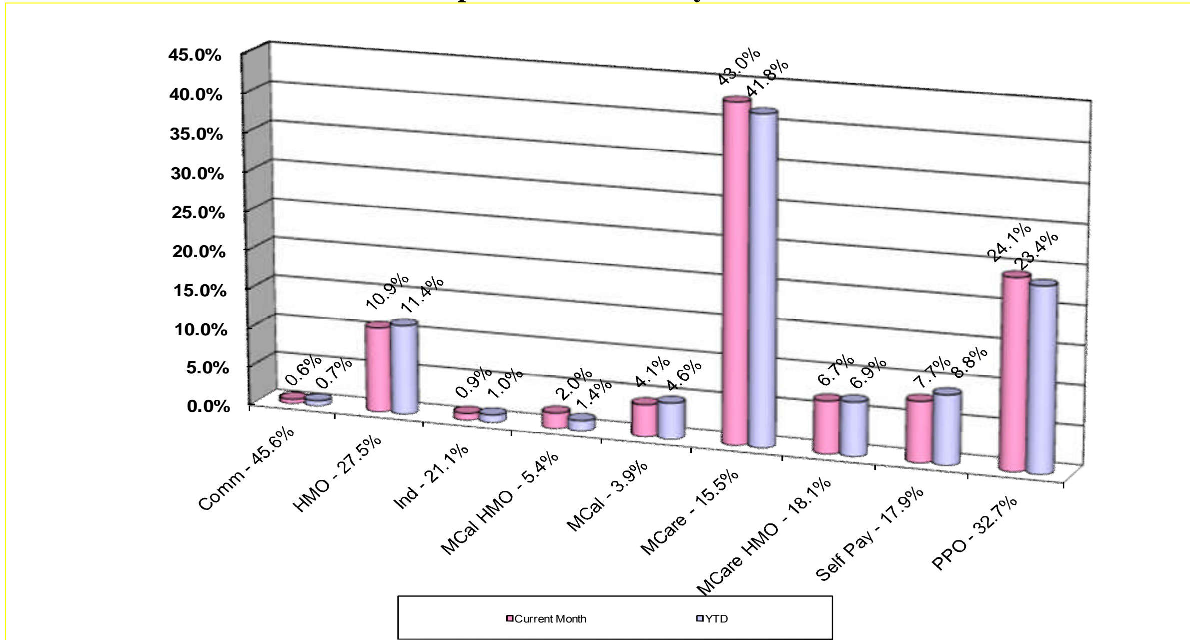


The inpatient acute care current month gross Medicare and Medicare Advantage charges made up 61.7% of our total inpatient acute care gross revenues followed by HMO/PPO at 19.5%, Medi-Cal and Medi-Cal HMO at 12.2% and Self Pay at 6.6% of the inpatient acute care revenue. The graph below shows inpatient acute care current month and year to date payor mix and current month estimated net revenue percentages for fiscal year 2012.



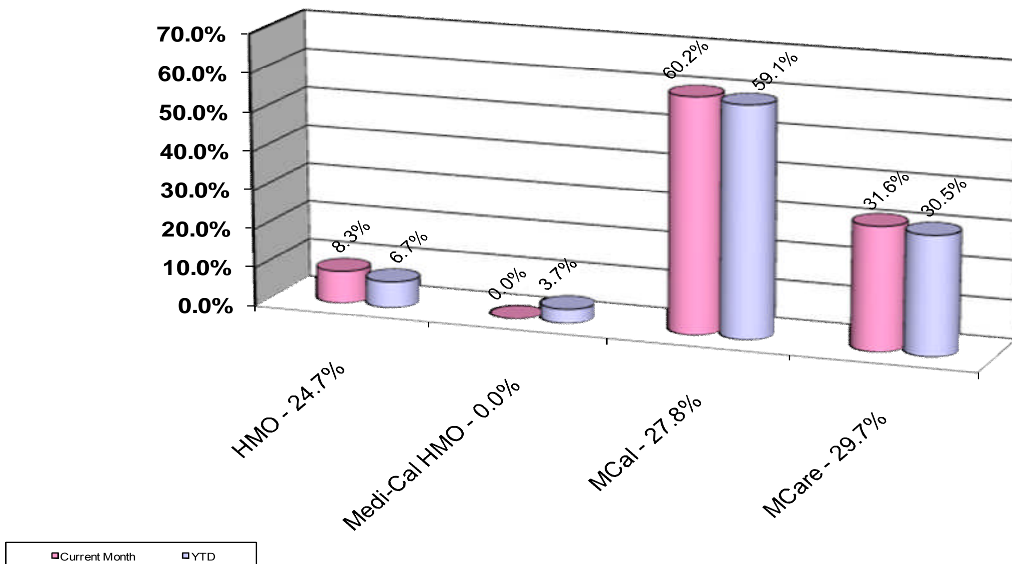
The outpatient gross revenue payor mix for August was comprised of 49.7% Medicare and Medicare Advantage, 35% HMO/PPO, 6.1% Medi-Cal and Medi-Cal HMO, and 7.7% self pay. The graph below shows the current month and fiscal year to date outpatient payor mix and the current months estimated level of reimbursement for each payor.

Outpatient Services Payor Mix



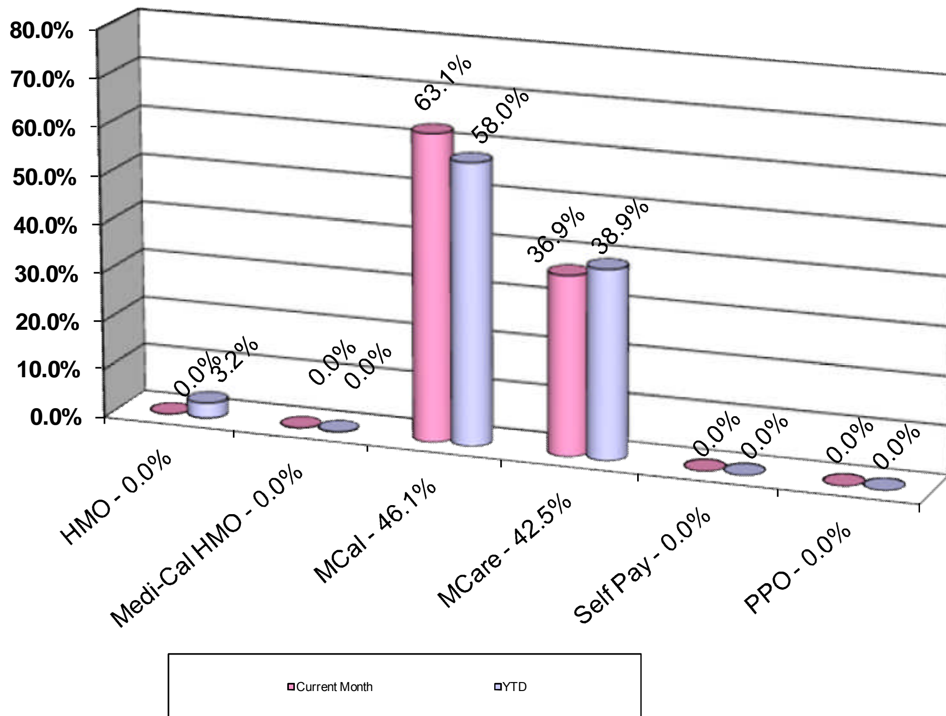
In August, the Sub-Acute care program again was dominated by Medi-Cal utilization of 60.2%, but down from 62.8% in July. Medicare was 31.6% and HMO rounds out the unit at 8.3%. The graph below shows the payor mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payor.

Inpatient Sub-Acute Care Payor Mix



In August, the Skilled Nursing program gross revenues were comprised primarily of Medicare at 36.9% and Medi-Cal at 63.1%. The graph below shows the current month and fiscal year to date skilled nursing payor mix and the current months estimated level of reimbursement for each payor.

Inpatient Skilled Nursing Payor Mix



Deductions from Revenue

Contractual allowances are computed as deductions from gross patient revenues based on the difference between gross patient charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payors such as Blue Cross. In the month of August contractual allowances, bad debt and charity adjustments (as a percentage of gross patient charges) were again 78.4% versus the budgeted 77.3%.

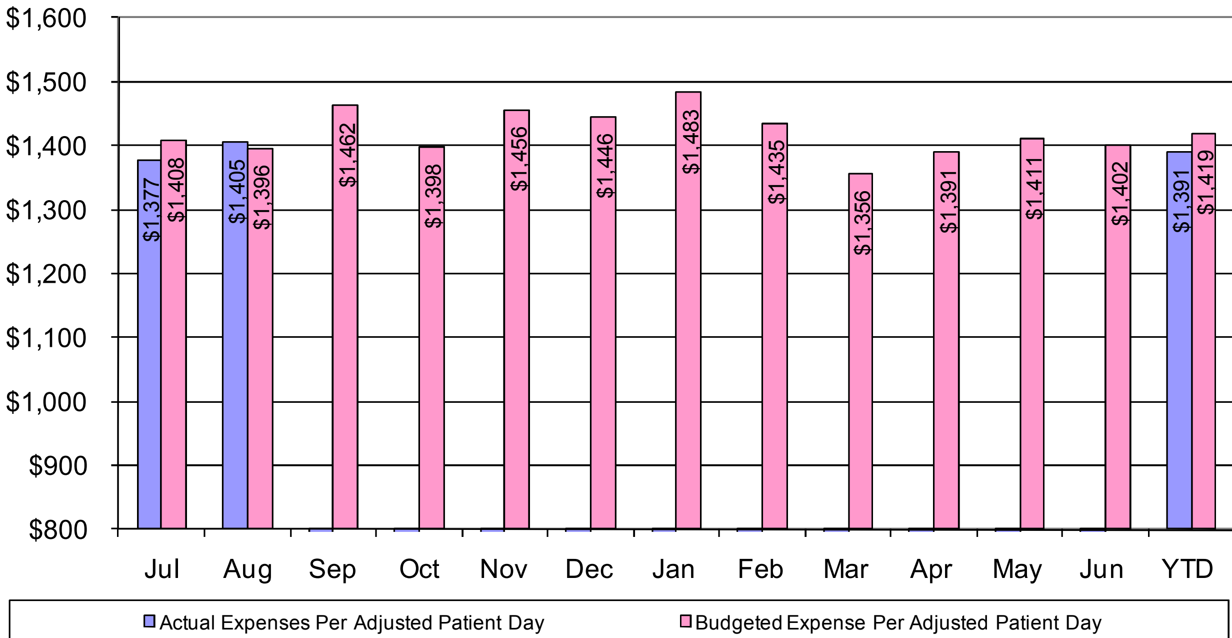
Net Patient Service Revenue

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. This difference reflects what the anticipated cash payments the Hospital is expecting to receive for the services provided. In addition, included in the year to date net patient service revenue are the estimated amounts to be received from participation in the State of California's FY 2011 Intergovernmental Transfer (IGT) Program, estimated at $93,000 per month.

Total Operating Expenses

Total operating expenses were higher than the fixed budget by $183,000 or 3.4%. On an adjusted patient day basis, our cost per adjusted patient day was $1,405 which was $9 per adjusted patient day unfavorable to budget and $28 higher than the prior month. This variance in expenses per adjusted patient day was primarily the result of unfavorable variances in salaries, benefits and other expenses offset by favorable variances in supplies and purchased services. The graph on the following page shows the actual hospital operating expenses on an adjusted patient day basis for the 2012 fiscal year by month as compared to budget and is followed by explanations of the significant areas of variance that were experienced in the current month.

Expenses per Adjusted Patient Day

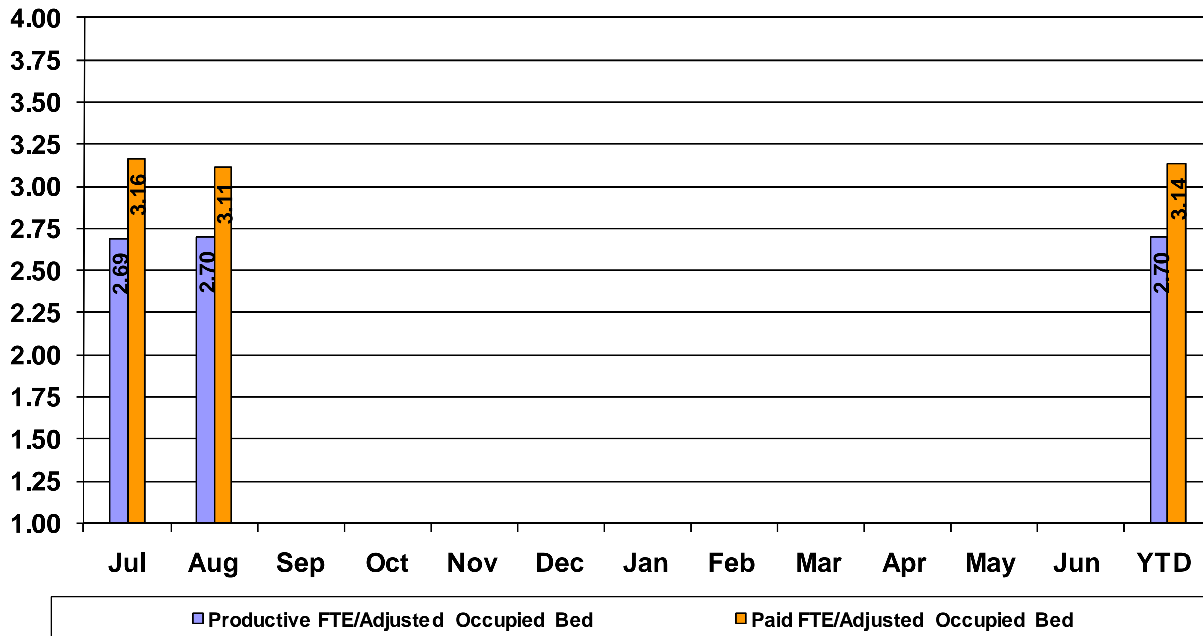


Salary and Temporary Agency Expenses

Salary and temporary agency costs combined were unfavorable to the fixed budget by $90,000 and were unfavorable to budgeted levels on a per adjusted patient day (PAPD) basis by $3 or 0.4%. On an adjusted occupied bed basis, productive FTE's were right at budget of 2.7 FTE's and paid FTE's were 1.7% below budget.

Salaries per patient day in the CCU were 19.2% above budget, while salaries per patient day in the DOU were 24.9% above budget. Both units had patient days below budget highlighting a need to better flex staff during downturns in volume. Offsetting these two departments were 3 West, Sub-Acute and Skilled Nursing whose volumes were above budget and these three units had favorable salaries per patient day. Salaries per visit in the Emergency Care Center were above budget 15.6% and again the volume in the ECC was 4.6% below budget.

The graph on the following page shows the productive and paid FTE's per adjusted occupied bed for FY 2012 by month.



Benefits
Benefits were unfavorable to the fixed budget by $262,000 or 32.9%. Health insurance was unfavorable to budget due to higher IBNR lag expenses that need to be recognized.

Professional Fees
Professional fees were favorable to budget by $5,000 in August.

Supplies
Supplies were favorable to budget by $147,000 or $42 per adjusted patient day in August. As in July, this favorable variance was the result of lower than budgeted patient related supplies such as medical supplies expense, pharmacy supplies, and prosthetics due to low patient volume and below budget inpatient surgeries.

Purchased Services
Purchased services were favorable to budget by $49,000 or $15 per adjusted patient day for the month.

Rents and Leases
Rents and leases were right at the fixed budget and $20 per adjusted patient day in August.

The following pages include the detailed financial statements for the two (2) months ended August 31, 2011, of fiscal year 2012.

ALAMEDA HOSPITAL
KEY STATISTICS
AUGUST 2011

	ACTUAL AUGUST 2011	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	AUGUST 2010	YTD AUGUST 2011	YTD FIXED BUDGET	VARIANCE	%	YTD AUGUST 2010
Discharges:										
Total Acute	220	227	(7)	-3.1%	205	444	467	(23)	-4.9%	415
Total Sub-Acute	2	1	1	100.0%	2	4	3	1	33.3%	3
Total Skilled Nursing	3	9	(6)	-66.7%	10	10	18	(8)	-44.4%	21
	225	237	(12)	-5.1%	217	458	488	(30)	-6.1%	439
Patient Days:										
Total Acute	928	907	21	2.3%	901	1,794	1,866	(72)	-3.9%	1,737
Total Sub-Acute	1,042	1,023	19	1.9%	1,038	2,015	2,046	(31)	-1.5%	2,050
Total Skilled Nursing	731	650	81	12.5%	680	1,437	1,338	99	7.4%	1,318
	2,701	2,580	121	4.7%	2,619	5,246	5,250	(4)	-0.1%	5,105
Average Length of Stay										
Total Acute	4.22	4.00	0.22	5.6%	4.40	4.04	4.00	0.04	1.1%	4.19
Average Daily Census										
Total Acute	29.94	29.26	0.70	2.4%	29.06	28.94	30.10	(1.16)	-3.9%	28.02
Total Sub-Acute	33.61	33.00	0.63	1.9%	33.48	32.50	33.00	(0.50)	-1.5%	33.06
Total Skilled Nursing	23.58	20.97	2.70	12.9%	21.94	23.18	21.58	1.60	7.4%	21.26
	87.13	83.23	4.03	4.8%	82.03	84.61	84.68	(1.66)	-2.0%	82.34
Emergency Room Visits	1,360	1,426	(66)	-4.6%	1,450	2,845	2,852	(7)	-0.2%	2,865
Outpatient Registrations	1,916	2,003	(87)	-4.3%	1,983	3,691	4,014	(323)	-8.0%	3,974
Surgery Cases:										
Inpatient	38	42	(4)	-9.5%	55	71	87	(16)	-18.4%	107
Outpatient	193	174	19	10.9%	174	357	303	54	17.8%	303
	231	216	15	6.9%	229	428	390	38	9.7%	410
Kaiser Inpatient Cases	-	-	-	-	-	-	-	-	-	-
Kaiser Eye Cases	-	-	-	-	-	-	-	-	-	-
Kaiser Outpatient Cases	-	-	-	-	-	-	-	-	-	-
Total Kaiser Cases	-	-	-	-	-	-	-	-	-	-
% Kaiser Cases	0.0%	0.0%			0.0%	0.0%	0.0%			0.0%
Adjusted Occupied Bed	126.87	125.86	1.01	0.8%	127.64	125.52	126.10	(0.58)	-0.5%	123.00
Productive FTE	340.52	338.97	1.55	0.5%	365.67	341.80	340.06	1.74	0.5%	359.07
Total FTE	394.46	398.12	(3.66)	-0.9%	419.02	398.31	404.10	(5.79)	-1.4%	418.06
Productive FTE/Adj. Occ. Bed	2.68	2.69	(0.01)	-0.3%	2.86	2.72	2.70	0.03	1.0%	2.92
Total FTE/ Adj. Occ. Bed	3.11	3.16	(0.05)	-1.7%	3.28	3.17	3.20	(0.03)	-1.0%	3.40

City of Alameda Health Care District
Statements of Financial Position
August 31, 2011

	Current Month	Prior Month	Prior Year End
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 1,875,126	$ 692,243	$ 1,802,225
Patient Accounts Receivable, net	8,447,995	8,597,131	7,249,185
Other Receivables	7,459,738	8,316,672	8,216,998
Third-Party Payer Settlement Receivables	360,158	301,795	278,580
Inventories	1,193,907	1,188,185	1,238,762
Prepaids and Other	312,138	367,538	262,359
Total Current Assets	19,649,062	19,463,564	19,048,109
Assets Limited as to Use, net	507,181	494,917	483,716
Fixed Assets			
Land	877,945	877,945	877,945
Depreciable capital assets	43,429,274	43,429,274	43,385,071
Construction in progress	3,085,614	3,017,346	2,921,048
Depreciation	(39,015,751)	(38,939,152)	(38,862,494)
Property, Plant and Equipment, net	8,377,082	8,385,413	8,321,570
Total Assets	**$ 28,533,325**	**$ 28,343,894**	**$ 27,853,395**
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	$ 935,139	$ 961,784	$ 711,784
Accounts Payable and Accrued Expenses	7,385,914	7,386,098	7,025,089
Payroll Related Accruals	4,454,143	4,310,043	4,003,695
Deferred Revenue	4,771,873	5,248,887	5,725,900
Employee Health Related Accruals	515,207	360,000	343,382
Third-Party Payer Settlement Payable	823,997	267,474	267,474
Total Current Liabilities	18,886,273	18,534,286	18,077,324
Long Term Debt, net	1,040,714	1,115,474	1,142,109
Total Liabilities	19,926,987	19,649,760	19,219,433
Net Assets:			
Unrestricted	7,871,582	7,971,640	8,022,670
Temporarily Restricted	734,757	722,494	611,292
Total Net Assets	8,606,339	8,694,134	8,633,962
Total Liabilities and Net Assets	**$ 28,533,325**	**$ 28,343,894**	**$ 27,853,395**

City of Alameda Health Care District

Statements of Operations

August 31, 2011

$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	2,701	2,580	121	4.7%	2,619	5,246	5,250	(4)	-0.1%	5,105
Discharges	225	237	(12)	-5.1%	217	458	488	(30)	-6.1%	439
ALOS (Average Length of Stay)	12.00	10.89	1.12	10.3%	12.07	11.45	10.76	0.70	6.5%	11.63
ADC (Average Daily Census)	87.1	83.2	3.90	4.7%	84.5	85	84.7	(0.06)	-0.1%	82.3
CMI (Case Mix Index)	1.2265				1.3537	1.3168				1.4078
Revenues										
Gross Inpatient Revenues	$ 15,263	$ 14,973	$ 290	1.9%	$ 13,906	$ 29,438	$ 30,518	$ (1,080)	-3.5%	$ 28,027
Gross Outpatient Revenues	7,325	7,671	(345)	-4.5%	7,121	14,668	14,879	(210)	-1.4%	13,816
Total Gross Revenues	22,588	22,643	(55)	-0.2%	21,027	44,107	45,397	(1,290)	-2.8%	41,843
Contractual Deductions	16,620	16,616	(4)	0.0%	15,204	32,886	33,384	497	1.5%	30,084
Bad Debts	881	720	(161)	-22.4%	495	1,218	1,445	227	15.7%	1,214
Charity and Other Adjustments	249	173	(76)	-44.1%	167	514	348	(166)	-47.7%	379
Net Patient Revenues	4,838	5,135	(297)	-5.8%	5,161	9,488	10,220	(732)	-7.2%	10,166
Net Patient Revenue %	21.4%	22.7%			24.5%	21.5%	22.5%			24.3%
Net Clinic Revenue	31	-	31	0.0%	26	66	21	45	216.9%	68
Other Operating Revenue	168	10	158	1563.3%	10	174	20	154	763.0%	19
Total Revenues	**5,037**	**5,145**	**(108)**	-2.1%	**5,198**	**9,729**	**10,261**	**(533)**	-5.2%	**10,254**
Expenses										
Salaries	2,861	2,740	(121)	-4.4%	3,012	5,738	5,598	(141)	-2.5%	6,043
Temporary Agency	122	152	31	20.2%	178	232	304	71	23.5%	348
Benefits	1,057	795	(262)	-32.9%	720	1,817	1,594	(223)	-14.0%	1,616
Professional Fees	282	286	5	1.6%	307	596	573	(23)	-4.0%	614
Supplies	634	780	147	18.8%	877	1,246	1,525	279	18.3%	1,544
Purchased Services	330	379	49	13.0%	394	651	743	93	12.4%	774
Rents and Leases	80	79	(1)	-1.1%	70	167	158	(9)	-6.0%	122
Utilities and Telephone	64	65	1	1.3%	73	132	130	(2)	-1.9%	117
Insurance	35	17	(18)	-108.8%	29	60	33	(26)	-78.2%	65
Depreciation and amortization	77	68	(8)	-12.1%	82	153	136	(17)	-12.8%	165
Other Opertaing Expenses	78	71	(6)	-8.6%	81	143	143	0	0.0%	154
Total Expenses	**5,617**	**5,434**	**(183)**	-3.4%	**5,822**	**10,936**	**10,937**	**1**	0.0%	**11,562**
Operating gain (loss)	**(580)**	**(289)**	**(291)**	-100.9%	**(624)**	**(1,207)**	**(675)**	**(532)**	78.7%	**(1,309)**
Non-Operating Income / (Expense)										
Parcel Taxes	477	478	(1)	-0.1%	478	955	956	(1)	-0.1%	956
Investment Income	1	0	0	222.6%	2	1	(25)	26	-104.6%	4
Interest Expense	(21)	(13)	(8)	-66.5%	(7)	(31)	(13)	(18)	144.4%	(14)
Other Income / (Expense)	23	26	(3)	-10.7%	25	46	50	(3)	-7.0%	49
Net Non-Operating Income / (Expense)	**480**	**491**	**(11)**	**-2.3%**	**498**	**971**	**968**	**3**	**0.3%**	**995**
Excess of Revenues Over Expenses	**$ (100)**	**$ 203**	**$ (303)**	**-149.4%**	**$ (127)**	**$ (236)**	**$ 293**	**$ (529)**	**-180.6%**	**$ (314)**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

August 31, 2011

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 3,818	$ 3,847	$ (29)	-0.8%	$ 3,511	$ 3,745	$ 3,908	$ (162)	-4.2%	$ 3,677
Gross Outpatient Revenues	1,833	1,971	(138)	-7.0%	1,798	1,866	1,905	(39)	-2.0%	1,813
Total Gross Revenues	5,651	5,818	(167)	-2.9%	5,310	5,612	5,813	(201)	-3.5%	5,490
Contractual Deductions	4,158	4,269	112	2.6%	3,839	4,184	4,275	91	2.1%	3,947
Bad Debts	220	185	(35)	-19.1%	125	155	185	30	16.2%	159
Charity and Other Adjustments	62	44	(18)	-40.3%	42	65	45	(21)	-46.8%	50
Net Patient Revenues	1,210	1,319	(109)	-8.3%	1,303	1,207	1,309	(102)	-7.8%	1,334
Net Patient Revenue %	21.4%	22.7%			24.5%	21.5%	22.5%			24.3%
Net Clinic Revenue	8	-	8	0.0%	7	8	3	6	214.9%	9
Other Operating Revenue	42	3	39	1519.4%	3	22	3	20	757.5%	2
Total Revenues	**1,260**	**1,322**	**(62)**	-4.7%	**1,312**	**1,238**	**1,314**	**(76)**	-5.8%	**1,346**
Expenses										
Salaries	716	704	(12)	-1.7%	760	730	717	(13)	-1.9%	793
Temporary Agency	30	39	9	22.3%	45	30	39	9	24.0%	46
Benefits	264	204	(60)	-29.4%	182	231	204	(27)	-13.2%	212
Professional Fees	71	74	3	4.2%	77	76	73	(2)	-3.3%	81
Supplies	159	201	42	21.0%	221	159	195	37	18.8%	203
Purchased Services	82	97	15	15.3%	99	83	95	12	13.0%	102
Rents and Leases	20	20	0	1.6%	18	21	20	(1)	-5.3%	16
Utilities and Telephone	16	17	1	3.9%	18	17	17	(0)	-1.3%	15
Insurance	9	4	(4)	-103.3%	7	8	4	(3)	-77.1%	9
Depreciation and Amortization	19	18	(2)	-9.1%	21	19	17	(2)	-12.1%	22
Other Operating Expenses	19	18	(1)	-5.7%	20	18	18	0	0.7%	20
Total Expenses	**1,405**	**1,396**	**(9)**	-0.6%	**1,470**	**1,391**	**1,400**	**9**	0.6%	**1,517**
Operating Gain / (Loss)	**(145)**	**(74)**	**(71)**	-95.6%	**(158)**	**(153)**	**(86)**	**(67)**	77.8%	**(171)**
Non-Operating Income / (Expense)										
Parcel Taxes	119	123	(3)	-2.8%	121	121	122	(1)	-0.7%	125
Investment Income	0	0	0	214.0%	0	0	0	0	170.4%	1
Interest Expense	(5)	(3)	(2)	-62.1%	(2)	(4)	(3)	(1)	25.7%	(2)
Other Income / (Expense)	6	7	(1)	-13.1%	6	6	6	(0)	-7.6%	6
Net Non-Operating Income / (Expense)	**120**	**126**	**(6)**	**-4.9%**	**126**	**124**	**126**	**(2)**	**-1.7%**	**130**
Excess of Revenues Over Expenses	**$ (25)**	**$ 52**	**$ (77)**	-148.1%	**$ (32)**	**$ (30)**	**$ 39**	**$ (69)**	-175.7%	**$ (41)**

City of Alameda Health Care District
Statement of Cash Flows
For the Two Months Ended August 31, 2011

	Current Month	Year-to-Date
Cash flows from operating activities		
Net Income / (Loss)	$ (100,060)	$ (235,992)
Items not requiring the use of cash:		
Depreciation and amortization	76,599	$ 153,257
Write-off of Kaiser liability	-	$ -
Changes in certain assets and liabilities:		
Patient accounts receivable, net	149,136	(1,198,810)
Other Receivables	856,934	757,260
Third-Party Payer Settlements Receivable	498,160	474,945
Inventories	(5,722)	44,855
Prepaids and Other	55,400	(49,779)
Accounts payable and accrued liabilities	(184)	360,825
Payroll Related Accruals	144,100	450,448
Employee Health Plan Accruals	155,207	171,825
Deferred Revenues	(477,014)	(954,027)
Cash provided by (used in) operating activities	1,352,556	(25,193)
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(12,264)	(23,465)
Additions to Property, Plant and Equipment	(68,268)	(208,769)
Other	2	84,904
Cash provided by (used in) investing activities	(80,530)	(147,330)
Cash flows from financing activities		
Net Change in Long-Term Debt	(101,405)	121,960
Net Change in Restricted Funds	12,263	123,465
Cash provided by (used in) financing and fundraising activities	(89,142)	245,425
Net increase (decrease) in cash and cash equivalents	1,182,884	72,902
Cash and cash equivalents at beginning of period	692,243	1,802,225
Cash and cash equivalents at end of period	$ 1,875,127	$ 1,875,127

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	Audited Results			Unaudited Results	
	FY 2008	FY 2009	FY 2010	FY 2011	YTD 8/31/2011
Profitability Ratios					
Net Patient Revenue (%)	22.48%	22.69%	24.16%	23.58%	21.51%
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	-0.72%	3.62%	4.82%	-1.01%	-0.53%
EBIDAP[Note 5]	-10.91%	-5.49%	-3.66%	-13.41%	-10.35%
Operating Margin	-3.75%	1.03%	2.74%	-2.61%	-2.20%
Liquidity Ratios					
Current Ratio	0.98	1.15	1.23	1.05	1.04
Days in accounts receivable ,net	51.70	57.26	51.83	46.03	55.20
Days cash on hand (with restricted)	30.61	13.56	21.60	14.14	15.26
Debt Ratios					
Cash to Debt	187.3%	115.3%	249.0%	123.3%	120.57%
Average pay period	58.93	58.03	57.11	62.68	70.84
Debt service coverage	(0.14)	3.87	5.98	(0.70)	(0.05)
Long-term debt to fund balance	0.26	0.20	0.14	0.18	0.19
Return on fund balance	-29.59%	8.42%	18.87%	-19.21%	-2.74%
Debt to number of beds	20,932	13,481	10,482	11,515	12,272

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	Audited Results FY 2008	Audited Results FY 2009	Audited Results FY 2010	Unaudited Results FY 2011	Unaudited Results YTD 8/31/2011
Patient Care Information					
Bed Capacity	135	161	161	161	161
Patient days(all services)	22,687	30,463	30,607	30,270	5,246
Patient days (acute only)	11,276	11,787	10,579	10,443	1,794
Discharges(acute only)	2,885	2,812	2,802	2,527	444
Average length of stay (acute only)	3.91	4.19	3.78	4.13	4.04
Average daily patients (all sources)	61.99	83.46	83.85	82.93	84.61
Occupancy rate (all sources)	45.92%	52.94%	52.08%	51.51%	52.55%
Average length of stay	3.91	4.19	3.78	4.13	4.04
Emergency Visits	17,922	17,337	17,624	16,816	2,845
Emergency visits per day	48.97	47.50	48.28	46.07	45.89
Outpatient registrations per day[Note 1]	84.54	82.05	79.67	65.19	59.53
Surgeries per day[Note 1]	14.78	16.12	13.46	6.12	6.90

Notes:

1. Includes Kaiser Outpatient Sugercial volume in Fiscal Years 2008, 2009 and through March 31, 2010.
2. In addition to these general requirements a feasibility report will be required.
3. Based upon Moody's FY 2008 preliminary single-state provider medians.
4. EBIDA - Earnings before Interest, Depreciation and Amoritzation
5. EBIDAP - Earnings before Interest, Depreciation and Amortization and Parcel Tax Proceeds

Glossary of Financial Ratios

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

Date: October 5, 2011

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

From: Deborah E. Stebbins, CEO

Subject: Approval of Resolution 2011-6I *Authorizing Further Development of Proposed Transaction to Sublease and Operate Waters Edge Skilled Nursing Facility* and Supporting Documentation and Information

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Recommendation:

Management recommends that the Board approve resolution 2011-6I which authorizes management to further develop a proposed transaction to sublease Waters Edge Skilled Nursing Facility.

Background:

The following packet is presented as supporting documentation and information for the recommendation above.

Included in the packet is the following material as supporting documentation.

The Term Sheet between Waters Edge and Alameda Hospital (**Attachment 1**). The term sheet provisions will be drafted into a formal sublease between the parties during the due diligence period and will be brought forth for Board approval. The sublease will become a necessary part of an application for a change in licensure that we will submit to the California Department of Public Health and certification application for provider status to CMS. The actual transition of operating responsibility for Waters Edge is contingent of obtaining licensure and certification approval.

There are three scenarios presented for review based on prior Board discussion.

- Original Base Scenario and Pro Forma **(Attachment 2)**
- Lower Initial Medi-Cal Volume Scenario **(Attachment 3)**
- Lower Initial Medicare Volume Scenario **(Attachment 4)**
- Reimbursement Levels at Community Based | Freestanding Rates **(Attachment 5)** *Attachment will be forthcoming*

Each scenario includes the following supporting documentation.

a. Summary Revenue and Expenses for Waters Edge for Years 1 and 2 of operation under the Alameda Hospital License as a distinct part skilled nursing facility.

b. Summary of Patient Days and Net Revenue – Years 1 and 2

c. Salary Expenses – Nursing

d. Summary of Total Salaries and Benefits

e. Summary Return on Investment (ROI) Analysis in Years 1 and 2

f. Summary of Monthly Cash Flow

Additional supporting document for the Original Base Scenario **(Attachment 2)** include the following documents.

1. Narrative Summary of the Assumptions Used in the Pro Formas presented in Item a).

2. Waters Edge Overlay Memorandum (Dated, September 27, 2011)

3. Spreadsheet comparing Waters Edge Actual Revenue and Salary Information (for FY 2010 and 2011) compared to Alameda Hospital Pro Formas (Years 1 and 2)

Below is a projected time line for further work on the Waters Edge project:

Date	Meeting (if applicable)	Description of Work
October 10, 2011	District Board Meeting	Review of Waters Edge documentation at Public Session of District Board Meeting. Approval of Resolution 2011-6I.
September 25, 2011 - October 31, 2011		Due Diligence including but not limited to: o Vendor contracts; or equipment leases o Inventory of personal property o Updated financials (since May, 2011) o Current census levels o Copy of master lease o Engineer Regiews: structural, electrical and mechanical reports of existing conditionsat Waters Edge o Set of Blueprints o Survey reports (last two years) o Any federal oversight reports (if applicable) o Workers Comp claims (current rate) o Any easement or City agreements; any obligations to other parties
October 2011		Submission of Licensure Application to CDPH Submission of Application for CMS Certification

October 26, 2011	Finance and Management Committee	Discussion & Approval of Financial Pro Formas for Waters Edge
November 2011	District Board Meeting	Approval of Final Proposed Transaction
December 2011 (estimate)		Decisions on Licensure and Certification from State and CMS

In no case would the actual transition of operation take place between Waters Edge and Alameda Hospital occur prior to obtaining licensure and certification approval.

RESOLUTION NO. 2011-6I

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
CITY OF ALAMEDA HEALTH CARE DISTRICT**

* * *

**AUTHORIZING FURTHER DEVELOPMENT OF PROPOSED TRANSACTION TO SUBLEASE AND OPERATE
WATERS EDGE SKILLED NURSING FACILITY**

WHEREAS, the City of Alameda Health Care District ("District") is desirous of entering into a sublease agreement for the Waters Edge Skilled Nursing Facility ("WE') and operating it under the license of Alameda Hospital, as more particularly described in the Term Sheet attached hereto as Exhibit A (the "Proposed Transaction"); and

WHEREAS, the Proposed Transaction specifies a period during which the Parties will conduct a 'due diligence' process, so that the Waters Edge facilities can be inspected and various assumptions of the Parties can be verified; and

WHEREAS, the Proposed Transaction contemplates the negotiation and development of certain definitive written agreements in order to complete the Proposed Transaction; and

WHEREAS, the District must, in order to effectuate the Proposed Transaction, secure licenses, permits and entitlements from, and give notices to, various regulatory agencies and third party payors pertaining to WE; and

WHEREAS, based upon the materials presented to this Board, it appears to be in the best interests of the District that the District complete the agreed-upon due diligence process and the negotiation of the required definitive agreements, and prepare all necessary applications and notices, all with a view toward effectuating the transfer of WE and commencement of operations by the District as expeditiously as possible.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors that the Chief Executive Officer of the District be, and hereby is, authorized, on behalf of the District, and subject to the final approval of this Board at such time as the following have been completed, to undertake the agreed-upon due diligence process and the negotiation of the required definitive agreements, and to prepare all necessary applications and notices, and any and all other documents necessary to effectuate the Proposed Transaction and to secure such licenses, permits and other entitlements as may be required, including without limitation, any change of ownership

applications for WE provider enrollment forms, applications for transfers of licenses, permits or other entitlements or notices to the Department of Health Services, third-party payors, and such regulatory agencies and taxing authorities as may be necessary or convenient to effectuate the transfer of WE and secure the necessary rights to operate same.

RESOLVED FURTHER, that any binding or irrevocable actions with respect to the Proposed Transaction shall require satisfactory completion and evaluation of the due diligence process and final Board approval of all aspects of the Proposed Transaction.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Board held on the 10th day of October, 2011 by the following vote, to wit:

AYES: ____________ NOES: ____________ ABSENT: _________

____

Jordan Battani
President

ATTEST:

____

Elliott Gorelick
Secretary

The Waters Edge, Inc. Term Sheet

This Term Sheet, dated, for reference purposes only September 9, 2011, is entered into by and between the City of Alameda Health Care District, dba Alameda Hospital ("AH") and The Waters Edge, Inc. (WE), a California corporation, in order to set forth the terms of a proposed sublease agreement between AH and WE for operation of the skilled nursing facility (SNF) currently known as "Waters Edge". WE is the current Lessee for the property commonly known as Waters Edge. Pursuant to the terms set forth below, AH would become the Sublessee of Waters Edge, and its operator, and the target date for transition would be the conclusion of the first Waters Edge pay period in December, 2011.

PROPOSED SUBLEASE TERMS

1.1. At the closing of this transaction, WE shall transfer its interest in the 120 bed California skilled nursing facility license known as Waters Edge to AH in return for the consideration set forth below. In addition to the use of the Waters Edge property, the AH sublease shall also cover AH's use of existing beds, furniture, equipment, leasehold improvements and fixtures, and AH shall return such items (and their replacements then in place) in similar condition upon the expiration of the term of the sublease. Unless otherwise negotiated, AH will not purchase any of the above mentioned WE assets; however, the fair rental value of such assets is incorporated into the prospective sublease payments set forth below.

1.2. AH proposes an initial twenty-year sublease with two (5) five year renewal options. Additional options for renewal may be negotiated at the discretion of both parties.

1.3. Termination Due to Financial Hardship:
It is understood that AH presently has a long term strategic commitment to the provision of long term care in the District, specifically utilizing distinct part skilled nursing facilities as an important part of its mission and its strategic vision for services to seniors both on and off the island of Alameda. A decision to discontinue this service would only be made based on a dramatic change in the conditions that would no longer enable AH to operate this service on a financially viable basis. The potential for disruption of this commitment to long term care is remote; hence, the provision for a long term lease specified in section 1.2. Nevertheless, both AH and WE recognize that the health care industry has long been subject to a continually changing regulatory and reimbursement environment which could force a change to what, at the outset of this relationship, seems like a financially beneficial structure for both parties. The parties therefore have chosen to provide for the possibility of and terms under which this relationship might be restructured in the face of a drastic change in the environment affecting the District's operation of distinct part skilled nursing facilities, but excluding

Attachment 1

malpractice lawsuits.The goal of these provisions is to attempt to preserve the continued viability of the facility known as Waters Edge under the same or alternative management, to preserve the option for WE to resume responsibility for operation of the facility with adequate notice periods and certain financial protections, and to limit the time period under which AH would continue to operate the facility under circumstances where the District's distinct part SNF operations are no longer financially viable.

1.3.1. Meet and Confer Period:

If at any time during the term of the original sublease or subsequent option periods, AH determines it can no longer continue to operate a distinct part SNF, whether for regulatory reasons, or as a result of the complete elimination or drastic reduction of the distinct part reimbursement differential or the establishment of regulatory or statutory requirements that adversely affect AH's cost of providing SNF care, AH shall first notify WE of the circumstances leading to its decision (the "Changed Circumstances") and request the initiation of a Meet and Confer Period to seek resolution of the issues raised by the Changed Circumstances for a period up to three (3) months duration. During this period, the alternatives would be discussed on a confidential basis only between the principals and any outside parties that they mutually agree to include. The alternatives that could be explored and mutually agreed to include but are not limited to:

1.3.1.1. A first right of refusal for WE to resume responsibility for the operation of the facility;

1.3.1.2. A decision for AH to retain the license but utilize WE to manage the facility;

1.3.1.3. A renegotiation of the lease terms between AH and WE in order to restore the financial viability of the facility under continued hospital operation; or

1.3.1.4. The initiation of an attempt by both parties to identify an alternative subtenant acceptable to WE.

During the Meet and Confer period, both parties will exert their best efforts to seek a satisfactory resolution to the issues raised by the Changed Circumstances. AH will disclose any financial records necessary to substantiate the nature of the circumstances. During the Meet and Confer period, AH will continue to pay

whatever lease and triple net expenses are due and payable through the Meet and Confer period.

1.3.2. Notice of Intent for Early Termination:

In the event that no satisfactory solution to the issues raised by the Changed Circumstances can be identified during the three month Meet and Confer Period, AH shall have the right to give a six (6) months prior written notice to WE of its intent for early termination of the sublease (the "Termination Notice"). In the event of such Termination Notice, WE shall have a first right of refusal to resume direct operation of the Waters Edge facility. AH will cooperate fully in facilitating an application by WE to obtain appropriate licensure for the facility.

If WE decides not to resume operation of the facility, AH shall be responsible for seeking a qualified alternative sublessee to assume the terms of the sublease and presenting the proposed sublessee to WE for their approval. Such approval of a proposed alternative sublessee by WE shall not be unreasonably withheld. Since it is highly unlikely that there will be another sublessee/operator who would be able to operate Waters Edge as a distinct part SNF, the parties understand and agree that the terms of any such sublease will be set at the then-current fair rental value for a free-standing community SNF. In the event the parties hereto cannot agree on the then-current fair rental value for a free-standing community SNF, the parties shall engage the services of a qualified appraisal firm to make such a determination, and the cost of such an appraisal shall be shared by the parties.

1.3.3. Inability to Identify an Acceptable Alternative Tenant:

In the event that, after 90 days following the Termination Notice, WE has no interest in reassuming the operation and a satisfactory alternative sublessee cannot be identified by AH , AH may begin the process of closing down operations and will assume responsibility for placement of all residents of WE. During this "wind-down" process, AH will continue to pay the lease rate on all licensed beds throughout the six (6) months following the Termination Notice. If the wind-down continues thereafter, AH will pay the "market rate" established in 1.3.2 above per **occupied** bed until all patients are placed at alternative facilities. After completion of the wind down, AH shall return the facility and its associated fixtures, furniture and equipment to WE as provided for in Section 1.1

1.3.4. Resumption of Management and Licensure by WE due to Early Termination:

In the event at any time during the process for early termination of the lease as defined in sections 1.3.1 through 1.3.3, AH will cover the first two week payroll following the date of transition and advance WE funds to cover additional operating expenses not to exceed $500,000 in total. Furthermore, AH will provide documentation to demonstrate that it has financial capacity to fund these transition expenses. Repayment of the total sum not to exceed $500,000, will be repaid by WE no later than 120 days following the transition date at an annualized interest rate of 4.0%, compounded monthly. Also, in the event WE decides to take over the operation at any point during the processes outlined for early termination of the lease in sections 1.3.1 through 1.3.3, AH shall undertake all necessary steps to ensure a smooth transition and expedient change in licensure back to WE.

1.3.5. Liquidated Damages:

In the event that AH must exercise early termination of the sublease as set forth above, AH agrees to pay WE liquidated damages in the amount specified in Schedule A. These liquidated damages are intended to provide fixed and final compensation to WE for any and all costs and expenses associated with such termination. At the same time, these liquidated damages provide for a limitation of the financial exposure AH in connection with such an early termination of the sublease.

1.4 AH agrees to provide sublease payments as specified in Schedule B per licensed bed per month. "Licensed bed" is defined as a legally qualified bed which can be utilized by the facility operations. Sublease payments shall be made solely on licensed beds available regardless of their occupancy. Such payments shall be due and payable on the first of each month and shall become delinquent after the 10th of each month.

1.5 WE shall also be entitled to sublease payment adjustments as set forth on Schedule B.

1.6 AH shall be responsible to pay all property taxes, insurances, and other assessments that are borne by the Lessee (Triple Net Lease). AH has the right to examine the physical plant before the effective date of this transaction and if the structural integrity of the physical plant is in question, WE and AH shall negotiate the remedy of needed changes prior to the transition. As a part of the triple net lease, AH will be responsible for maintenance of the building and equipment. Any governmental requirements for new equipment or modifications to the physical plant will be the responsibility of AH, but costs incurred by AH will be considered at the time of return of the building and

Attachment 1

equipment as reimbursable at the assets' depreciated value with the exception of any capital upgrades made by AH due to program changes or upgrades (e.g. a Subacute program)

1.7 Assumed Liabilities:

The only liabilities, other than those obligations assumed under this Term Sheet, shall remain the responsibility of WE. The final sublease agreement will detail any other liabilities that are the responsibility of AH.

1.8 Unassumed Liabilities:

Other than the Assumed Liabilities, AH shall not assume, nor shall AH be deemed to have assumed or guaranteed, any other liability or obligation or any nature of Owner, or claims of such liability or obligation, whether accrued, matured or unmatured, liquidated or unliquidated, fixed or contingent. For example, all Medicare or MediCal claims before the effective sublease date will be the responsibility of WE, as will be payroll, accounts payables, and other obligations incurred before the transition date. Provision shall be made for consideration of consumable supplies or inventory existing in the facility before the transition date, and upon any termination of the sublease.

1.9 WE shall be entitled to inspect the property on an annual basis or may request additional inspections from AH. In addition, AH will present WE with the results of any State surveys or inspections, along with plans for correction of any recommendations or findings.

1.10 AH and WE will define a mechanism for on-going discussion of the development of a continuum of services for elders on the island of Alameda and surrounding communities. This may or may not take the form of an Advisory Committee in which representatives of WE, AH and other community organizations participate. Part of the goal of these discussions will be to maximize the synergy and coordination of care rendered at other Alameda Elder Care organizations and AH. (SECTION NOT TO BE INCORPORATED IN LEASEE)

1.11 Upon commencement of the sublease, AH and WE have agreed to the use of the name: **"Alameda Hospital at Waters Edge"** in order to continue to benefit from the long established reputation and "equity" earned by WE over its years of operating the facility. AH understands that the Waters Edge name is used by other facilities within the Alameda Elder Communities (The Waters Edge parent corporation) organization and that said approval of the use of the Waters Edge name by AH is solely limited to the

skilled nursing facility currently known as Waters Edge on Blanding Avenue in Alameda, California. Use of the name by AH will be limited to the term of the lease only. Continued use of the name by any future sublessee would be subject to independent approval by WE.

1.12 AH expects to experience a challenge in managing cash flow for a period of about 30-60 days after transition and before receipt of initial reimbursement from payors. This will be further exacerbated by the assumption that, once private pay rates will need to be raised to the same level as anticipated MediCal rates, AH's private census will decline rapidly. In view of these cash flow transitions, AH proposes that WE cover the first two week payroll following the date of transition and that payment of the first two months sublease payments be postponed. Repayment of the one payroll and two months' rent, a total sum not to exceed $500,000, will be repaid by AH no later than 120 days following the transition date at an annualized interest rate of 4.0%, compounded monthly.

1.13 WE and AH shall discuss management and consulting assistance that may be needed by AH during a transition process. AH believes active participation of the current management team of WE, to the extent not already part of the workforce transferring to AH as part of this transaction, will be vital to communication and the successful management of patient, family and staff expectations. Accordingly, AH will pay WE a management retainer of $5,000 per month for three months following the transition. This fee will cover actual hours spent on transition issues by Chris and Darnelle Zimmerman (at hourly rate of $200 each), Lauren Zimmerman (at hourly rate of $250), WE Personnel Director (at hourly rate of $100) and any clerical staff (at hourly rate of $50). Any hours expended by WE staff in excess of the amount covered by the retainer during the three month period or any hours spent by WE through mutual agreement between WE and AH will be compensated by AH at the hourly rates listed above.

1.14 Upon both parties signing this term sheet, confirming their respective intent to begin a Due Diligence process, both parties agree that time is of the essence in completing this transaction. As such, the parties will promptly agree to a responsive schedule for exchanging documents and shall comply with the agreed-upon schedule to complete this process. Both parties agree to work diligently to complete this process within sixty days. Each party shall provide a requested list of information and documents to each other and will mutually approve of such lists.

1.15 AH agrees to hire all existing employees of WE who are recommended for continued employment by WE management and who successfully pass AH's pre-employment screening (the "transition workforce"). Wage and benefit levels will initially match the

terms negotiated by WE under the terms its most recent agreement with its Employee Group. AH reserves the right to adjust the hours of work of certain employees based on fluctuations in census or to conform to the Hospital staffing model. For example, there may be a temporary decline in census after the transition due to an expected loss of private pay patients. Should AH have to substantially reduce scheduled hours of certain staff or have a planned layoff, AH agrees to notify WE confidentially so WE may at its discretion hire said staff.

To facilitate the transition of employees, AH and WE agree that AH may lease the transition workforce from WE for a period of time to be mutually agreed upon following transition. AH has a required 90-day waiting period for new employees before their benefits, such as health care coverage, commences. AH agrees to cover the cost of any gap in coverage for any benefited employees either by payment of COBRA fees or through direct reimbursement to the covering entity.

1.16 AH agrees to discuss and consider existing contractual relations with their providers. WE shall provide AH with a recommended list of contractors.

1.17 It is understood that Alameda Hospital's Board of Directors will need to approve this transaction.

1.18 AH will be subleasing 120 licensed beds from WE at the time of the transition. If for programmatic purposes, AH determines it is advantageous to reduce the number of licensed beds, such a decision will be subject to approval by WE, including the possibility of compensation paid to WE for reduced licensed capacity. Given that the change in licensed beds is subject to approval by WE, WE agrees that the number of licensed beds may be different at the termination of the lease as accounted for by the approved license bed changes.

1.19 It is understood and agreed that WE must obtain permission from the property owners, a related family entity, to sublease the building and that AH shall sign a sublease with WE that will contain the written consent of the property owners. It is agreed that at some point in the future, the owners of the property on which WE is operated may change. The sublease agreement shall provide that the terms of the sublease between WE and AH shall be honored upon any such ownership change. WE acknowledges that AH may, at its option, record a form of Memorandum of Sublease with the County of Alameda.

1.20 In the event WE decides to sell the property either during the term of the lease or at time of termination, other than to other family members or related companies, AH shall

Attachment 1

have first right of refusal to purchase the property from WE. The terms of such a purchase shall be subject to negotiation but shall be guided by a survey of fair market value of similar facilities at the time of negotiation of the sale.

Submitted by:

City of Alameda Health Care District

Deborah E. Stebbins
Signature

Deborah E. Stebbins
Name

CEO
Position

9/9/11
Date

Accepted by:

The Waters Edge, Inc.

Signature

CHRISTIAN F. ZIMMERMAN
Name

CEO
Position

9/9/11
Date

Accepted by:

The Waters Edge, Inc.

Signature

Lauren Zimmerman
Name

CFO
Position

9/9/11
Date

09/09/2011

Attachment 1

Schedule A

Liquidated Damages for Early Termination

Sublease Year	Calendar Year in which Early Termination Notice Given	Liquidated Damages Due from AH to WE
1	2012	$500,000
2	2013	$500,000
3	2014	$500,000
4	2015	$500,000
5	2016	$400,000
6	2017	$400,000
7	2018	$400,000
8	2019	$400,000
9	2020	$300,000
10	2021	$300,000
11	2022	$300,000
12	2023	$300,000
13	2024	$200,000
14	2025	$200,000
15	2026	$200,000
16	2027	$200,000
17	2028	$100,000
18	2029	$100,000
19	2030	$100,000
20	2031	$100,000

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Attachment 1

Schedule B			
Based upon 120 Licensed beds			
Year	Index Rate Cap *	Bed Rate	Annual Lease Payment
1		$638.00	$918,720
2	1.75%	$ 649.17	$934,798
3	1.75%	$ 660.53	$951,157
4	1.75%	$ 672.08	$967,802
5	1.75%	$ 683.85	$984,738
6	1.75%	$ 695.81	$1,001,971
7	1.75%	$ 707.99	$1,019,506
8	1.75%	$ 720.38	$1,037,347
9	1.75%	$ 732.99	$1,055,501
10	1.75%	$ 745.81	$1,073,972
11	1.75%	$ 758.87	$1,092,766
12	1.75%	$ 772.15	$1,111,890
13	1.75%	$ 785.66	$1,131,348
14	1.75%	$ 799.41	$1,151,147
15	1.75%	$ 813.40	$1,171,292
16	1.75%	$ 827.63	$1,191,789
17	1.75%	$ 842.11	$1,212,645
18	1.75%	$ 856.85	$1,233,867
19	1.75%	$ 871.85	$1,255,459
20	1.75%	$ 887.10	$1,277,430
		Total	$21,775,144

* Gauged to an Index to be determined

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Waters Edge
Financial Projections
Summary of Revenues and Expenses

Base Scenario

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Average Daily Census	**86**	**89**	**94**	**96**	**102**	**104**	**105**	**105**	**106**	**106**	**107**	**108**	**101**	**108**
Net Patient Revenues	**968,062**	**935,604**	**1,073,417**	**1,058,989**	**1,182,952**	**1,169,037**	**1,244,696**	**1,244,696**	**1,224,404**	**1,263,885**	**1,242,974**	**1,302,263**	**13,910,978**	**14,977,440**
Avg per day	363.11	362.50	368.37	367.70	374.12	374.69	382.39	382.39	385.03	384.63	387.22	388.97	377.43	379.95
Expenses														
Salaries														
Nursing	341,609	339,565	366,615	361,829	391,622	387,642	401,624	401,624	390,869	401,624	390,869	401,624	4,577,119	4,744,205
Other	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries	456,693	454,649	481,699	476,913	506,706	502,726	516,708	516,708	505,953	516,708	505,953	516,708	5,958,125	6,125,211
Benefits	137,008	136,395	144,510	143,074	152,012	150,818	155,012	155,012	151,786	155,012	151,786	155,012	1,787,438	1,837,563
Total Salary & Benefits	**593,701**	**591,044**	**626,209**	**619,987**	**658,717**	**653,544**	**671,721**	**671,721**	**657,739**	**671,721**	**657,739**	**671,721**	**7,745,563**	**7,962,774**
Other Operating Expenses														
Professional Fees	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Supplies	85,839	83,453	92,800	91,846	99,762	98,583	102,373	102,373	100,267	103,243	101,110	104,983	1,166,632	1,166,632
Purchased Services	101,355	99,049	108,084	107,161	114,812	113,673	117,336	117,336	115,301	118,177	116,115	119,859	1,348,256	1,348,256
Rents and Leases	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	918,720	934,798
Utilities and Telephone	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	180,000
Insurance	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	196,000	196,000
Depr & Amort	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	53,511	53,677	53,791	53,747	47,542	47,538	47,551	47,551	47,544	47,554	47,547	47,560	595,114	570,400
Total Other Op Expenses	**354,098**	**349,571**	**368,069**	**366,147**	**375,510**	**373,187**	**380,653**	**380,653**	**376,505**	**382,367**	**378,164**	**385,796**	**4,470,722**	**4,462,086**
Total Operating Expenses	**947,798**	**940,615**	**994,278**	**986,135**	**1,034,227**	**1,026,731**	**1,052,374**	**1,052,374**	**1,034,244**	**1,054,088**	**1,035,903**	**1,057,517**	**12,216,284**	**12,424,860**
Contribution	**20,264**	**(5,012)**	**79,139**	**72,854**	**148,725**	**142,306**	**192,322**	**192,322**	**190,160**	**209,796**	**207,071**	**244,746**	**1,694,694**	**2,552,580**

ATTACHMENT 2a

Waters Edge
Financial Projections
Summary of Patient Days & Net Patient Revenues

Base Scenario

Average Daily Census	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	5	5	5	5	5	5	3	3	3	3	3	3	4.0	3
MediCal	70	73	74	76	77	78	78	78	78	78	78	78	76.3	78
Medicare	8	8	10	10	12	12	15	15	16	16	17	18	13.1	18
Other	3	3	5	5	8	9	9	9	9	9	9	9	7.3	9
Total	86	89	94	96	102	104	105	105	106	106	107	108	100.7	108
Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365

Patient Days	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	155	145	155	150	155	150	93	93	90	93	90	93	1,462	1,095
MediCal	2,170	2,117	2,294	2,280	2,387	2,340	2,418	2,418	2,340	2,418	2,340	2,418	27,940	28,470
Medicare	248	232	310	300	372	360	465	465	480	496	510	558	4,796	6,570
Other	93	87	155	150	248	270	279	279	270	279	270	279	2,659	3,285
Total	2,666	2,581	2,914	2,880	3,162	3,120	3,255	3,255	3,180	3,286	3,210	3,348	36,857	39,420

Room Rates	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$305
MediCal	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$305
Medicare	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619
Other	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450
Total	$348	$347	$355	$354	$362	$362	$370	$370	$373	$373	$375	$377	$364	$369

Net Patient Revenues	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	48,858	45,705	48,858	47,282	48,858	47,282	29,315	29,315	28,369	29,315	28,369	29,315	460,837	333,636
MediCal	684,006	667,300	723,092	718,679	752,406	737,591	762,178	762,178	737,591	762,178	737,591	762,178	8,806,967	8,674,524
Medicare	153,512	143,608	191,890	185,700	230,268	222,840	287,835	287,835	297,120	307,024	315,690	345,402	2,968,724	4,066,830
Other	41,850	39,150	69,750	67,500	111,600	121,500	125,550	125,550	121,500	125,550	121,500	125,550	1,196,550	1,478,250
Total	928,225	895,763	1,033,589	1,019,160	1,143,132	1,129,213	1,204,877	1,204,877	1,184,580	1,224,066	1,203,150	1,262,444	13,433,078	14,553,240
Part B	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000	480,000
Hospital Dilution	(163)	(159)	(172)	(171)	(179)	(176)	(182)	(182)	(176)	(182)	(176)	(182)	(2,100)	(55,800)
Total Net Patient Revenue	**968,062**	**935,604**	**1,073,417**	**1,058,989**	**1,182,952**	**1,169,037**	**1,244,696**	**1,244,696**	**1,224,404**	**1,263,885**	**1,242,974**	**1,302,263**	**13,910,978**	**14,977,440**

ATTACHMENT 2b

Waters Edge
Financial Projections
Salary Expense - Nursing

Base Scenario

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
	Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365
	Patient Days	2,666	2,581	2,914	2,880	3,162	3,120	3,255	3,255	3,180	3,286	3,210	3,348	36,857	39,420
	FTE Hours	177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Nursing	Hours PD														
RN	8.0	1,627	1,615	1,776	1,747	1,924	1,901	1,984	1,984	1,920	1,984	1,920	1,984	22,366	23,360
LVN	8.0	1,627	1,615	1,776	1,747	1,924	1,901	1,984	1,984	1,920	1,984	1,920	1,984	22,366	23,360
NA	37.0	7,524	7,468	8,213	8,081	8,901	8,791	9,176	9,176	8,880	9,176	8,880	9,176	103,442	108,040
		10,778	10,698	11,764	11,575	12,750	12,593	13,144	13,144	12,720	13,144	12,720	13,144	148,173	154,760
FTE's		61	65	67	68	72	74	74	74	74	74	74	74	71	74
Hours PPD		4.04	4.14	4.04	4.02	4.03	4.04	4.04	4.04	4.00	4.00	3.96	3.93	4.02	3.93
Salaries															
RN	$47.30	76,951	76,376	83,990	82,643	91,028	89,908	93,843	93,843	90,816	93,843	90,816	93,843	1,057,900	1,104,928
LVN	$37.27	60,631	60,177	66,176	65,115	71,722	70,839	73,940	73,940	71,555	73,940	71,555	73,940	833,527	870,580
NA	$18.05	135,822	134,806	148,244	145,867	160,667	158,690	165,636	165,636	160,293	165,636	160,293	165,636	1,867,225	1,950,230
		273,403	271,360	298,410	293,624	323,416	319,437	333,419	333,419	322,663	333,419	322,663	333,419	3,758,653	3,925,739
Other Nursing															
DON	1.0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132,000	132,000
Asst. DON	1.0	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	99,000	99,000
MDS	2.0	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	206,712	206,712
Staff Development	1.5	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	155,034	155,034
Unit Secretary	4.0	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	165,370	165,370
QA Nurse	0.5	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	60,350	60,350
			-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
		68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	818,466	818,466
Total Nursing Salaries		341,609	339,565	366,615	361,829	391,622	387,642	401,624	401,624	390,869	401,624	390,869	401,624	4,577,119	4,744,205

ATTACHMENT 2c

Waters Edge
Financial Projections
Summary of Salaries & Benefits

Base Scenario

	Dept		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Days in Month			31	29	31	30	31	30	31	31	30	31	30	31	366	365
Patient Days			2,666	2,581	2,914	2,880	3,162	3,120	3,255	3,255	3,180	3,286	3,210	3,348	36,857	39,420
FTE Hours			177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Total Nursing Salaries	Nursing		341,609	339,565	366,615	361,829	391,622	387,642	401,624	401,624	390,869	401,624	390,869	401,624	4,577,119	4,744,205
Other Salaries																
Plant Ops Sup	Plant Ops		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Housekeeping	Housekeeping		5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	70,884	70,884
Laundry	Laundry		6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	79,200
Dietary	Dietary		34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	409,200	409,200
Activities	Nursing		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Administrator	Admin		9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	118,919	118,919
Business Office	Admin		5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	71,148	71,148
Medical Records	Admin		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,394	86,394
Social Services	Nursing		5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Admissions Coord	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
Marketing Director	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
				-	-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-	-
Other Salaries			115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries			456,693	454,649	481,699	476,913	506,706	502,726	516,708	516,708	505,953	516,708	505,953	516,708	5,958,125	6,125,211
Benefits		30.0%	137,008	136,395	144,510	143,074	152,012	150,818	155,012	155,012	151,786	155,012	151,786	155,012	1,787,438	1,837,563
Total Salaries & Benefits			593,701	591,044	626,209	619,987	658,717	653,544	671,721	671,721	657,739	671,721	657,739	671,721	7,745,563	7,962,774

ATTACHMENT 2d

Waters Edge
Financial Projections
Return On Investment / Contract Risk
Base Scenario

Start up Costs	
Legal Fees	20,000
Professional Fees / Consultants	66,285
Facility Inspection Fees	7,500
Licensing Fees	35,640
Infrastructure Enhancements	250,000
Total Start up Costs	379,425
Contract Risk	
Liquidated Damages provision	500,000
Total Contract Risk	500,000
Total Start up Cost / Contract Risk	879,425
* *Asume Yr. 2 wind down, no revenue, no expenses, but pay rent for 6 months*	*467,399*
Return	
Year 1	
Operating Contribution Margin	1,694,694
Return on Investment / Contract Risk	193%
Year 2	
Operating Contribution Margin	2,552,580
Return on Investment / Contract Risk	290%
* *Operating contribution with Yr. 2 Risk assumption*	*1,276,290*
	95%

ATTACHMENT 2e

Waters Edge
Financial Projections
Summary of Cash Flow

Base Scenario

	Start-Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Cash flows from operating activities															
Net Contribution		20,264	(5,012)	79,139	72,854	148,725	142,306	192,322	192,322	190,160	209,796	207,071	244,746	1,694,694	2,552,580
Start-up costs - licensing and consulting fees	(129,425)													(129,425)	
Start-up costs - infrastructure enhancements (to be determined)														-	
Items not requiring the use of cash:															
Changes in certain assets and liabilities:														-	
Accounts Receivable															
Private	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Medi-Cal	-	(684,006)	200,789	(6,619)	(13,239)	(6,619)	(6,619)	-	-	-	-	-	-	(516,314)	17,232
Medicare	-	(193,512)	16,235	(32,172)	(1,204)	(33,460)	(1,204)	(50,792)	-	(18,536)	1,204	(18,536)	(16,128)	(348,105)	(693)
Other	-	(41,850)	4,050	(25,200)	-	(37,800)	(12,600)	-	-	-	-	-	-	(113,400)	-
Patient accounts receivable, net	-	(919,368)	221,074	(63,992)	(14,443)	(77,879)	(20,424)	(50,792)	-	(18,536)	1,204	(18,536)	(16,128)	(977,819)	16,539
Accounts payable and accrued liabilities	-	402,877	20,761	(480)	11,223	(421)	10,981	(3,516)	-	8,493	(6,004)	8,493	(3,516)	448,891	(14,020)
Payroll Related Accruals	-	270,480	34,292	(187,299)	37,047	57,316	41,538	52,651	(198,016)	37,706	52,302	38,770	51,237	288,023	20,083
Employee Health Plan Accruals	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Other accrued liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) operating activities	**(129,425)**	**(225,747)**	**271,116**	**(172,632)**	**106,682**	**127,740**	**174,402**	**190,665**	**(5,694)**	**217,823**	**257,298**	**235,798**	**276,340**	**1,324,364**	**2,575,182**
Cash flows from financing activities														-	
(Increase) Decrease in Deferred Payroll	-	222,748		0	(222,748)	0	0	0	0	0	0	0	0	-	0
(Increase) Decrease in Deferred Rent	-	76,560	76,560	0	(153,120)	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) financing	**-**	**299,308**	**76,560**	**-**	**(375,868)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash	(129,425)	73,562	347,676	(172,632)	(269,186)	127,740	174,402	190,665	(5,694)	217,823	257,298	235,798	276,340	1,324,364	2,575,182
Cash at beginning of period	$ -	$ (129,425)	$ (55,863)	$ 291,812	$ 119,180	$ (150,007)	$ (22,266)	$ 152,135	$ 342,800	$ 337,106	$ 554,929	$ 812,227	$ 1,048,024	$ -	$ 1,324,364
Cash at end of period	**$ (129,425)**	**$ (55,863)**	**$ 291,812**	**$ 119,180**	**$ (150,007)**	**$ (22,266)**	**$ 152,135**	**$ 342,800**	**$ 337,106**	**$ 554,929**	**$ 812,227**	**$ 1,048,024**	**$ 1,324,364**	**$ 1,324,364**	**$ 3,899,546**

ATTACHMENT 2f

1. **Volume**:

   The patient census by payor type for the first two years of operation by Alameda Hospital are shown on Attachment 4.

   These compare with the current census at Waters Edge of 102:

Medicare	4
Medi-Cal	64
Private Pay	34
Managed Care	0

   In Year 1, we assume there will be almost a complete loss of private pay volume due to the requirement that we set private pay rates at the same level or higher than our Medi-Cal rates. This was our experience when we assumed licensure of South Shore. We also assume a gradual ramp up in Medicare volume. The present management of Waters Edge has not aggressively pursued increasing their Medicare referrals due to their limited capabilities to provide rehab services. The overall average census in the ramp up year is 101 patients.

   In Year 2, we are projecting the census to average 108 patients. While the facility is licensed for 120 beds, we are treating the effective capacity to be 110 beds. Ten of the rooms have three beds each; for marketing purposes we would like to avoid use of the middle bed unless absolutely necessary.

2. Reimbursement Rates:

   MediCal and **private pay** rates are based on an imputed cost report basis that is felt to be conservative and based on our projected costs in the pro forma. It also includes an allocation of an appropriate proportion of costs related to the existing hospital operations. This number is updated each time we have updated our pro forma projections. Our cost report consultant, Paul Fayollat, has been on vacation this week and will validate this rate upon his return on September 26, 2011. Pending his confirmation, we have conservatively estimated the MediCal and self pay reimbursement rates in this pro forma.

   A revised budget pro forma with more precise Medi-Cal rates will be distributed following Mr. Fayollat's analysis.

   If CMS upholds AB 97, our reimbursement for DP SNF will be reduced by approximately 24%. However, with the addition of Waters Edge costs and additional bed base, our projected cost per patient day will fall below the level of reduced reimbursement under AB 97. As a result, we will not lose as much reimbursement as we would have with our

current smaller SNF bed base. The CMS ruling on AB 97 is expected to be issued by the end of September.

Medicare daily rates are based on projected RUG levels serving a typical post- acute, short term stay Medicare population.

Other payors would include Kaiser and other third party payors and are based on fee schedules similar to those we have in place with other payors. Note: even though Waters Edge currently has no managed care patients, they have averaged a managed care census of 1-2 patients in recent months.

The **Medicare Part B** revenue is based on a projection of other reimbursable ancillary services, such as PT, OT and Speech therapy, associated with the care of Medicare rehab patients.

3. **Nurse Staffing**:
   Nurse staffing has been projected at 4.0 hours per patient day comprised of 8 RN's, 8 LVN's and 37 CNA's per 24 hour period to care for 101 patients. This represents an increase in their licensed staff per 24 hour period of 2 nurses. It also exceeds the minimum State licensing requirements of 3.2 hours per patient day. We feel enriched staffing is essential in being able to attract and provide care for a greater number of post acute, Medicare patients.

4. **Expenses for other functional areas**:
   The expense budgets for other departmental functions at Waters Edge were originally developed to include labor and non-labor expenses. The basis for the budgets was long term care industry standards for expenses per patient day by functional area. The total expenses by function were then cross checked against current expenditures in these departments at Waters Edge. In most cases, our assumptions regarding non-nursing departmental expenses are higher than the current levels reported at Waters Edge.

5. **Wage Scales**:
   Rates of pay were compared between South Shore scales and current Waters Edge pay scales in each category of employee. For the most part, the pay rates at South Shore exceed those for comparable classifications at Waters Edge. Exceptions to this relationship however exist in the RN and LVN classifications, where rates of pay at Waters Edge exceed those at South Shore. It is noteworthy that there are far fewer licensed personnel than CNA's at both facilities.

   Due to the wage disparity, we assumed the higher rate of pay for each classification in projecting nurse staffing costs.

   In addition, since there have been no wage increases awarded at either South Shore or Waters Edge for at least the past two years, we have built in a small inflationary factor

over current pay scales to cover a contingency that we may need to make wage adjustments in certain classifications within the first year of operation.

6. **Benefits**:

In general, employees at Waters Edge are not eligible for benefits (e.g. insurance coverage, PTO, etc.) unless they work 32 hours or more per week. The benefit threshold at Alameda Hospital is 20 hours or more per week. There is no employer contribution pension plan in place at Waters Edge as there is at Alameda Hospital. In addition, many of the employees at Waters Edge have opted out of health benefits in lieu of a higher rate of pay. This, in part, contributes to the average rate at Waters Edge being higher than South Shore for RN's and LVN's. It appears that there are also a number of areas in which the pay practices in terms of overtime, pay in lieu of benefits, etc. differ at Waters Edge compared to the Hospital. After we assume operation of the WE facility, we will need to address and correct these pay practice discrepancies. In the meantime, we have built in a 30% load factor for benefits on top of the base wages in the pro formas to reflect the expected cost of such adjustments.

7. **Added Infrastructure**:

The addition of Waters Edge will represent a major resizing of the organizational structure of the Hospital, including over a 100% increase in daily patient census, an increase of over 30% in the number of full-time equivalent employees, and an increase in net revenue of about 25%. For this reason, we anticipate a need to add to our administrative and support infrastructure in the following areas in some of the following areas: IT, Human Resources, Plant Maintenance, and Finance and Administration. The operating budget has an allocation of $21,000 per month under Other Operating Expenses to accommodate these anticipated needs.

Date: September 27, 2011

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

From: Paul Fayollat, Consultant, PHM

Subject: Waters Edge Overlay

I have now completed my three-fold WE overlay task: (1) to determine the Medi-Cal cost based payment per diem, taking into account the AB97 upper limit; (2) to determine any dilution to Hospital Medi-Cal payments resulting from the WE overlay; and (3) to work my projected results back into the Net Revenues (and flowing into the Revenue and Expense Summary) of the model. While the impact of my projected results are not substantially different from version distributed on September 23, 2011, I have attached the PHM version of the model.

Year 1. The Hospital base is the FY 2012 budget of costs and patient days. I overlaid WE Year 1 costs and days. Marketing expense is non-allowable. The blended SNF per diem cost is just over $320, which is greater than the $316 AB97 limit. Thus, I revised the Medi-Cal per diem payment rate to $316, a full $10 greater than in the model in the packet distributed September 23, 2011. As the rate is slightly greater than the AB97 limit, there is no dilution to Hospital Medi-Cal payments. I ran a separate version, assuming $150 of the $638 lease rate would not be allowed by Medi-Cal, but there is no negative impact on Medi-Cal per diem payment rate due to the AB97 limitation. Overall WE contribution is $1,702,000. The Increase from 9/23/11 version is the $9.90 Medi-Cal rate change x 27,940 Medi-Cal days.

Year 2. I first increased all Hospital costs 2% across the board, then overlaid the Year 2 WE costs and patient days. Again, marketing cost is non-allowable. Because WE year 2 cost increased slower than WE year 2 patient days due to fixed costs, the blended SNF per diem cost falls to $309.41, and becomes the Year 2 Medi-Cal SNF rate. I assumed the AB97 limit would increase by 2%. As this blended cost is less than AB97 limit, there is just over $41,000 dilution to Hospital Medi-Cal SNF payments. At the bottom of the Days and Net Revenue sheet I inserted Row 40 to incorporate this Year 2 dilution. Finally, as the blended SNF cost is now lower than the AB97 limit, there is a negative impact of an assumed $150 lease rate disallowance by Medi-Cal. My Year 2 numbers are all net of this potential disallowance. But, as a result of an overall increase in Year 2 census and a continuing shift to higher paying Medicare business, the Year 2 contribution increases almost $1 million, to $2,678,000.

Waters Edge Actual to Pro Forma Projections
Selected Comparisons

		WE - 2010 Cost Report	WE Year Ending May 2011	AH - Year 1	AH Year 2
Net Patient Revenue					
Private		$2,010,033	$2,259,045	$447,372	$335,070
MediCal		$5,369,286	$5,262,013	$8,549,640	$8,711,820
Medicare		$1,825,156	$1,841,114	$2,968,724	$4,066,830
Other/Managed Care		$274,980	$117,017	$1,196,550	$1,478,250
SubTotal		$9,479,455	$9,479,189	$13,162,286	$14,591,970
Part B		$362,165	$466,799	$480,000	$480,000
Total Net Patient Revenue		**$9,841,620**	**$9,945,988**	**$13,642,286**	**$15,071,970**
Total Nursing Salaries	**Nursing**	**$3,641,181**	**$3,364,294**	**4,577,119**	**4,744,205**
Other Salaries					
Plant Ops Sup	Plant Ops	$85,493		158,400	158,400
Housekeeping	Housekeeping	$58,705	$62,040	70,884	70,884
Laundry	Laundry	$83,030	$76,686	79,200	79,200
Dietary	Dietary	$391,886	$380,262	409,200	409,200
Activities	Nursing	$43,247	$32,844	158,400	158,400
Administrator	Admin	$350,488	$288,875	118,919	118,919
Business Office	Admin	$76,530	$181,266	71,148	71,148
Medical Records	Admin	$101,690	$51,332	86,394	86,394
Social Services	Nursing	$43,247	$47,050	66,000	66,000
Admissions Coord	Admin			81,231	81,231
Marketing Director	Admin			81,231	81,231
				-	-
Other Salaries		**$1,234,316**	**$1,120,355**	**1,381,006**	**1,381,006**

Waters Edge
Financial Projections
Summary of Revenues and Expenses

Low Initial Medi-Cal Volume

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Average Daily Census	**80**	**83**	**88**	**90**	**96**	**98**	**100**	**101**	**103**	**104**	**106**	**108**	**96**	**108**
Net Patient Revenues	**911,072**	**882,357**	**1,016,522**	**1,003,975**	**1,126,128**	**1,114,069**	**1,197,645**	**1,207,438**	**1,197,826**	**1,246,213**	**1,235,350**	**1,304,177**	**13,442,773**	**14,976,849**
Avg per day	367.37	366.58	372.63	371.84	378.40	378.94	386.34	385.64	387.65	386.54	388.47	389.54	380.77	379.93
Expenses														
Salaries														
Nursing	319,937	312,429	344,943	342,469	369,950	366,669	382,953	386,287	381,834	394,956	390,869	401,624	4,394,921	4,744,205
Other	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries	435,021	427,513	460,027	457,553	485,033	481,753	498,037	501,371	496,918	510,040	505,953	516,708	5,775,928	6,125,211
Benefits	130,506	128,254	138,008	137,266	145,510	144,526	149,411	150,411	149,075	153,012	151,786	155,012	1,732,778	1,837,563
Total Salary & Benefits	**565,527**	**555,767**	**598,035**	**594,819**	**630,544**	**626,279**	**647,448**	**651,782**	**645,994**	**663,052**	**657,739**	**671,721**	**7,508,706**	**7,962,774**
Other Operating Expenses														
Professional Fees	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Supplies	80,617	78,568	87,579	86,793	94,541	93,530	98,022	98,892	97,741	101,503	100,267	104,983	1,123,037	1,166,632
Purchased Services	98,882	96,813	105,832	105,036	112,783	111,763	116,199	117,009	115,796	119,498	118,204	122,856	1,340,672	1,348,256
Rents and Leases	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	918,720	934,798
Utilities and Telephone	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	180,000
Insurance	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	196,000	196,000
Depr & Amort	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	53,456	53,626	53,737	53,695	47,524	47,520	47,536	47,539	47,535	47,548	47,544	47,560	594,822	570,400
Total Other Op Expenses	**346,349**	**342,401**	**360,542**	**358,917**	**368,241**	**366,207**	**375,151**	**376,834**	**374,465**	**381,942**	**379,409**	**388,793**	**4,419,251**	**4,462,086**
Total Operating Expenses	**911,876**	**898,168**	**958,577**	**953,737**	**998,785**	**992,486**	**1,022,598**	**1,028,616**	**1,020,459**	**1,044,994**	**1,037,148**	**1,060,514**	**11,927,957**	**12,424,860**
Contribution	**(804)**	**(15,811)**	**57,944**	**50,238**	**127,344**	**121,583**	**175,047**	**178,822**	**177,367**	**201,219**	**198,202**	**243,663**	**1,514,816**	**2,551,989**

ATTACHMENT 3a

Waters Edge
Financial Projections
Changes in Assumptions from Base Scenario

Low Initial Medi-Cal Volume

Decrease Month 1 Medi-Cal ADC to 64

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
MediCal ADC	70	73	74	76	77	78	78	78	78	78	78	78	76.3	78
% Change Per Month	0	4.29%	1.37%	2.70%	1.32%	1.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
MediCal Pt Days	2,170	2,117	2,294	2,280	2,387	2,340	2,418	2,418	2,340	2,418	2,340	2,418	27,940	28,470
MediCal ADC	64	67	68	70	71	72	73	74	75	76	77	78		
% Change Per Month	0.00%	4.29%	1.37%	2.70%	1.32%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%		
MediCal Pt Days	1,984	1,943	2,108	2,100	2,201	2,160	2,263	2,294	2,250	2,356	2,310	2,418	26,387	28,470

Increase / (decrease) in patient days — Year 1: **(1,553)** — Year 2: **-**

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Base Scenario	**Total Net Patient Revenue**	**968,062**	**935,604**	**1,073,417**	**1,058,989**	**1,182,952**	**1,169,037**	**1,244,696**	**1,244,696**	**1,224,404**	**1,263,885**	**1,242,974**	**1,302,263**	**13,910,978**	**14,977,440**
Low Initial Medi-Cal Volume	**Total Net Patient Revenue**	911,072	882,357	1,016,522	1,003,975	1,126,128	1,114,069	1,197,645	1,207,438	1,197,826	1,246,213	1,235,350	1,304,177	13,442,773	14,976,849

Increase / (decrease) in net revenue — Year 1: **(468,205)** — Year 2: **(591)**

Adjust Nursing staffing to 4.0 hours per day, no change to other staffing, benefits flow through at 30% of change in salaries

	Year 1	Year 2
Total Salaries & Wages - Base Scenario	7,745,563	7,962,774
Total Salaries & Wages - Low Initial Medi-Cal Volume	7,508,706	7,962,774

(Increase) / decrease in salaries and benefits — Year 1: **236,856** — Year 2: **-**

Adjust variable expenses to cost per day in Month 12 of Base Scenario - except rehab (no change to Medicare days)

	Year 1	Year 2
Other Operating Expense - Base Scenario	4,470,722	4,462,086
Other Operating Expense - Low Initial Medi-Cal Volume	4,419,251	4,462,086

(Increase) / decrease in variable operating expenses — Year 1: **51,471** — Year 2: **-**

Net increase / (decrease) to contribution — Year 1: **(179,878)** — Year 2: **(591)**

ATTACHMENT 3b

Waters Edge
Financial Projections
Summary of Patient Days & Net Patient Revenues

Low Initial Medi-Cal Volume

Average Daily Census	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	5	5	5	5	5	5	3	3	3	3	3	3	4.0	3
MediCal	64	67	68	70	71	72	73	74	75	76	77	78	72.1	78
Medicare	8	8	10	10	12	12	15	15	16	16	17	18	13.1	18
Other	3	3	5	5	8	9	9	9	9	9	9	9	7.3	9
Total	80	83	88	90	96	98	100	101	103	104	106	108	96.5	108
Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365

Patient Days	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	155	145	155	150	155	150	93	93	90	93	90	93	1,462	1,095
MediCal	1,984	1,943	2,108	2,100	2,201	2,160	2,263	2,294	2,250	2,356	2,310	2,418	26,387	28,470
Medicare	248	232	310	300	372	360	465	465	480	496	510	558	4,796	6,570
Other	93	87	155	150	248	270	279	279	270	279	270	279	2,659	3,285
Total	2,480	2,407	2,728	2,700	2,976	2,940	3,100	3,131	3,090	3,224	3,180	3,348	35,304	39,420

Room Rates	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$305
MediCal	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$305
Medicare	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619
Other	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450
Total	$351	$350	$358	$357	$365	$365	$373	$373	$375	$374	$376	$378	$367	$369

Net Patient Revenues	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	48,965	45,806	48,965	47,385	48,965	47,385	29,379	29,379	28,431	29,379	28,431	29,379	461,846	333,614
MediCal	626,746	613,794	665,917	663,390	695,296	682,344	714,882	724,675	710,775	744,260	729,729	763,846	8,335,653	8,673,955
Medicare	153,512	143,608	191,890	185,700	230,268	222,840	287,835	287,835	297,120	307,024	315,690	345,402	2,968,724	4,066,830
Other	41,850	39,150	69,750	67,500	111,600	121,500	125,550	125,550	121,500	125,550	121,500	125,550	1,196,550	1,478,250
Total	871,072	842,357	976,522	963,975	1,086,128	1,074,069	1,157,645	1,167,438	1,157,826	1,206,213	1,195,350	1,264,177	12,962,773	14,552,649
Part B	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000	480,000
Hospital Dilution	-	-	-	-	-	-	-	-	-	-	-	-	-	(55,800)
Total Net Patient Revenue	**911,072**	**882,357**	**1,016,522**	**1,003,975**	**1,126,128**	**1,114,069**	**1,197,645**	**1,207,438**	**1,197,826**	**1,246,213**	**1,235,350**	**1,304,177**	**13,442,773**	**14,976,849**

Waters Edge
Financial Projections
Salary Expense - Nursing

Low Initial Medi-Cal Volume

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
	Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365
	Patient Days	2,480	2,407	2,728	2,700	2,976	2,940	3,100	3,131	3,090	3,224	3,180	3,348	35,304	39,420
	FTE Hours	177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Nursing	Hours PD														
RN	8.0	1,498	1,453	1,647	1,632	1,796	1,776	1,873	1,893	1,866	1,944	1,920	1,984	21,282	23,360
LVN	8.0	1,498	1,453	1,647	1,632	1,796	1,776	1,873	1,893	1,866	1,944	1,920	1,984	21,282	23,360
NA	37.0	6,928	6,721	7,616	7,548	8,304	8,214	8,662	8,754	8,631	8,992	8,880	9,176	98,427	108,040
		9,924	9,628	10,910	10,812	11,895	11,766	12,408	12,539	12,364	12,881	12,720	13,144	140,991	154,760
FTE's		56	58	62	63	67	69	70	71	72	73	74	74	68	74
Hours PPD		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.93	3.99	3.93
Salaries															
RN	$47.30	70,852	68,739	77,890	77,194	84,928	84,005	88,588	89,526	88,273	91,966	90,816	93,843	1,006,620	1,104,928
LVN	$37.27	55,824	54,160	61,370	60,821	66,915	66,188	69,799	70,538	69,551	72,461	71,555	73,940	793,123	870,580
NA	$18.05	125,055	121,326	137,478	136,249	149,901	148,271	156,360	158,017	155,805	162,323	160,293	165,636	1,776,713	1,950,230
		251,731	244,224	276,738	274,264	301,744	298,464	314,747	318,082	313,629	326,751	322,663	333,419	3,576,455	3,925,739
Other Nursing															
DON	1.0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132,000	132,000
Asst. DON	1.0	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	99,000	99,000
MDS	2.0	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	206,712	206,712
Staff Development	1.5	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	155,034	155,034
Unit Secretary	4.0	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	165,370	165,370
QA Nurse	0.5	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	60,350	60,350
			-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
		68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	818,466	818,466
Total Nursing Salaries		319,937	312,429	344,943	342,469	369,950	366,669	382,953	386,287	381,834	394,956	390,869	401,624	4,394,921	4,744,205

Waters Edge
Financial Projections
Summary of Salaries & Benefits

Low Initial Medi-Cal Volume

	Dept		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Days in Month			31	29	31	30	31	30	31	31	30	31	30	31	366	365
Patient Days			2,480	2,407	2,728	2,700	2,976	2,940	3,100	3,131	3,090	3,224	3,180	3,348	35,304	39,420
FTE Hours			177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Total Nursing Salaries	Nursing		319,937	312,429	344,943	342,469	369,950	366,669	382,953	386,287	381,834	394,956	390,869	401,624	4,394,921	4,744,205
Other Salaries																
Plant Ops Sup	Plant Ops		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Housekeeping	Housekeeping		5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	70,884	70,884
Laundry	Laundry		6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	79,200
Dietary	Dietary		34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	409,200	409,200
Activities	Nursing		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Administrator	Admin		9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	118,919	118,919
Business Office	Admin		5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	71,148	71,148
Medical Records	Admin		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,394	86,394
Social Services	Nursing		5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Admissions Coord	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
Marketing Director	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
				-	-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-	-
Other Salaries			115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries			435,021	427,513	460,027	457,553	485,033	481,753	498,037	501,371	496,918	510,040	505,953	516,708	5,775,928	6,125,211
Benefits		30.0%	130,506	128,254	138,008	137,266	145,510	144,526	149,411	150,411	149,075	153,012	151,786	155,012	1,732,778	1,837,563
Total Salaries & Benefits			565,527	555,767	598,035	594,819	630,544	626,279	647,448	651,782	645,994	663,052	657,739	671,721	7,508,706	7,962,774

ATTACHMENT 3d

Waters Edge
Financial Projections
Return On Investment / Contract Risk
Low Initial Medi-Cal Volume

Start up Costs	
Legal Fees	20,000
Professional Fees / Consultants	66,285
Facility Inspection Fees	7,500
Licensing Fees	35,640
Infrastructure Enhancements	250,000
Total Start up Costs	379,425
Contract Risk	
Liquidated Damages provision	500,000
Total Contract Risk	500,000
Total Start up Cost / Contract Risk	879,425
* *Asume Yr. 2 wind down, no revenue, no expenses, but pay rent for 6 months*	*467,399*
Return	
Year 1	
Operating Contribution Margin	1,514,816
Return on Investment / Contract Risk	172%
Year 2	
Operating Contribution Margin	2,551,989
Return on Investment / Contract Risk	290%
* *Operating contribution with Yr. 2 Risk assumption*	*1,275,994*
	95%

ATTACHMENT 3d

Waters Edge
Financial Projections
Summary of Cash Flow

Low Initial Medi-Cal Volume

	Start-Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Cash flows from operating activities															
Net Contribution		(804)	(15,811)	57,944	50,238	127,344	121,583	175,047	178,822	177,367	201,219	198,202	243,663	1,514,816	2,551,989
Start-up costs - licensing and consulting fees	(129,425)													(129,425)	
Start-up costs - infrastructure enhancements (to be determined)														-	
Items not requiring the use of cash:															
Changes in certain assets and liabilities:														-	
Accounts Receivable															
Private	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Medi-Cal	-	(626,746)	182,274	(6,634)	(13,268)	(6,634)	(6,634)	(6,634)	(6,634)	(6,634)	(6,634)	(6,634)	(6,634)	(517,444)	18,395
Medicare	-	(193,512)	16,235	(32,172)	(1,204)	(33,460)	(1,204)	(50,792)	-	(18,536)	1,204	(18,536)	(16,128)	(348,105)	(693)
Other	-	(41,850)	4,050	(25,200)	-	(37,800)	(12,600)	-	-	-	-	-	-	(113,400)	-
Patient accounts receivable, net	-	(862,108)	202,560	(64,006)	(14,472)	(77,894)	(20,438)	(57,426)	(6,634)	(25,170)	(5,430)	(25,170)	(22,762)	(978,949)	17,702
Accounts payable and accrued liabilities	-	391,629	20,882	(279)	11,304	(128)	11,062	(1,032)	2,443	10,976	(3,561)	10,976	(1,032)	453,241	(18,370)
Payroll Related Accruals	-	257,644	28,937	(174,394)	36,060	54,528	40,028	52,163	(190,164)	38,310	52,348	41,325	51,237	288,023	20,083
Employee Health Plan Accruals	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Other accrued liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) operating activities	**(129,425)**	**(213,638)**	**236,568**	**(180,735)**	**83,130**	**103,850**	**152,235**	**168,752**	**(15,532)**	**201,483**	**244,576**	**225,334**	**271,107**	**1,147,706**	**2,571,404**
Cash flows from financing activities														-	
(Increase) Decrease in Deferred Payroll	-	212,178		0	(212,178)	0	0	0	0	0	0	0	0	-	0
(Increase) Decrease in Deferred Rent	-	76,560	76,560	0	(153,120)	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) financing	**-**	**288,738**	**76,560**	**-**	**(365,298)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash	(129,425)	75,100	313,128	(180,735)	(282,168)	103,850	152,235	168,752	(15,532)	201,483	244,576	225,334	271,107	1,147,706	2,571,404
Cash at beginning of period	$ -	$ (129,425)	$ (54,325)	$ 258,803	$ 78,068	$ (204,099)	$ (100,249)	$ 51,986	$ 220,738	$ 205,206	$ 406,689	$ 651,266	$ 876,600	$ -	$ 1,147,706
Cash at end of period	**$ (129,425)**	**$ (54,325)**	**$ 258,803**	**$ 78,068**	**$ (204,099)**	**$ (100,249)**	**$ 51,986**	**$ 220,738**	**$ 205,206**	**$ 406,689**	**$ 651,266**	**$ 876,600**	**$ 1,147,706**	**$ 1,147,706**	**$ 3,719,110**

ATTACHMENT 3f

Waters Edge
Financial Projections
Summary of Revenues and Expenses

Low Medicare Volume

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Average Daily Census	**80**	**84**	**89**	**93**	**99**	**102**	**101**	**102**	**103**	**104**	**105**	**106**	**97**	**106**
Net Patient Revenues	**854,696**	**847,569**	**979,334**	**1,005,127**	**1,127,319**	**1,133,791**	**1,169,854**	**1,189,043**	**1,170,547**	**1,227,421**	**1,207,687**	**1,265,799**	**13,178,186**	**14,598,104**
Avg per day	344.64	347.93	354.96	360.26	367.32	370.52	373.64	376.04	378.82	380.71	383.39	385.21	369.79	377.31
Expenses														
Salaries														
Nursing	322,604	324,282	350,778	352,633	382,119	381,512	388,954	392,122	381,834	395,289	384,900	395,456	4,452,485	4,671,578
Other	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries	437,688	439,366	465,862	467,717	497,203	496,596	504,038	507,206	496,918	510,373	499,984	510,540	5,833,491	6,052,585
Benefits	131,306	131,810	139,759	140,315	149,161	148,979	151,212	152,162	149,075	153,112	149,995	153,162	1,750,047	1,815,775
Total Salary & Benefits	**568,994**	**571,176**	**605,620**	**608,032**	**646,364**	**645,574**	**655,250**	**659,368**	**645,994**	**663,485**	**649,979**	**663,702**	**7,583,538**	**7,868,360**
Other Operating Expenses														
Professional Fees	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Supplies	80,617	79,382	88,449	89,320	97,151	96,899	98,892	99,762	97,741	101,503	99,425	103,243	1,132,385	1,147,472
Purchased Services	77,384	80,362	88,108	95,562	102,827	105,940	101,355	105,350	103,702	110,186	108,382	111,869	1,191,027	1,254,498
Rents and Leases	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	918,720	918,720
Utilities and Telephone	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	180,000
Insurance	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	196,000	196,000
Depr & Amort	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	53,461	53,633	53,745	53,708	47,533	47,532	47,539	47,542	47,535	47,548	47,541	47,554	594,872	570,333
Total Other Op Expenses	**324,856**	**326,770**	**343,695**	**351,983**	**360,905**	**363,765**	**361,179**	**366,048**	**362,371**	**372,631**	**368,742**	**376,059**	**4,279,004**	**4,333,024**
Total Operating Expenses	**893,850**	**897,946**	**949,316**	**960,015**	**1,007,269**	**1,009,339**	**1,016,429**	**1,025,415**	**1,008,365**	**1,036,116**	**1,018,720**	**1,039,761**	**11,862,542**	**12,201,384**
Contribution	**(39,154)**	**(50,377)**	**30,018**	**45,112**	**120,050**	**124,452**	**153,425**	**163,628**	**162,182**	**191,305**	**188,967**	**226,038**	**1,315,644**	**2,396,720**

ATTACHMENT 4a

Waters Edge
Financial Projections
Changes in Assumptions from Base Scenario **Low Medicare Volume**

Base Scenario

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Medicare ADC	8	8	10	10	12	12	15	15	16	16	17	18	13.1	18
% Change Per Month	0	0.00%	25.00%	0.00%	20.00%	0.00%	25.00%	0.00%	6.67%	0.00%	6.25%	5.88%		
Medicare Pt Days	248	232	310	300	372	360	465	465	480	496	510	558	4,796	6,570

Low Medicare

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Medicare ADC	2	3	5	7	9	10	11	12	13	14	15	16	9.8	16
% Change Per Month	0.00%	50.00%	50.00%	30.00%	30.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	5.00%		
Medicare Pt Days	62	87	155	210	279	300	341	372	390	434	450	496	3,576	5,840

Increase / (decrease) in patient days (1,220) (730)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Base Scenario														
Total Net Patient Revenue	**968,062**	**935,604**	**1,073,417**	**1,058,989**	**1,182,952**	**1,169,037**	**1,244,696**	**1,244,696**	**1,224,404**	**1,263,885**	**1,242,974**	**1,302,263**	**13,910,978**	**14,977,440**
Low Medicare Volume														
Total Net Patient Revenue	**854,696**	**847,569**	**979,334**	**1,005,127**	**1,127,319**	**1,133,791**	**1,169,854**	**1,189,043**	**1,170,547**	**1,227,421**	**1,207,687**	**1,265,799**	**13,178,186**	**14,598,104**

Increase / (decrease) in net revenue (732,793) (379,336)

2 Adjust Nursing staffing to 4.0 hours per day, no change to other staffing, benefits flow through at 30% of change in salaries

	Year 1	Year 2
Total Salaries & Wages - Base Scenario	7,745,563	7,962,774
Total Salaries & Wages - Low Medicare Volume	7,583,538	7,868,360

(Increase) / decrease in salaries and benefits 162,024 94,414

3 Adjust variable expenses to cost per day in Month 12 of Base Scenario - except rehab (no change to Medicare days)

	Year 1	Year 2
Other Operating Expense - Base Scenario	4,470,722	4,462,086
Other Operating Expense - Low Medicare Volume	4,279,004	4,333,024

(Increase) / decrease in variable operating expenses 191,718 129,062

Net increase / (decrease) to contribution (379,050) (155,860)

ATTACHMENT 4b

Waters Edge
Financial Projections
Summary of Patient Days & Net Patient Revenues

Low Medicare Volume

Average Daily Census	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	5	5	5	5	5	5	3	3	3	3	3	3	4.0	3
MediCal	70	73	74	76	77	78	78	78	78	78	78	78	76.3	78
Medicare	2	3	5	7	9	10	11	12	13	14	15	16	9.8	16
Other	3	3	5	5	8	9	9	9	9	9	9	9	7.3	9
Total	80	84	89	93	99	102	101	102	103	104	105	106	97.4	106
Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365

Patient Days	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	155	145	155	150	155	150	93	93	90	93	90	93	1,462	1,095
MediCal	2,170	2,117	2,294	2,280	2,387	2,340	2,418	2,418	2,340	2,418	2,340	2,418	27,940	28,470
Medicare	62	87	155	210	279	300	341	372	390	434	450	496	3,576	5,840
Other	93	87	155	150	248	270	279	279	270	279	270	279	2,659	3,285
Total	2,480	2,436	2,759	2,790	3,069	3,060	3,131	3,162	3,090	3,224	3,150	3,286	35,637	38,690

Room Rates	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$307
MediCal	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$316	$307
Medicare	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619
Other	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450
Total	$329	$332	$340	$346	$354	$357	$361	$363	$366	$368	$371	$373	$356	$366

Net Patient Revenues	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	48,965	45,806	48,965	47,385	48,965	47,385	29,379	29,379	28,431	29,379	28,431	29,379	461,846	336,066
MediCal	685,503	668,760	724,675	720,252	754,053	739,206	763,846	763,846	739,206	763,846	739,206	763,846	8,826,246	8,737,728
Medicare	38,378	53,853	95,945	129,990	172,701	185,700	211,079	230,268	241,410	268,646	278,550	307,024	2,213,544	3,614,960
Other	41,850	39,150	69,750	67,500	111,600	121,500	125,550	125,550	121,500	125,550	121,500	125,550	1,196,550	1,478,250
Total	814,696	807,569	939,334	965,127	1,087,319	1,093,791	1,129,854	1,149,043	1,130,547	1,187,421	1,167,687	1,225,799	12,698,186	14,167,004
Part B	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000	480,000
Hospital Dilution	-	-	-	-	-	-	-	-	-	-	-	-	-	(48,900)
Total Net Patient Revenue	**854,696**	**847,569**	**979,334**	**1,005,127**	**1,127,319**	**1,133,791**	**1,169,854**	**1,189,043**	**1,170,547**	**1,227,421**	**1,207,687**	**1,265,799**	**13,178,186**	**14,598,104**

ATTACHMENT 4b

Waters Edge
Financial Projections
Salary Expense - Nursing

Low Medicare Volume

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Days in Month		31	29	31	30	31	30	31	31	30	31	30	31	366	365
Patient Days		2,480	2,436	2,759	2,790	3,069	3,060	3,131	3,162	3,090	3,224	3,150	3,286	35,637	38,690
FTE Hours		177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Nursing	Hours PD	*4.04*	*4.14*	*4.04*	*4.02*	*4.03*	*4.04*	*4.04*	*4.04*	*4.00*	*4.00*	*3.96*	*3.93*	4.02	3.93
RN	8.0	1,514	1,524	1,681	1,692	1,868	1,864	1,909	1,927	1,866	1,946	1,884	1,947	21,624	22,928
LVN	8.0	1,514	1,524	1,681	1,692	1,868	1,864	1,909	1,927	1,866	1,946	1,884	1,947	21,624	22,928
NA	37.0	7,001	7,047	7,777	7,828	8,639	8,622	8,827	8,914	8,631	9,002	8,716	9,006	100,012	106,041
		10,029	10,095	11,140	11,213	12,375	12,351	12,645	12,769	12,364	12,894	12,485	12,901	143,260	151,897
FTE's		57	61	63	66	70	72	71	72	72	73	73	73	69	73
Hours PPD		4.04	4.14	4.04	4.02	4.03	4.04	4.04	4.04	4.00	4.00	3.96	3.93	4.02	3.93
		(752)	(601)	(626)	(362)	(375)	(242)	(501)	(376)	(360)	(248)	(238)	(243)	(4,904)	(2,866)
Salaries		(749)	(603)	(624)	(363)	(375)	(242)	(499)	(375)	(356)	(250)	(235)	(243)	(4,913)	(2,863)
RN	$47.30	71,602	72,075	79,532	80,054	88,353	88,182	90,277	91,169	88,273	92,060	89,136	92,107	1,022,821	1,084,487
LVN	$37.27	56,416	56,788	62,664	63,075	69,614	69,479	71,130	71,832	69,551	72,535	70,231	72,572	805,888	854,475
NA	$18.05	126,380	127,214	140,376	141,298	155,946	155,644	159,342	160,915	155,805	162,489	157,327	162,572	1,805,309	1,914,151
		254,399	256,076	282,573	284,428	313,914	313,306	320,749	323,916	313,629	327,084	316,694	327,251	3,634,019	3,853,112
		25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37	25.37
Other Nursing															
DON	1.0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132,000	132,000
Asst. DON	1.0	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	99,000	99,000
MDS	2.0	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	206,712	206,712
Staff Development	1.5	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	155,034	155,034
Unit Secretary	4.0	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	165,370	165,370
QA Nurse	0.5	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	60,350	60,350
			-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
		68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	818,466	818,466
Total Nursing Salaries		322,604	324,282	350,778	352,633	382,119	381,512	388,954	392,122	381,834	395,289	384,900	395,456	4,452,485	4,671,578

ATTACHMENT 4c

Waters Edge
Financial Projections
Summary of Salaries & Benefits **Low Medicare Volume**

	Dept		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Days in Month			31	29	31	30	31	30	31	31	30	31	30	31	366	365
Patient Days			2,480	2,436	2,759	2,790	3,069	3,060	3,131	3,162	3,090	3,224	3,150	3,286	35,637	38,690
FTE Hours			177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Total Nursing Salaries	Nursing		322,604	324,282	350,778	352,633	382,119	381,512	388,954	392,122	381,834	395,289	384,900	395,456	4,452,485	4,671,578
Other Salaries																
Plant Ops Sup	Plant Ops		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Housekeeping	Housekeeping		5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	70,884	70,884
Laundry	Laundry		6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	79,200
Dietary	Dietary		34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	409,200	409,200
Activities	Nursing		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Administrator	Admin		9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	118,919	118,919
Business Office	Admin		5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	71,148	71,148
Medical Records	Admin		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,394	86,394
Social Services	Nursing		5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Admissions Coord	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
Marketing Director	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
				-	-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-	-
Other Salaries			115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries			437,688	439,366	465,862	467,717	497,203	496,596	504,038	507,206	496,918	510,373	499,984	510,540	5,833,491	6,052,585
Benefits		30.0%	131,306	131,810	139,759	140,315	149,161	148,979	151,212	152,162	149,075	153,112	149,995	153,162	1,750,047	1,815,775
Total Salaries & Benefits			568,994	571,176	605,620	608,032	646,364	645,574	655,250	659,368	645,994	663,485	649,979	663,702	7,583,538	7,868,360

Waters Edge
Financial Projections
Return On Investment / Contract Risk
Low Medicare Volume

Start up Costs	
Legal Fees	20,000
Professional Fees / Consultants	66,285
Facility Inspection Fees	7,500
Licensing Fees	35,640
Infrastructure Enhancements	250,000
Total Start up Costs	379,425
Contract Risk	
Liquidated Damages provision	500,000
Total Contract Risk	500,000
Total Start up Cost / Contract Risk	879,425
* *Asume Yr. 2 wind down, no revenue, no expenses, but pay rent for 6 months*	*459,360*
Return	
Year 1	
Operating Contribution Margin	1,315,644
Return on Investment / Contract Risk	150%
Year 2	
Operating Contribution Margin	2,396,720
Return on Investment / Contract Risk	273%
* *Operating contribution with Yr. 2 Risk assumption*	*1,198,360*
	90%

ATTACHMENT 4e

Waters Edge
Financial Projections
Summary of Cash Flow

Low Medicare Volume

	Start-Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Cash flows from operating activities															
Net Contribution		(39,154)	(50,377)	30,018	45,112	120,050	124,452	153,425	163,628	162,182	191,305	188,967	226,038	1,315,644	2,396,720
Start-up costs - licensing and consulting fees	(129,425)													(129,425)	
Start-up costs - infrastructure enhancements														-	
(to be determined)															
Items not requiring the use of cash:															
Changes in certain assets and liabilities:														-	
Accounts Receivable															
Private	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Medi-Cal	-	(685,503)	201,228	(6,634)	(13,268)	(6,634)	(6,634)	-	-	-	-	-	-	(517,444)	14,726
Medicare	-	(78,378)	(12,239)	(32,172)	(35,868)	(33,460)	(18,536)	(16,128)	(17,332)	(18,536)	(16,128)	(18,536)	(16,128)	(313,441)	(693)
Other	-	(41,850)	4,050	(25,200)	-	(37,800)	(12,600)	-	-	-	-	-	-	(113,400)	-
Patient accounts receivable, net	-	(805,731)	193,040	(64,006)	(49,136)	(77,894)	(37,770)	(16,128)	(17,332)	(18,536)	(16,128)	(18,536)	(16,128)	(944,285)	14,033
Accounts payable and accrued liabilities	-	360,429	27,828	(480)	25,357	(376)	18,048	(17,650)	7,067	8,493	1,063	8,493	(3,516)	434,757	(13,815)
Payroll Related Accruals	-	259,224	35,302	(180,916)	37,930	56,323	42,421	48,237	(192,498)	37,090	52,476	38,404	50,593	284,585	19,868
Employee Health Plan Accruals	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Other accrued liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) operating activities	**(129,425)**	**(225,232)**	**205,793**	**(215,385)**	**59,263**	**98,103**	**147,151**	**167,884**	**(39,136)**	**189,229**	**228,716**	**217,327**	**256,987**	**961,276**	**2,416,806**
Cash flows from financing activities														-	
(Increase) Decrease in Deferred Payroll	-	213,479		0	(213,479)	0	0	0	0	0	0	0	0	-	0
(Increase) Decrease in Deferred Rent	-	76,560	76,560	0	(153,120)	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) financing	**-**	**290,039**	**76,560**	**-**	**(366,599)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash	(129,425)	64,807	282,353	(215,385)	(307,336)	98,103	147,151	167,884	(39,136)	189,229	228,716	217,327	256,987	961,276	2,416,806
Cash at beginning of period	$ -	$ (129,425)	$ (64,618)	$ 217,735	$ 2,350	$ (304,985)	$ (206,882)	$ (59,731)	$ 108,153	$ 69,017	$ 258,246	$ 486,961	$ 704,289	$ -	$ 961,276
Cash at end of period	**$ (129,425)**	**$ (64,618)**	**$ 217,735**	**$ 2,350**	**$ (304,985)**	**$ (206,882)**	**$ (59,731)**	**$ 108,153**	**$ 69,017**	**$ 258,246**	**$ 486,961**	**$ 704,289**	**$ 961,276**	**$ 961,276**	**$ 3,378,082**

ATTACHMENT 4f

Waters Edge
Financial Projections
Summary of Revenues and Expenses

Base Scenario with Freestanding SNF rates in Year 2

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Average Daily Census	**86**	**89**	**94**	**96**	**102**	**104**	**105**	**105**	**106**	**106**	**107**	**108**	**101**	**108**
Net Patient Revenues	**968,062**	**935,604**	**1,073,417**	**1,058,989**	**1,182,952**	**1,169,037**	**1,244,696**	**1,244,696**	**1,224,404**	**1,263,885**	**1,242,974**	**1,302,263**	**13,910,978**	**12,503,145**
Avg per day	363.11	362.50	368.37	367.70	374.12	374.69	382.39	382.39	385.03	384.63	387.22	388.97	377.43	317.18
Expenses														
Salaries														
Nursing	341,609	339,565	366,615	361,829	391,622	387,642	401,624	401,624	390,869	401,624	390,869	401,624	4,577,119	4,744,205
Other	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries	456,693	454,649	481,699	476,913	506,706	502,726	516,708	516,708	505,953	516,708	505,953	516,708	5,958,125	6,125,211
Benefits	137,008	136,395	144,510	143,074	152,012	150,818	155,012	155,012	151,786	155,012	151,786	155,012	1,787,438	1,837,563
Total Salary & Benefits	**593,701**	**591,044**	**626,209**	**619,987**	**658,717**	**653,544**	**671,721**	**671,721**	**657,739**	**671,721**	**657,739**	**671,721**	**7,745,563**	**7,962,774**
Other Operating Expenses														
Professional Fees	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Supplies	85,839	83,453	92,800	91,846	99,762	98,583	102,373	102,373	100,267	103,243	101,110	104,983	1,166,632	1,166,632
Purchased Services	101,355	99,049	108,084	107,161	114,812	113,673	117,336	117,336	115,301	118,177	116,115	119,859	1,348,256	1,348,256
Rents and Leases	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	76,560	918,720	934,798
Utilities and Telephone	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	180,000
Insurance	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	16,333	196,000	196,000
Depr & Amort	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	53,511	53,677	53,791	53,747	47,542	47,538	47,551	47,551	47,544	47,554	47,547	47,560	595,114	570,400
Total Other Op Expenses	**354,098**	**349,571**	**368,069**	**366,147**	**375,510**	**373,187**	**380,653**	**380,653**	**376,505**	**382,367**	**378,164**	**385,796**	**4,470,722**	**4,462,086**
Total Operating Expenses	**947,798**	**940,615**	**994,278**	**986,135**	**1,034,227**	**1,026,731**	**1,052,374**	**1,052,374**	**1,034,244**	**1,054,088**	**1,035,903**	**1,057,517**	**12,216,284**	**12,424,860**
Contribution	**20,264**	**(5,012)**	**79,139**	**72,854**	**148,725**	**142,306**	**192,322**	**192,322**	**190,160**	**209,796**	**207,071**	**244,746**	**1,694,694**	**78,285**

ATTACHMENT 5a

Waters Edge
Financial Projections
Summary of Patient Days & Net Patient Revenues

Base Scenario with Freestanding SNF rates in Year 2

Average Daily Census	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	5	5	5	5	5	5	3	3	3	3	3	3	4.0	3
MediCal	70	73	74	76	77	78	78	78	78	78	78	78	76.3	78
Medicare	8	8	10	10	12	12	15	15	16	16	17	18	13.1	18
Other	3	3	5	5	8	9	9	9	9	9	9	9	7.3	9
Total	86	89	94	96	102	104	105	105	106	106	107	108	100.7	108
Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365

Patient Days	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	155	145	155	150	155	150	93	93	90	93	90	93	1,462	1,095
MediCal	2,170	2,117	2,294	2,280	2,387	2,340	2,418	2,418	2,340	2,418	2,340	2,418	27,940	28,470
Medicare	248	232	310	300	372	360	465	465	480	496	510	558	4,796	6,570
Other	93	87	155	150	248	270	279	279	270	279	270	279	2,659	3,285
Total	2,666	2,581	2,914	2,880	3,162	3,120	3,255	3,255	3,180	3,286	3,210	3,348	36,857	39,420

Room Rates	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$221
MediCal	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$221
Medicare	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619	$619
Other	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450
Total	$348	$347	$355	$354	$362	$362	$370	$370	$373	$373	$375	$377	$364	$306

Net Patient Revenues	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Private	48,858	45,705	48,858	47,282	48,858	47,282	29,315	29,315	28,369	29,315	28,369	29,315	460,837	241,995
MediCal	684,006	667,300	723,092	718,679	752,406	737,591	762,178	762,178	737,591	762,178	737,591	762,178	8,806,967	6,291,870
Medicare	153,512	143,608	191,890	185,700	230,268	222,840	287,835	287,835	297,120	307,024	315,690	345,402	2,968,724	4,066,830
Other	41,850	39,150	69,750	67,500	111,600	121,500	125,550	125,550	121,500	125,550	121,500	125,550	1,196,550	1,478,250
Total	928,225	895,763	1,033,589	1,019,160	1,143,132	1,129,213	1,204,877	1,204,877	1,184,580	1,224,066	1,203,150	1,262,444	13,433,078	12,078,945
Part B	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000	480,000
Hospital Dilution	(163)	(159)	(172)	(171)	(179)	(176)	(182)	(182)	(176)	(182)	(176)	(182)	(2,100)	(55,800)
Total Net Patient Revenue	**968,062**	**935,604**	**1,073,417**	**1,058,989**	**1,182,952**	**1,169,037**	**1,244,696**	**1,244,696**	**1,224,404**	**1,263,885**	**1,242,974**	**1,302,263**	**13,910,978**	**12,503,145**

ATTACHMENT 5b

Waters Edge
Financial Projections
Salary Expense - Nursing

Base Scenario with Freestanding SNF rates in Year 2

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
	Days in Month	31	29	31	30	31	30	31	31	30	31	30	31	366	365
	Patient Days	2,666	2,581	2,914	2,880	3,162	3,120	3,255	3,255	3,180	3,286	3,210	3,348	36,857	39,420
	FTE Hours	177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Nursing	Hours PD														
RN	8.0	1,627	1,615	1,776	1,747	1,924	1,901	1,984	1,984	1,920	1,984	1,920	1,984	22,366	23,360
LVN	8.0	1,627	1,615	1,776	1,747	1,924	1,901	1,984	1,984	1,920	1,984	1,920	1,984	22,366	23,360
NA	37.0	7,524	7,468	8,213	8,081	8,901	8,791	9,176	9,176	8,880	9,176	8,880	9,176	103,442	108,040
		10,778	10,698	11,764	11,575	12,750	12,593	13,144	13,144	12,720	13,144	12,720	13,144	148,173	154,760
FTE's		61	65	67	68	72	74	74	74	74	74	74	74	71	74
Hours PPD		4.04	4.14	4.04	4.02	4.03	4.04	4.04	4.04	4.00	4.00	3.96	3.93	4.02	3.93
Salaries															
RN	$47.30	76,951	76,376	83,990	82,643	91,028	89,908	93,843	93,843	90,816	93,843	90,816	93,843	1,057,900	1,104,928
LVN	$37.27	60,631	60,177	66,176	65,115	71,722	70,839	73,940	73,940	71,555	73,940	71,555	73,940	833,527	870,580
NA	$18.05	135,822	134,806	148,244	145,867	160,667	158,690	165,636	165,636	160,293	165,636	160,293	165,636	1,867,225	1,950,230
		273,403	271,360	298,410	293,624	323,416	319,437	333,419	333,419	322,663	333,419	322,663	333,419	3,758,653	3,925,739
Other Nursing															
DON	1.0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	132,000	132,000
Asst. DON	1.0	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	99,000	99,000
MDS	2.0	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	17,226	206,712	206,712
Staff Development	1.5	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	12,920	155,034	155,034
Unit Secretary	4.0	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	13,781	165,370	165,370
QA Nurse	0.5	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	60,350	60,350
			-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
		68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	68,206	818,466	818,466
Total Nursing Salaries		341,609	339,565	366,615	361,829	391,622	387,642	401,624	401,624	390,869	401,624	390,869	401,624	4,577,119	4,744,205

ATTACHMENT 5c

Waters Edge
Financial Projections
Summary of Salaries & Benefits

Base Scenario with Freestanding SNF rates in Year 2

	Dept		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Days in Month			31	29	31	30	31	30	31	31	30	31	30	31	366	365
Patient Days			2,666	2,581	2,914	2,880	3,162	3,120	3,255	3,255	3,180	3,286	3,210	3,348	36,857	39,420
FTE Hours			177	165	177	171	177	171	177	177	171	177	171	177	2,088	2,080
Total Nursing Salaries	Nursing		341,609	339,565	366,615	361,829	391,622	387,642	401,624	401,624	390,869	401,624	390,869	401,624	4,577,119	4,744,205
Other Salaries																
Plant Ops Sup	Plant Ops		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Housekeeping	Housekeeping		5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	5,907	70,884	70,884
Laundry	Laundry		6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	79,200
Dietary	Dietary		34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	34,100	409,200	409,200
Activities	Nursing		13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	158,400	158,400
Administrator	Admin		9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	9,910	118,919	118,919
Business Office	Admin		5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	5,929	71,148	71,148
Medical Records	Admin		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,394	86,394
Social Services	Nursing		5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000	66,000
Admissions Coord	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
Marketing Director	Admin		6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	81,231	81,231
				-	-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-	-
Other Salaries			115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	115,084	1,381,006	1,381,006
Total Salaries			456,693	454,649	481,699	476,913	506,706	502,726	516,708	516,708	505,953	516,708	505,953	516,708	5,958,125	6,125,211
Benefits		30.0%	137,008	136,395	144,510	143,074	152,012	150,818	155,012	155,012	151,786	155,012	151,786	155,012	1,787,438	1,837,563
Total Salaries & Benefits			593,701	591,044	626,209	619,987	658,717	653,544	671,721	671,721	657,739	671,721	657,739	671,721	7,745,563	7,962,774

Waters Edge
Financial Projections
Return On Investment / Contract Risk
Base Scenario with Freestanding SNF rates in Year 2

Start up Costs	
Legal Fees	20,000
Professional Fees / Consultants	66,285
Facility Inspection Fees	7,500
Licensing Fees	35,640
Infrastructure Enhancements	250,000
Total Start up Costs	379,425
Contract Risk	
Liquidated Damages provision	500,000
Total Contract Risk	500,000
Total Start up Cost / Contract Risk	879,425
* *Asume Yr. 2 wind down, no revenue, no expenses, but pay rent for 6 months*	*467,399*
Return	
Year 1	
Operating Contribution Margin	1,694,694
Return on Investment / Contract Risk	193%
Year 2	
Operating Contribution Margin	78,285
Return on Investment / Contract Risk	9%
* *Operating contribution with Yr. 2 Risk assumption*	*39,143*
	3%

ATTACHMENT 5e

Waters Edge
Financial Projections
Summary of Cash Flow

Base Scenario with Freestanding SNF rates in Year 2

	Start-Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2
Cash flows from operating activities															
Net Contribution		20,264	(5,012)	79,139	72,854	148,725	142,306	192,322	192,322	190,160	209,796	207,071	244,746	1,694,694	78,285
Start-up costs - licensing and consulting fees	(129,425)													(129,425)	
Start-up costs - infrastructure enhancements (to be determined)														-	
Items not requiring the use of cash:															
Changes in certain assets and liabilities:														-	
Accounts Receivable															
Private	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Medi-Cal	-	(684,006)	200,789	(6,619)	(13,239)	(6,619)	(6,619)	-	-	-	-	-	-	(516,314)	154,316
Medicare	-	(193,512)	16,235	(32,172)	(1,204)	(33,460)	(1,204)	(50,792)	-	(18,536)	1,204	(18,536)	(16,128)	(348,105)	(693)
Other	-	(41,850)	4,050	(25,200)	-	(37,800)	(12,600)	-	-	-	-	-	-	(113,400)	-
Patient accounts receivable, net	-	(919,368)	221,074	(63,992)	(14,443)	(77,879)	(20,424)	(50,792)	-	(18,536)	1,204	(18,536)	(16,128)	(977,819)	153,623
Accounts payable and accrued liabilities	-	402,877	20,761	(480)	11,223	(421)	10,981	(3,516)	-	8,493	(6,004)	8,493	(3,516)	448,891	(14,020)
Payroll Related Accruals	-	270,480	34,292	(187,299)	37,047	57,316	41,538	52,651	(198,016)	37,706	52,302	38,770	51,237	288,023	20,083
Employee Health Plan Accruals	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Other accrued liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) operating activities	**(129,425)**	**(225,747)**	**271,116**	**(172,632)**	**106,682**	**127,740**	**174,402**	**190,665**	**(5,694)**	**217,823**	**257,298**	**235,798**	**276,340**	**1,324,364**	**237,972**
Cash flows from financing activities														-	
(Increase) Decrease in Deferred Payroll	-	222,748		0	(222,748)	0	0	0	0	0	0	0	0	-	0
(Increase) Decrease in Deferred Rent	-	76,560	76,560	0	(153,120)	0	0	0	0	0	0	0	0	-	0
Cash provided by (used in) financing	**-**	**299,308**	**76,560**	**-**	**(375,868)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase (decrease) in cash	(129,425)	73,562	347,676	(172,632)	(269,186)	127,740	174,402	190,665	(5,694)	217,823	257,298	235,798	276,340	1,324,364	237,972
Cash at beginning of period	$ -	$ (129,425)	$ (55,863)	$ 291,812	$ 119,180	$ (150,007)	$ (22,266)	$ 152,135	$ 342,800	$ 337,106	$ 554,929	$ 812,227	$ 1,048,024	$ -	$ 1,324,364
Cash at end of period	**$ (129,425)**	**$ (55,863)**	**$ 291,812**	**$ 119,180**	**$ (150,007)**	**$ (22,266)**	**$ 152,135**	**$ 342,800**	**$ 337,106**	**$ 554,929**	**$ 812,227**	**$ 1,048,024**	**$ 1,324,364**	**$ 1,324,364**	**$ 1,562,336**

ATTACHMENT 5f

Date: October 10, 2011

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

From: Deborah E. Stebbins, CEO

Subject: Approval of Resolution 2011-7I Delegation of Authority to On-Site SNF Manager

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Recommendation:

Management recommends approval of Resolution 2011-7I, Delegation of Authority to On-Site SNF Manager.

Background:

This resolution delegates to the Chief Executive Officer of the District, the authority to operate Waters Edge Skilled Nursing Facility as "Alameda Hospital at Waters Edge", on behalf of the District, as the onsite SNF Manager/Administrator.

Furthermore, this resolution is required as part of the application process for the Change of Ownership and licensure requirements with the California Department of Public Health.

Approval of this resolution is conditional on Board approval of the final sublease and proposed transaction in November 2011. Approving this resolution at the October 10th Board meeting will assist in the preparation of the many documents necessary for the Change of Ownership application.

CITY OF ALAMEDA HEALTH CARE DISTRICT

RESOLUTION NO. 2011-7I

A RESOLUTION OF THE BOARD OF DIRECTORS OF CITY OF ALAMEDA HEALTH CARE DISTRICT

* * *

Delegation of Authority to Onsite SNF Manager

WHEREAS, the City of Alameda Health Care District ("District") intends to enter into a sublease agreement with Waters Edge Skilled Nursing Facility ("WE") and operate it under the license of Alameda Hospital as Alameda Hospital at Waters Edge ("Facility"); and

WHEREAS, there must be an on-site Skilled Nursing Facility (SNF) Manger/Administrator to handle all decisions concerning the daily operation of the Facility; and

WHEREAS, it is in the best interests of the District that its Chief Executive Officer be delegated the authority to act as the SNF Manager/Administrator of the Facility; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors that the Chief Executive Officer of the District be, and hereby is, delegated the authority to operate Waters Edge Skilled Nursing Facility as "Alameda Hospital at Waters Edge", on behalf of the District, as the onsite SNF Manager/Administrator.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Board held on the 10th day of October, 2011 by the following vote, to wit:

AYES: ________ NOES: _________ ABSENT: _________ ABSTAIN: _________

ATTEST:

____
Jordan Battani, President

____
Elliott Gorelick, Secretary

City of Alameda Health Care District

2009-2013 Goals and Objectives

FY Ending June 30, 2011 Progress Update (Year End)

Financial Strength	
Achieve long-term financial viability	
Measures of success:	
▪ Achievement of positive operating margin = 3% of net revenues by 2013	
▪ Generate operating profitability levels necessary to support capital needs/service debt	
▪ Raise $500,000 per year through Foundation fundraising initiatives	
▪ Shift reliance on parcel tax from support of operations to support for capital investments and strategic development projects	
▪ Sustain Performance vis-à-vis operating benchmarks at 90th percentile levels (e.g., FTE/Adj. Occupied Bed, Length of Stay, Costs per UOS)	
Initiatives	**Status**
(A) STRATEGY: Enhance financial and strategic relationship with payers.	
▪ Achieve average rate increase for private payor contracts of 8% (Healthnet, Interplan, etc.).	▪ Since FY 2008, all contracts have been reviewed and re-negotiated with the applicable payer. Annual rate increases have ranged from 8% to 17% depending upon the status of the contract in comparison to other contracted rates as well as the mix of services that have been experienced. New terms have included carve-outs for implantable devices as well as other high cost items. In future years, it is anticipated that increases of this magnitude will be less likely to occur and increases approximating 5% will be more likely as Health Care Reform continues to evolve. ▪ Obtained exclusive hospital contract with HealthNet Blue and Gold plan for mid East Bay Market
▪ Promote public awareness of new MediCal contract, including linkages with partner providers (La Clinica, Fruitvale primary practices, Family Bridges, Chinatown practices, etc).	▪ Productive meetings with La Clinica, Family Bridges, and moved one Chinatown practice. ▪ Initiate meetings with County to determine our role in contracting to serve county patients
▪ Early, effective management of self-pay and MediCal eligible patients.	▪ Implemented financial counselor to begin process of screening patients for eligibility for Medi-Cal or charity. Process is overseen

	by Manager of Patient Financial Services. If Financial Counselor is unable to obtain Medi-Cal eligibility within 30 days, account is referred to an outside agency Health Advocates which will provide direct intervention with family including assisting patient to appropriate meetings with aid agencies in order to assist patient in obtaining available medical insurance coverage and provide source of payment for hospital services.
▪ Reapply for Intergovernmental Transfer matching money to supplement MediCal contract in early FY 2011.	▪ Applied for participation in the FY 2011 IGT program in September 2010 as requested by the California Medical Assistance Commission (CMAC) and as required in FY 2010. However, shortly after, through efforts of the California Hospital Association, (CHA) the requirement of having a CMAC contract and CMAC's acting as the intermediary for this program was eliminated. This together with increased education and communication about this program by the District Hospital Leadership Forum has made it possible for all 46 district hospitals in the state to participate in the IGT program which will dilute the amount of funds available to the Hospital by almost half of the prior year funding. We are awaiting receipt of our FY 2011 IGT match and will apply shortly for FY2012 match.
▪ Enhance relationship with local IPA's. ▪ Identify and correct contract relationship gaps that impede referrals from new physicians. ▪ Achieve rapid enrollment of 1206(b) physicians on key plans.	▪ Held meeting with Affinity medical group regarding closer collaboration under Health Care Reform ▪ 1206 (b) physicians are credentialed with key plans. Medi-Cal is a slow process taking months and is pending as of the fiscal year end
▪ Identify perceived or real contracting barriers influencing patient referrals.	
▪ Formulate longer term physician alliance strategy to prepare for successful operation under bundled payment structure.	▪ Education Session for physicians regarding ACO's (Oct 2010) ▪ Meetings with AFP, Affinity (2011)
(B) STRATEGY: Seek contracting opportunities to increase volume and improve financial standing.	

▪ Formalize service offerings to personnel and dependents of Coast Guard (CG Island). ▪ Explore expanding volume of services provided to VA beneficiaries. ▪ Evaluate provision of subacute services (thru expansion or acquisition) for SF hospital consortium.	▪ Contract is complete: Participated in annual Coast Guard Day. ▪ No significant increase in VA patients served. ▪ SF Hospitals still show interest. Have not attempted to advance discussions until our own SNF expansion options are clear.
(C) STRATEGY: Perform and maintain a portfolio analysis of service line profitability; create service line plans that match our target population, address service lines that are not performing up to expectations.	
▪ Profitability analysis for service lines (LTC, Infusion, GI, and Oncology).	▪ Completed for Infusion only, Financial Analyst being recruited. ▪ Currently evaluating options for the addition of additional LTC capacity which appears to have a very favorable impact on the organizations financial performance. ▪ Infusion and Oncology Services – review of the IVT program has been completed awaiting final report of recommendations in order to meet with physician and team regarding this program.
▪ Analyze financial impact of increases in INP census by 5 patient increments. ▪ Monitor financial impact of services to Medi-Cal patients. ▪ Monitor productivity and utilization of 1206(b) physicians.	▪ Not complete. ▪ Not complete. ▪ Analysis complete, distributed to Finance Committee, Reported in March 2011 to FMC ▪ Monthly reports are provided to the Director of Physician Relations which shows the volume activity of each physician in the Clinic. These include detailed reports of each service provided by physician. In addition, the first quarterly and YTD report of the performance of the clinic was prepared which demonstrated increased levels of activity at the clinic as well as significant spin-off revenue for the OB/GYN, General Surgeon and Timeshare units of the Clinic.
(D) STRATEGY: Maintain our position in cost/expenses as compared to local/national benchmarks.	
▪ Patient Financial Services performance of gross days in AR of 50 days and 3% bad debt write off.	▪ In mid February we implemented the Collector and Biller Desktops of the Meditech application which provides daily work lists for each member of the Patient Financial Services Team to focus efforts of the team's daily billing and collection activities

	while providing the management team detailed reporting capabilities to monitor staff performance. ▪ Bad debt write-offs for the last three fiscal years have remained under 3% of gross revenues at 2.4%, 2.7% and 2.3% for FY 2008, 2009 and 2010, respectively. For the seven (7) months ended January 31, 2011, we have seen this increase to 2.9%. ▪ Completed Revenue Cycle Analysis in September 2011. Results to be reported to Finance Committee and Board.
(E) STRATEGY: Enhance fundraising activities and programs.	
▪ Increase $1,000 contributors by 20% or 9 contributors . ▪ Develop a foundation grants program. ▪ Establish 3 promising local large corporate relationships.	▪ 13% increase or 6 new contributors. ▪ Submitted 20 proposals seeking support for the Subacute Care Unit. Received Longs Foundation Grant for $22,000. ▪ 1 relationship forged with Abbott Diabetes: Meeting with VP and HR and conducted 3B's program on site. ▪ Submitted grant request to Abbott Fund. Denied. ▪ Perforce: CEO attended Fall Gala. ▪ Perforce became a $2,500 event sponsor. ▪ Bay Ship and Yacht: Co-owner, Leslie Cameron, identified and involved Foundation with Chamber of Commerce. ▪ Co-owners attended Foundation event. ▪ Met with all 3 business associations. ▪ Submitted grant to Bank of America. Pending.
▪ Increase Foundation current mailing database (1,776) by 10%.	▪ Current database 2,175, an 18% increase.
(F) STRATEGY: Communicate value/benefits of parcel tax through transparency and accountability to the community.	
▪ Present positive case for Parcel Tax. ▪ Develop and disseminate quarterly community report card with financial and quality indicators.	▪ Increased community event participation. ▪ Being addressed as a part of our general outreach and community awareness activities ▪ Developing comprehensive outreach and communication plan and quarterly report card.
(G) STRATEGY: Evaluate and forge beginning of one strategic alliance.	

▪ Priority is on forging one strategic alliance with community SNF.	▪ Priority is on forging one strategic alliance with Community SNF ▪ Also have initiated discussions with Kaiser to provide regional LTC support.

Growth

Pursue fiscally responsible growth in services that target the most pressing acute and non-acute healthcare needs of the community.

Measures of success:

- Market share growth.
  - ✓ From 31.25 percent to 35.0 percent – Alameda Island (ZIP Codes 94501 and 94502).
  - ✓ From 0.94 percent to 1.10 percent - Off-Island.
- Service line growth: volume targets defined by service line.
- Development of new access points and locations.
- Increase inpatient census by 5 ADC by 2013 to offset loss of Kaiser revenue and to support basic INP/ER infrastructure.

Initiatives	Status
(A) STRATEGY: Using portfolio analysis as a guide, prioritize service line development and develop specific plans for growth.	
▪ Increase procedural/surgical services that will improve our financial results(Ortho, pain management, plastics, cardiac, other).	▪ Exploring development of a premier orthopedic program. Recruited a Pain Management physician to the 1206(b) clinic timeshare. Have a competitive cosmetic fee schedule in place for cash pay patients. ▪ Outpatient EEG Lab being established (August 2011 ▪ Surgery volume has increased by 14.87%over FY 2010, exceeding budget projections.
▪ Implement Wound Care Center.	▪ Completed all analysis, lease and contractual arrangements. Based upon project timeline, projecting a spring of 2012 opening.
▪ Complete evaluation of Acute Rehab Center.	▪ In process.
▪ Conduct /build vs. buy analysis on best option for expansion of SNF and Subacute programs.	▪ Complete; Negotiations in process.

▪ Evaluate and implement new or expanded niche programs that attract patients from outside the District (e.g. subacute, long term care services, wound center, acute rehab, retinal surgery, joint replacement center, aesthetic medicine).	▪ 80 % Complete.
▪ Evaluate ways to improve the continuum of services offered to seniors in service area. ▪ Track activity and evaluate ways to improve effectiveness of Asian Outreach program. ▪ Institute organized customer contact and services to community skilled nursing facilities in Alameda and surrounding Oakland neighborhoods.	▪ Met with local SNF's individually to discuss discharge issues/problems from both sides and have implemented a discharge task force to improve the transition process and documentation necessary for AH as well as the skilled facilities. We plan a luncheon with Alameda and other local SNF's in the spring to present new efforts and get input about the process. ▪ Physician speakers at Alameda Intercultural Club (HBI). Increased participation in Oakland Chinatown events. ▪ Physicians utilize the program and bring their patients to Hospital for services ▪ Attracts patients from Oakland Chinatown physicians ▪ Nearly $400,000 actual payment from Oakland Chinatown physicians (01/10-4/30/11 (Drs. Bui & Chen) ▪ Initiated standardized discharge process to SNF's. ▪ Meetings with 5 community SNF's recently.
(B) STRATEGY: Using portfolio analysis as a guide, prioritize service line development and develop specific plans for growth.	
▪ Evaluate Concentra relationship to see if maximum potential being achieved. ▪ Explore closer linkages with Port of Oakland.	▪ Concentra Relationship in place. They are pleased with having Alameda Hospital as an after-hour service provider. ▪ Not Complete
(C) STRATEGY: Target service area population, to limit outmigration of residents who can be cared for at Alameda Hospital.	
▪ Continue to evaluate ways to enhance market share and service to residents of Bay Farm. ▪ Evaluate Marina Village location for selected OP services, including longer term relocation of offices/services located in 1925 building.	▪ Harbor Bay Isle Lunar New Year Festival. ▪ Regular articles in HBI homeowners assoc. newsletter. ▪ Participation in Harbor Bay Club Fitness Fairs. ▪ Walking rounds on Bay Farm by TOLA Fellows to promote the Hospital's services—May 2011 ▪ Complete.

(D) STRATEGY: Develop services and tools that would make us more accessible to our community	
▪ Increase accessibility to local residents through transportation, communication, etc.	▪ Postcard mailings highlighting physician offices in Alameda ▪ City of Alameda Paratransit Shuttle services to Hospital and South Shore MOB
▪ Increase our draw of off-island residents (access points, aesthetic services).	▪ Not complete
▪ Strengthen collaborative relationships with Family Bridges, Chinatown practices, Fruitvale practice and Alameda Alliance to maximize access for patients under the new Medi-Cal contract.	▪ Management Staff actively participate in organizations and events benefiting Asian community. ▪ Alameda Hospital is the preferred hospital for La Clinical de la Raza. ▪ 1206 (b) clinic and physicians soon to be credentialed with Alameda Alliance.
▪ Organize menu of healthcare services and education to offer to local businesses/business associations.	▪ Established relationships with major business associations and Chamber of Commerce. ▪ Inclusion of local businesses in direct mail communications ▪ Presented seminar to GABA on health care reform.
▪ Establish three formalized relationships with larger Alameda based corporations.	▪ Abbott Labs: meeting to be scheduled. Perforce Software and Bay Ship and Yacht Company
(E) STRATEGY: Enhance general public communication regarding services, quality outcomes.	
▪ Target Bay Farm population, to increase awareness of Alameda Hospital.	▪ Ongoing focus on Bay Farm in communication efforts ▪ Walking rounds in May to inform residents of Alameda Hospital's services ▪ Stroke Awareness and Assessments held every month for last 6 months
▪ Establish business partnership model for small businesses through formalizing communication with Alameda business associations.	▪ Have held at least one meeting with all 3 business associations
▪ Develop three linkages to larger Alameda-based companies.	▪ Abbott Labs, Perforce Software and Bay Ship and Yacht Company
▪ Expand outreach services and interface with Alameda Schools (e.g. trainers, education). ▪ Take lead in initiating a Building a Healthier Alameda campaign with schools, public	▪ Established a "Let's Move Alameda" city-wide taskforce to decrease and prevent childhood obesity. Participation from School District, City, Parks and Rec, Girls Inc, Boys and Girls Club, etc.

service sector, City Government.	
(F) STRATEGY: Target recruitment of physicians from areas that are vulnerable to change.	
▪ Monitor evolving San Leandro market.	▪ In process. Ongoing
(G) STRATEGY: Formulate strategy for Long Term Care Service Line Development.	
▪ Institute system of routine marketing and contact with local nursing homes to solidify referral relationships and improve continuity of care for residents. ▪ Strengthen ties to Senior Center.	▪ Regular Meetings; Case Management & SNF leadership; Hospitalists have established relationships with all Alameda SNF's. ▪ Presented stroke education lectures at Mastick Senior Center and Cardinal Point. ▪ Participation in Mastick's Annual Senior Fitness Event.
(H) STRATEGY: Encourage focused growth in Medi-Cal business.	
▪ Through the promotion of public awareness of new MediCal contract, including linkages with partner providers (La Clnica, Fruitvale primary practices, Family Bridges, Chinatown practices, etc).	▪ Needs continuing work.
(I)STRATEGY: Obtain Joint Commission Certification as a Stroke Center	
	▪ Stroke Coordinator designated ▪ Stroke Team designated and meeting bi-monthly ▪ Get With The Guidelines database complete and current ▪ Contact to TJC and application to be submitted 3/31/11 ▪ All ECC physicians certified on NIHSS stroke screening scale ▪ Education for nursing scheduled for March, April, & May 2011 ▪ Community education and screening began 2/28/11 and monthly through 6/11 ▪ Medical director of the Stroke program designated: Dr. Dutaret ▪ Joint Commission application process complete: May 2011 ▪ Education for physicians and hospital staff complete: August 2011 ▪ Additional patient education & screening in June and July; scheduled for September ▪ Web page on website set up dedicated to Stroke Awareness: May2011

	▪ Alameda County EMS approval to receive stroke patients: August 2011 ▪ First stroke patient brought by EMS September 1,2011 ▪ Joint Commission survey scheduled for September 30, 2011

Facilities and Technology

Enhance our facility and technological capabilities to foster the achievement of our goals.

Measures of success:

- Percentage of physicians who sign up for electronic access.
- Volume of hits to hospital website.
- Fund depreciation to TBD% in order to create capital reserve fund .

Initiatives	Status
(A) STRATEGY: Ensure that our technological investments include enhancement of hospital - physician connectivity and connectivity with community.	
▪ Continue to enhance interactive use of website and exploration of selective social networking approach to marketing; establish proactive email program.	▪ Monthly eblasts and ability for community to register for classes via website established. ▪ Enhanced linkages of hospital website to physician practice websites continues.
▪ Continue to pursue EHR meaningful use timetable through parallel exploration of enhancing Meditech usage or purchasing IT capabilities from partner organization.	▪ EHR on schedule; Implementation of EDM by May 2011; Implementation of PCS by March 2012. ▪ EDM implemented (100%) ▪ Meditech 5.65 upgrade has been inserted for November 2011 (90%) – this is a requirement for PCS to be functional ▪ PCM-1 has been inserted for December 2011 (85%) ▪ PCS is reset March 2012; currently 50%

<table>
<tr><td colspan="2">(B) STRATEGY: Identify organizations that can be collaborative partners in developing/expanding facilities: e.g., real estate, VA, other area healthcare systems, other districts.</td></tr>
<tr><td>▪ Continue strategic evaluation by Board of opportunities with other providers for mutual program development and alignment. Pursue follow-up with other organizations as identified in partnership strategy.</td><td>▪ Needs greater focus.</td></tr>
<tr><td colspan="2">(C) STRATEGY: Develop a facility master plan that prepares for state seismic requirements and program/service plans.</td></tr>
<tr><td>▪ Complete plan submission, contractor selection, bidding and City entitlement process for renovation of Stephens and West Wing for compliance with SB 1953.</td><td>▪ Plan submission Complete</td></tr>
<tr><td>▪ Review and make decisions on approach to financing seismic renovation in possible combination with financing other program development.</td><td>▪ Financing remains as a barrier to implement options. Probable extension</td></tr>
<tr><td>▪ Educate City officials and key community stakeholders on seismic plans .</td><td>▪ Plan presented to City Council on September 7, 2010.</td></tr>
<tr><td colspan="2">(D) STRATEGY: Assure systematic review of facility: flow, appearance, safety.</td></tr>
<tr><td>▪ Identify low-cost/high-yield renovation projects that will improve our image (e.g. cosmetic upgrade of 2S lobby)</td><td>▪ 2 South updates ongoing.
▪ Evaluation of 3-west for expansion of sub-acute program underway. Proposed Alternative means of compliance sent to OSHPD in July 2011, awaiting response.</td></tr>
<tr><td colspan="2">(F) STRATEGY: Utilize technology to improve quality and enhance clinical services and to provide the community with access to information relating to our services and performance.</td></tr>
<tr><td>▪ Evaluate use of website as vehicle for patient pre-registration.

▪ Provide monthly website updates on hospital services/ programs.</td><td>▪ Online patient pre-registration is being evaluated. Pre-registration form is available online to download.

▪ Website is updated at least weekly with new programs/services/events.
▪ Improved calendar access and inclusion of district board and committee meetings.</td></tr>
<tr><td>▪ Implement PACS system and Imaging Department upgrades by December, 2010; implement communications and marketing plan to introduce technology to physicians and community in order to achieve 12% increase in outpatient imaging volume.</td><td>▪ PACS went “go-Live “ in April 2011. Implementation of Voice Recognition component in October 2011. Installation of new Radiology equipment & Mammography July – early October 2011, due to unanticipated delay in</td></tr>
</table>

	OSHPD review and approval of project. All equipment installations expected to be complete and approved by OSHPD by mid October 2011. ▪ PACS has gone live – March 2011 (100%) ▪ Voice Recognition (VR) is available October 2011 (100% next week)
(G) STRATEGY: Develop capital plan that supports service line strategies, facilities and technology requirements.	
▪ Develop annual and rolling five-year budget.	▪ Annual Operating and Capital budgets are completed during the period March – June of each fiscal year. This process was complete for FY 2012 and was approved by the Board. In addition, a Master Lease Agreement was established to assist the organization with the ability to purchase high cost medical equipment. This Master Lease has been used to finance such purchases as: Picture and Archiving Communication System (PACS), Digital Radiology Equipment, New Telemetry Monitoring Equipment, Mobile Devices for the Electronic Health Record (EHR) initiative.

Physicians

Ensure that the Hospital attracts qualified and capable physicians through collaboration and alignment.

Measures of success:

- Increase number and reduce average age of active physicians through targeted recruitment.
- Achieve annual recruitment goals.
- Increase volume of work by Alameda surgeons.

Initiatives	Status
(A) STRATEGY: Continue recruitment of new physicians to Alameda Medical Offices (1206 B) as employees or time share tenants.	
▪ Add one additional PCP on 2 ½ days/week. ▪ Set up system for monitoring and increasing physician productivity. ▪ Assess effectiveness of medical office billing services.	▪ PCP's Green-Yeh, Thompson, and Brimmer on Staff ▪ Dr Dutaret on staff ▪ Reporting tool in place to monitor

	▪ Developing process to monitor.
(B) STRATEGY: Develop standard IT connectivity package for physicians.	
▪ Address physician connectivity through EHR strategic development or organizational affiliation. ▪ Increased use of e-mail for communication with physicians.	▪ Increased use of email to MD's, Emails regarding important information continues. ▪ All physicians have email and access via webmail (100%)
(C) STRATEGY: Consider alignment with multiple medical groups/IPAs.	
▪ Participate in Hospital Council evaluation of developing a Master Medical Foundation (MMF) as physician alignment strategy for non-system hospitals.	▪ Decided not to participate at this time.
(D) STRATEGY: Continue to pursue physician community development plan: identify community needs and ways to fill gaps either through direct recruitment or collaboration with other groups.	
▪ Continued physician recruitment in orthopedics, plastic surgery, urology, ENT, selective primary care.	▪ Plastic Surgeon and Neurologists recruited in past year. ▪ ENT, Urologists and Orthopedists being actively sought
(E) STRATEGY: Develop directed strategies to strengthen affiliated physician practices (primary care, specialty services): e.g., group development, joint ventures; evaluate potential of implementing collaborative strategies with other healthcare organizations to enhance physician network and access to specialists for our community.	
▪ Implement physician practice building initiatives with existing practices.	▪ Ed Chan MD recruited for AFP (2010) ▪ 2 networking events held in 2010.
▪ Advertising campaign to focus on the Medical Staff.	▪ Direct mail campaigns focus on specialty and primary care physicians.
▪ Enhanced website to provide in depth information on physicians.	▪ Web site physician directory provides interactive features and in depth info.
(F) STRATEGY: Evaluate off-island physicians for alignment opportunities that will help us expand our visibility and referral base.	
▪ Continue recruitment of off-island specialists to establish a presence in Alameda. ▪ Continue to monitor and respond to possible closure of San Leandro Hospital. ▪ Develop physician recruitment strategies to support development of new niche programs.	▪ Neurologist Diane Lee, MD joined 1206(b) time share (2010) . Oakland Family Physician Mable Lim, MD being actively recruited ▪ San Leandro physicians remain loyal to San Leandro. ▪ Additional plastic surgeons interested in augmenting wound care center. ▪ Wound Care program has generated interest from physicians on and off island (~15 physicians)

(G) STRATEGY: Implement outreach strategy, including evaluation of feasibility of satellite locations.	
▪ Continue to explore satellite medical office space at Bay Farm. ▪ Evaluate remote placement of physician offices and outpatient programs (including Wound Center) in Marina Village.	▪ Investigated opportunities on Bay Farm; not feasible at this time ▪ Site lease in progress ▪ Future program expansion at Marina Village still remains a future option.
(H) STRATEGY: Engage physicians as central participants in the leadership of the Hospital.	
▪ Continue engagement of physician leadership in IT Steering Committee.	▪ Complete – Physician Champion approved: 6 Physicians on IT Steering Committee.

Quality/Service

Achieve superior clinical and service results on a consistent basis.

Measures of success:

Measures of success
Patient satisfaction (patient experience) as measured by 95% or more willing to recommend hospital to a friend
Joint Commission Core Measure compliance
Joint Commission/CMS/CDPH Accreditation
QI/Risk Reports that demonstrate improvement in problem areas
Improve accuracy of information collection at time of registration

Initiatives	Status
(A) STRATEGY: Create a culture of quality and service that is aimed at helping us achieve our goals	
▪ Continue monitoring streamlined structure of functional and departmental performance improvement at the management and Board levels with focused action plans appointed to address key problem areas.	▪ The process of performance improvement reporting has been streamlined to move those items that require quality monitoring within a department or function into quality control. QC issues are placed on the performance improvement track when a plan of action is needed for improvement only. ▪ A HAPU PI Team Charter was established which has not only reduced the prevalence of HAPU but improved the early detection and treatment of wounds.

	▪ Infection Prevention efforts have proven effective in reducing hospital acquired infections to near zero. ▪ Core Measures scores are at or better than State and National averages in most indicators. ▪ A PI Team Charter was established to improve the validated claims rate (claims entering the billing system clean). A goal of 80% was set. ▪ Restructuring of MERP (Medication Error Reduction Pla) Committee to review all medication errors and plan processes for reductions. Annual effectiveness showed reduction of med errors overall after ▪ Implementation of several action plans (e.g. improved access to med storage lockers, night pharmacy to prevent overrides).
(B) STRATEGY: Evaluate all access points to the organization to improve the patients/visitor experience: e.g., scheduling, admission, and billing	
▪ Evaluate advance on-line registration and scheduling system.	▪ Not complete.
(C) STRATEGY: Create programs that celebrate exemplary service/quality performance/results.	
▪ Create a dashboard report, that highlights both the objectives and the outcomes of our quality and service initiatives	▪ Not complete.
(D) STRATEGY: Restructure performance expectations and training to highlight quality and service.	
▪ Maintain employee evaluation cycle at 14 months with aggregate reporting to Board .	▪ Complete. Monitored by HR.
(E) STRATEGY: Work collaboratively with medical staff leadership to assure physician engagement in quality/safety initiatives .	
▪ Develop and initiate a streamlined, interdisciplinary patient discharge process.	▪ A discharge planning/continuum of care interdisciplinary task force has been established to streamline the discharge process and provide the best discharge and continuum of care possible for the patient. ▪ A comprehensive Physician Discharge/Transfer Order Set developed and implemented 7/11 to improve patient discharge information, provide SNF's with necessary documentation and orders and to trigger core measures complaince. ▪ A discharge "time out" on all "core measure" qualifying patients occurs to ensure all required element s are met.

▪ Initiate organized physician – nurse rounding.	▪ Task force reconvening to discuss possibility of follow-up calls on high risk diagnoses to avoid readmissions.. ▪ Nursing managers attending the discharge stand up meetings with physicians and case managers as a prelude to rounds on the nursing units. ▪ Daily case management rounds with physicians, and ancillary departments as necessary, proving effective.
(F) STRATEGY: Engage Hospital staff across all levels in active development of Alameda Hospital Culture.	
▪ Enroll staff in customer service training to improve patient experiences throughout their stay at our facility.	▪ Mandatory classes held for entire hospital in February concentrating on communication with patients and family members with >80% participation. ▪ Customer service discussed at every general hospital orientation . ▪ Hospital Forums held to report Staff Satisfaction Survey results and impact of HCAHPS on reimbursement.

People

Foster a culture of exemplary performance through recruitment and retention practices
that are founded on adherence to core performance standards and the continual development and celebration of our employees.

Measures of success:

- Increase number of Staff Nurse III among nursing staff by 2 in FY 2010-11 and by 1 each year thereafter (4 SN III in FY 2010).
- Maintain employee vacancy rates below regional benchmarks. Vacancy rate = 2%
- Develop and monitor employee satisfaction surveys.

Turnover rates of *15%* or less (Q42009 = 3.58%). Turnover rate = 10.14%

- Less comments about non-English in the workplace.

Annual performance evaluations include aggregate measurement of service excellence. 99.9% (1 delinquent out of 126 due during that period).(none during this period at the "needs improvement" level - all were "competent".

Initiatives	Status
(A) STRATEGY: Maintain a compensation and benefit strategy that is competitive and rewards desired performance.	

▪ Conduct a baseline compensation study for non-represented and exempt .	▪ In process.
(B) STRATEGY: Establish performance standards that are comprehensive: capabilities, service, citizenship.	
▪ Continue work of Service Excellence Committee to foster reinforcement of CARE values and address feedback from patient surveys.	▪ Committee continues to meet bi-monthly. ▪ Initiatives established based on HCAHPS satisfaction surveys (Quiet at night; Cleanliness; Communication). ▪ Improved "Quietness at night" from 38% in Qtr 3 2010 to 48% for the rolling last 3 months ▪ Service excellence discussed at all general hospital orientation meetings. ▪ 2 new Staff Nurse III achieved in 2010-2011
(C) STRATEGY: Establish recruitment and hiring standards that are consistent with performance expectations.	
(D) STRATEGY: Invest in our staff through annual training and education programs: service, capabilities, management.	
▪ Implement online mandatory annual training (MAT) for all staff.	▪ Complete. ▪ Employee survey results received in June 2011
(E) STRATEGY: Create a recognition program to celebrate top performers in areas such as growth, quality, and service.	
▪ Continue development of innovative recognition programs.	▪ "Shining Star Program" developed by the Service Excellence Committee that utilizes peer to peer recognition.
(F) STRATEGY: Tailor orientation program to make sure new staff have clear understanding of what is expected of them, and that celebrates their addition to the Alameda Hospital Team.	
▪ Enhanced orientation and training for all newly hired employees of the organization.	▪ Complete.
▪ Expansion of orientation to additional day for Nursing Staff to review Medication Administration, Wound Management, Falls, Restraints, Equipment, Protocols, Quality Initiatives…launched May 2009.	▪ Changed to a program of "Nursing Update" to continue to keep existing Nursing staff apprised of current trends, policy/procedure updates and continue concentration on wounds, falls, medication administration and core measures. Continues on a bi-monthly basis. Nursing "re" orientation held bi-monthly in 2010 concentrating on reinforcing patient care initiatives around falls, wounds, restraints, core measures; Approx 165 nurses attended

	these programs. ▪ Online programs continue to be developed to enhance competency and skills (stroke, tPA administration)to encourage continued competency added to hospital intranet (stroke, wound assessment, etc).
▪ Continue to hold annual benefits and safety fair.	▪ Complete (March 2011)

Date: October 5, 2011

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

From: Diana Surber, Interim Controller
Deborah E. Stebbins, CEO

Subject: Revenue Cycle Review Update

The following summary of initial findings of the Revenue Cycle Review conducted by HFS Consultants. This summary was also presented to the Finance and Management Committee at the October 5, 2011 meeting. An implementation plan is currently being developed and will be presented at the next Finance and Management Committee meeting as well as the next regularly scheduled District Board Meeting.

Summary of initial findings:

Objectives – Assess current processes and systems and make recommendations to ensure consistent cash collections through:

- Increased efficiencies
- Increased quality output
- Increased productivity
- Improved management practices
- Optimized use of current software systems
- Streamlined revenue cycle work flow

Opportunities

- Improve charge capture in the operating room for large ticket items (implants/devices)
- Improve collection process in the Emergency Care Center
- Improve charge capture in the ancillary areas
- Improve coding procedures to reduce delays in bill drop
- Improve business office and admitting procedures
  - Eligibility verification
  - Cash posting
  - Productivity standards
  - Establish goals: billing turnaround time, cash collections and aging

Optimize systems

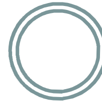
- Automate long-term care claims
- Electronic Medi-Cal Treatment Authorization Requests (TAR's)
- Automate posting of remittance codes
- Improve accuracy of contractual adjustment posting
- Improve management reports
- System training for staff
- Standardize procedures for follow-up

Alameda Hospital Primary Stroke Center

City of Alameda Health Care District

CEO: Deborah Stebbins

Mission, Vision, Values



Stroke Center Mission:

Alameda Hospital is a health care district hospital dedicated to providing effective and efficient acute stroke care for the people of our community. This includes increasing public awareness about stroke recognition, stroke prevention and providing appropriate treatment quickly to enhance the quality of life for our patients.

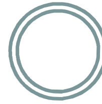
Vision:

To be the provider of choice and the center of health care services for the community.

Values:

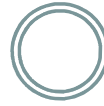
Access, Dignity, Community Leadership, Integrity, Community Resource

Stroke Center Goals



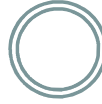
- Provide excellent stroke management for patients with acute ischemic and hemorrhagic strokes.
- Use evidence based stroke treatment and guidelines recommended by the Brain Attack Coalition and the American Stroke Association.
- Provide high quality stroke care and positive outcomes.
- Provide education to our patients, families, health care providers, and community related to prevention, detection and treatment of cerebrovascular disease.

Target Population is Multicultural



- Alameda Cultural Demographics
  - White 57%
  - Asian 26%
  - Hispanic 9.3%
  - African American 6%
- Nearby Oakland Cultural Demographics
  - African American 36%
  - White 31%
  - Hispanic 22%
  - Asian 15%
  - Hawaiian/Pacific Islander 7%

Communities Served

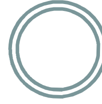


- City of Alameda Health Care District
  - Population 75,000
- Nearby Communities
  - Oakland
  - San Leandro

Castro Valley

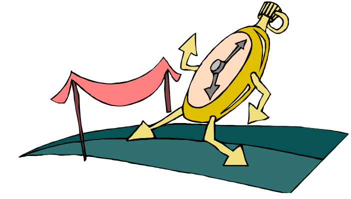
★= Stroke Centers

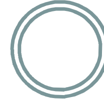
Performance Improvement



- Get With The Guidelines
- How was Your Stay Survey
- Performance Measures
  - **Thrombolytic therapy**
  - **Venous thromboembolism prophylaxis**
  - **Discharged on antithrombotics**
  - **Anticoagulants for patients with atrial fibrillation**
  - **Antithrombotic therapy by end of day two**
  - **Stroke education**
  - **Discharged on statin medication**
  - **Assessed for rehabilitation**
  - **Code Stroke patients - Door to CT completion in 25 minutes or less**
  - **Door to tPA infusion - 60 minutes or less**
  - **Patient's perception of quality of care**

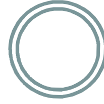
Stroke Center Timeline





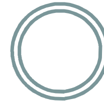
- November 2010 - Alameda Hospital announces plans to pursue Primary Stroke Center certification.
- January 2011 - Neurologist Dr. Dutaret joins newly developed Stroke Team.
- February 2011 - Emergency Room Physician Stroke Orders approved.
- April 2011 - Application submitted to The Joint Commission.
- May 2011 - Alameda Hospital meets certification eligibility requirements.
- July 2011 - Inpatient Stroke Physician Admission Orders approved.
- August 2011 – Alameda County Emergency Medical System (EMS) adds Alameda Hospital to list of approved destinations for stroke patients.

Stroke Care 2009 and 2010



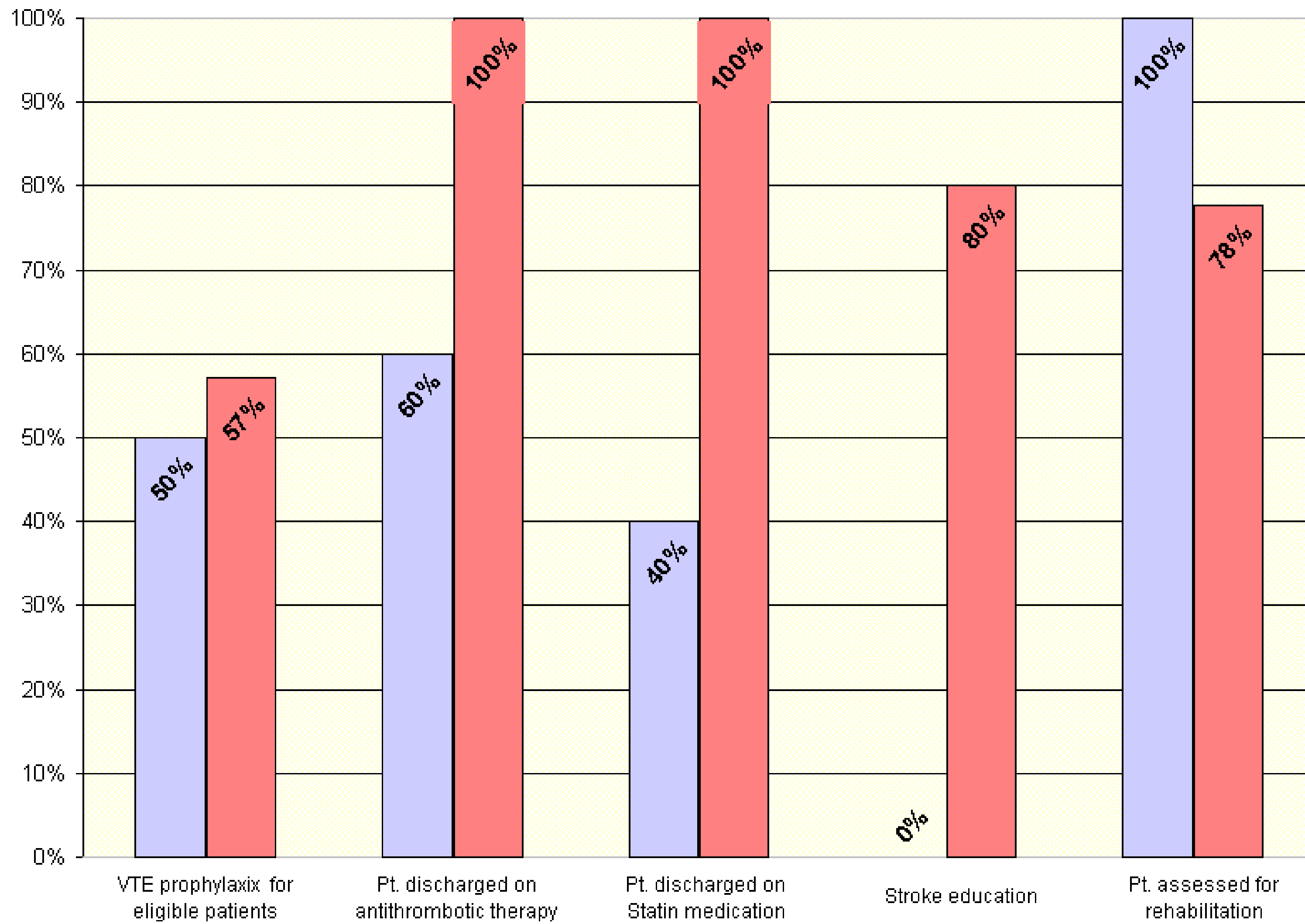
- From January 2009 through December 2010, five patients received tPA.
  - Two of these five patients were transferred to Eden Hospital
- Our door to tPA times were:
  - 97 minutes
  - 110 minutes
  - 81 minutes
  - 97 minutes
  - 72 minutes

Stroke Care 2011



- During 2011 the Acute Stroke Response Team begins Stroke Initiative Practices
- Goal: Door to tPA time is 60 minutes or less
- Three patients received tPA
  - May - 100 minutes; patient had a complex history
  - June - 48 minutes
  - July - 67 minutes; patient requested to wait for spouse to arrive

There were no complications. All three patients had good outcomes.

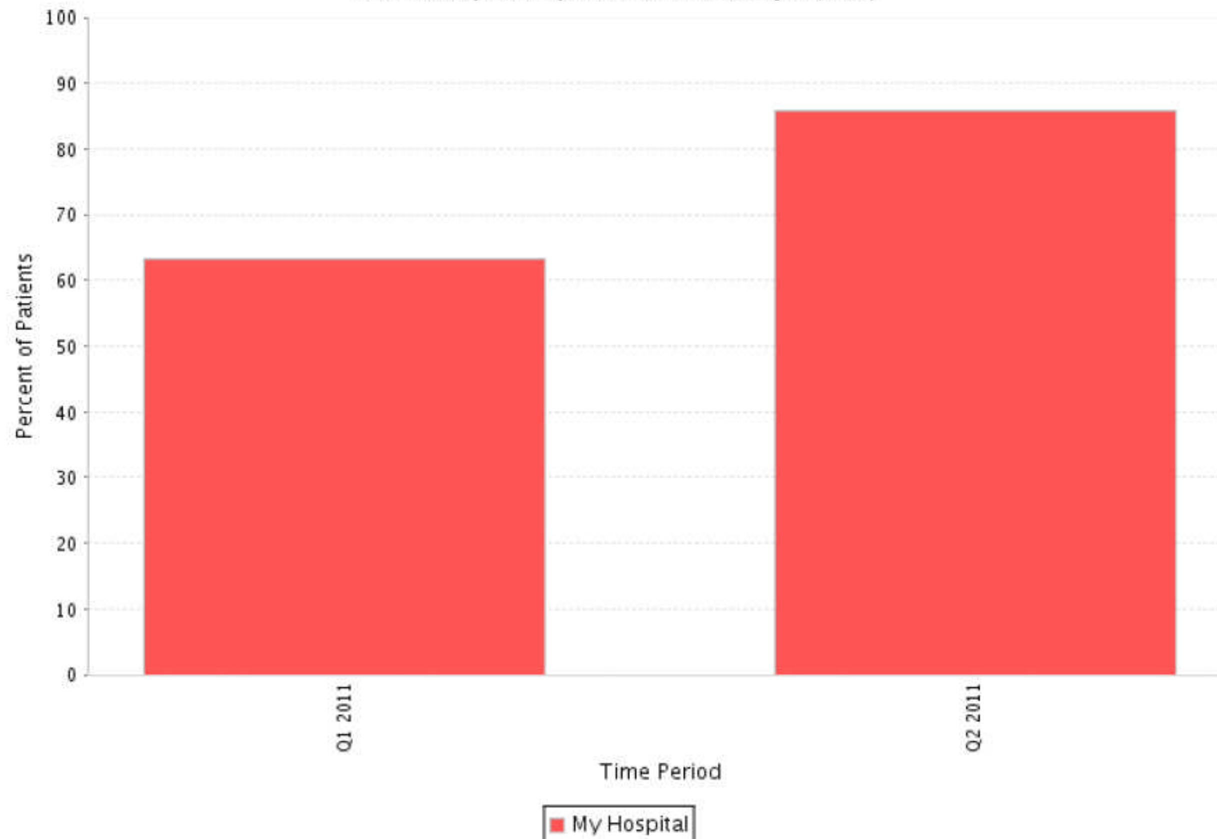


Stroke Performance Improvement Report
Q1 2011
Q2 2011
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
50%
57%
60%
100%
40%
100%
0%
80%
100%
78%
VTE prophylaxix for eligible patients
Pt. discharged on antithrombotic therapy
Pt. discharged on Statin medication
Stroke education
Pt. assessed for rehabilitation

Stroke Core Measure Composite

Composite Measure of the 8 Stroke Core Measures

Time Period: Q1 2011 - Q2 2011; Site: Alameda Hospital (30524)

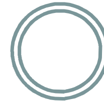


Data For: Stroke Core Measure Composite					
Benchmark Group	Time Period	Total Patients	Numerator Opportunities	Denominator Opportunities	Composite Score
My Hospital	Q1 2011	7	19	30	63.3%
My Hospital	Q2 2011	10	36	42	85.7%

Date of report: 10/10/2011 14:33:46 GMT-07:00 run by User: Michaele Baxter (mbaxter) at Site: Alameda Hospital (30524)

Please note: GWTG aggregate comparative data is intended for internal quality improvement. Permission is required from the American Heart Association and Outcome Sciences, Inc. d/b/a Outcome for external presentation or publication of benchmark data.

Acute Stroke Team

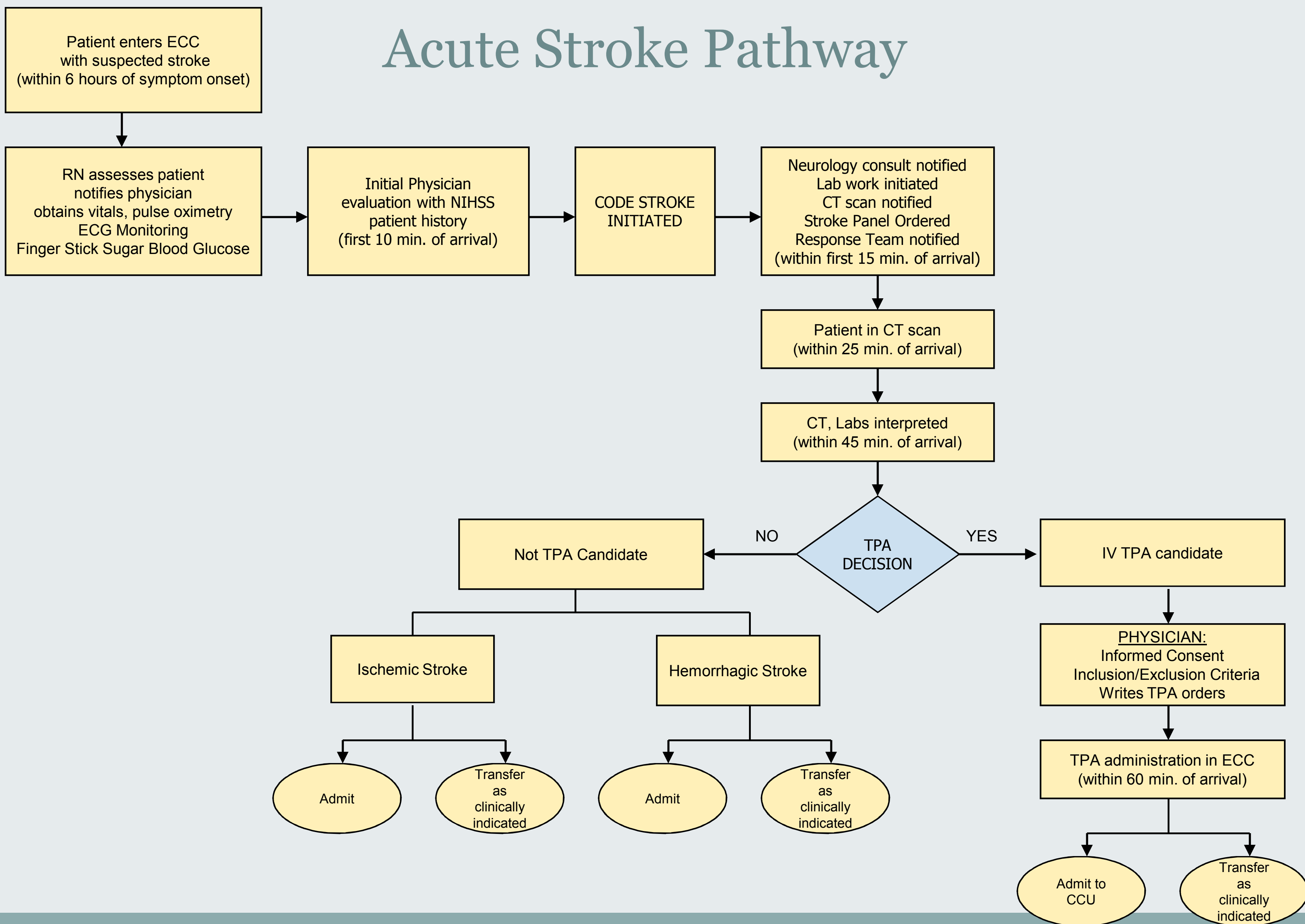


Code Stroke Simultaneous Paging

Signs and Symptoms of Stroke
Code Stroke Protocol Initiated
Hospital Operator Notifies Stroke Team

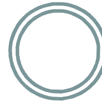
Stroke Neurologist

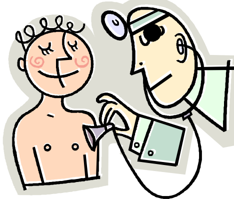
- Stroke Coordinator
- ECC Nurse Manager
- Telemetry-CCU Nurse Manager
- Nursing Supervisor
- Laboratory
- EKG
- Radiology
- Respiratory

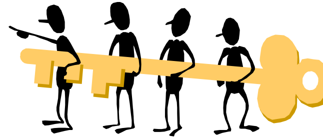


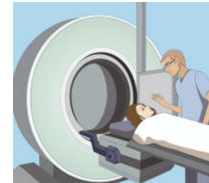
Acute Stroke Pathway
Patient enters ECC
with suspected stroke
(within 6 hours of symptom onset)
RN assesses patient
notifies physician
obtains vitals, pulse oximetry
ECG Monitoring
Finger Stick Sugar Blood Glucose
Initial Physician
evaluation with NIHSS
patient history
(first 10 min. of arrival)
CODE STROKE
INITIATED
Neurology consult notified
Lab work initiated
CT scan notified
Stroke Panel Ordered
Response Team notified
(within first 15 min. of arrival)
Patient in CT scan
(within 25 min. of arrival)
CT, Labs interpreted
(within 45 min. of arrival)
TPA
DECISION
NO
YES
Not TPA Candidate
IV TPA candidate
Ischemic Stroke
Hemorrhagic Stroke
PHYSICIAN:
Informed Consent
Inclusion/Exclusion Criteria
Writes TPA orders
TPA administration in ECC
(within 60 min. of arrival)
Admit
Transfer
as
clinically
indicated
Admit
Transfer
as
clinically
indicated
Admit to
CCU
Transfer
as
clinically
indicated

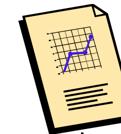
Door to tPA

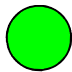


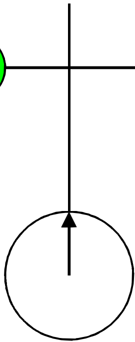




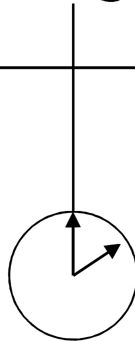




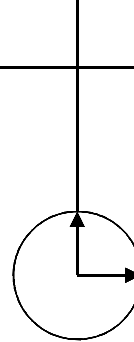




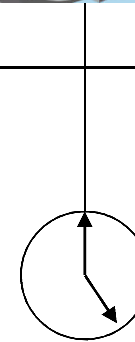
Suspected STROKE Patient **Arrives** at the Hospital



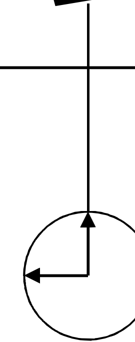
≤ 10-mins
Initial MD Evaluation (Including Patient History, Lab Work Initiation, And NIHSS Assessment.



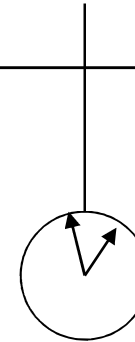
≤ 15-mins
STROKE Team Notified (Including Neurological Expertise).



≤ 25-mins
CT Scan Initiated.

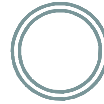


≤ 45-mins
CT & Labs Interpreted.



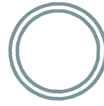
≤ 60-mins
Activase (tPA) Provided (if Eligible).

Education of Physicians



- February 2011 – Dr. Dutaret held NIHSS training session and review of Emergency Room Physician Stroke Orders with ER physicians.
  - **March 2011 – Over 80% of ER physicians were certified in NIHSS exam.**
- June 2011 – Dr. Dutaret reviewed details of “Code Stroke” protocol with ER physicians.
- August 2011 - Dr. Dutaret held NIHSS training session and review of E.R. and Inpatient Stroke Physician Admission Orders with hospitalist physicians.
  - **September 2011 - Over 80% of hospitalist physicians were certified in NIHSS exam.**

Education of Nurses

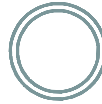


- July 2011 - Dr. Dutaret held NIHSS training sessions with ECC and CCU nurses.

  Topics covered were:
  - Code Stroke Protocol
  - Acute Stroke ER Orders and Nursing responsibilities
  - NIHSS and recognizing acute stroke symptoms
  - Clinical criteria for IV t-PA thrombolytic therapy
  - Management of hypertension with IV labetalol, nicardipine
  - Recognizing the signs and symptoms of brain herniation
  - Management of brain herniation with IV mannitol
  - Management of acute seizures

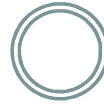
In house Acute Stroke Education

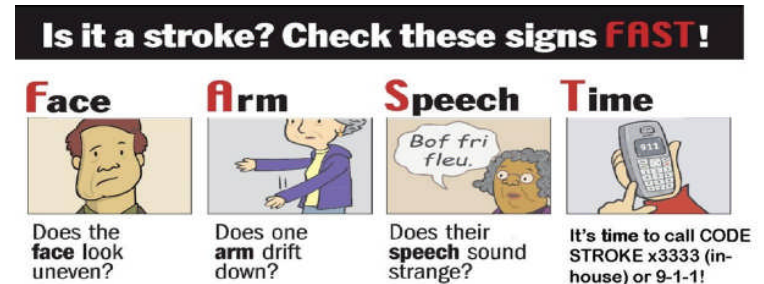
Irene Pakel, RN, BSN, MPH



Audience (Who)	**Goal/ Achieved**	**Content** (What)	**Method** (How)	**Persons Responsible**	**Schedule** (When)	**Evaluation**	**Tracking**
Hospital employees	**80%- 87%**	• S/s • Stroke Team • x3333	• Mandatory forums • FAST video • FAST S/s rounds	• Irene Pakel • Service Excellence Committee • Caren Rice	Feb – June; August	• FAST Quiz • FAST badge	• Sign in
Direct Caregivers	**80% - 86%**	• Stroke basics* • Positioning • Dysphagia/ Aspiration • Bedside Swallow Screen	4-hour seminars: March 29, 31 May 2, 19, 23 August 16	• Irene Pakel • Caren Rice • Hazel Lau, OT • Carol Brookman, ST	March – May; August	• Post tests • Return demo/ competency	• Sign in • Skills checklist(s)
		• Pt. Education • Documentation • Order sets • Performance measures	• Written materials • Ed Modules • Poster Boards (each unit)	• Irene Pakel • Nurse managers	July - Sept	• Read & Sign	• Unit file
ECC/CCU nurses, Supervisors	**80% - 85%**	• Abbrev. NIHSS • tPA administration • Medications • Post-tPA care • Order sets, protocols	2-hour education sessions	• Irene Pakel • Caren Rice • Dr. Dutaret	July - Aug	• Post Test • Return demo/ competency	• Sign in • Skills checklist

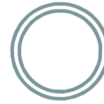
Education of Staff





- FAST video & cards: for all hospital personnel, including volunteers
  - S/s, Stroke Team, call x3333
- 4-hour Stroke Education Sessions: for all caregivers
  - Stroke Overview: s/s, diagnosis, treatment, risk factors, etc.
  - Dysphagia – Carol Brookman, SLP
  - Stroke Positioning – Hazel Lau, MOT
  - Nursing Bedside Swallow Screening – Education Module & Competency
- 2-hour Stroke Education for CCU/ ED
  - Acute Stroke Orders Sets
  - Abbreviated NIHSS
  - tPA Dosing, Reconstitution, Administration and Post Care – Education Module & Competency

Community Education & Outreach



- Community Stroke Risk Assessments
  - Blood Pressure, Blood Glucose, Total Cholesterol, BMI, EKG, Stroke video, and individual risk counseling /signs and symptoms education.
  - Approximately 400 people attended 9 screenings – January through September 2011
    - Screening for Chinese community offered in February 2011.
  - Approximately 8 percent were found to be "high risk" and referred to a Carotid Artery Screening

Be Stroke Smart!

Your Stroke Risk Scorecard

Reduce Your Risk
&
Recognize the Signs and Symptoms

National Stroke Association

Alameda Hospital

www.alamedahospital.org

中風

失去就是大腦的失去

人出現一個或多個症狀，不要耽誤！

11！

Warning Signs:

Sudden numbness or weakness of the face, arm or leg, especially one side of the body

Sudden confusion, trouble speaking or understanding

Sudden trouble seeing in one or both eyes

Sudden trouble walking, dizziness, loss of balance or coordination

Sudden, severe headache of unknown cause

一個簡單的方法記住一些比較常見的中風症狀是想起

FAST:

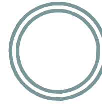
F – 臉部軟弱無力/或麻木（叫該人微笑）

A – 手臂麻木和/或軟弱無力（叫該人提高手臂）

S – 言語困難或口齒不清（叫該人重複簡單句子）

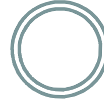
T – 時間 - 症狀什麼時候開始和是時候撥打 911

Community Education & Outreach



- Community Presentations
  - Community Presentation by Claudine Dutaret, M.D., Medical Director of the Stroke Center, Eric Otani, M.D., Medical Director of the Emergency Care Center, and Robert Gingery, M.D. Vascular Surgeon – May 2011
    - Attended by approximately 100 community members
  - Community Organization Presentations by Clinical Nurse Educator
    - Mastick Senior Center (2) – February 2011
    - Cardinal Point continuing care retirement community – March 2011
    - Elks Lodge – May 2011
  - Asian Community Presentation by Asian Outreach Coordinator
    - St. Mary's Garden in Oakland – Presentation given in Chinese to approximately 50 community members (97% were Chinese; 3% were American) – September 2011
- Community Events
  - Park Street Spring Festival – May 2011
  - Park Street Art and Wine Faire – July 2011
  - Webster Street Jam – September 2011

Community Education & Outreach



Be Stroke Smart

Free Stroke Risk Assessment

Thursday, February 24th | 8:30 a.m. – 11:30 a.m.
Friday, March 25th | 1:00 p.m. – 4:00 p.m.
Thursday, April 28th | 8:30 a.m. – 11:30 a.m

Alameda Hospital | 2070 Clinton Avenue

Appointments are required. Call us at 510.814.4362 or email communityrelations@alamedahospital.org to reserve your space.

Alameda Hospital
Quality Care - Close To Home

2070 Clinton Avenue | Alameda, CA 94501 | General Information: 510.522.3700 | Emergency Care Center: 510.523.4357

Be Stroke Smart

Free Community Stroke Lecture

Monday, May 23rd | 6:00 p.m. – 7:30 p.m.
Alameda Hospital | 2070 Clinton Avenue

Space is limited. Call 510.814.4362 or email communityrelations@alamedahospital.org for more information and to reserve your place.

Alameda Hospital
Quality Care - Close To Home

2070 Clinton Avenue | Alameda, CA 94501 | General Information: 510.522.3700 | Emergency Care Center: 510.523.4357

Be Stroke Smart

Know the Warning Signs of Stroke

In an emergency, EVERY MINUTE MATTERS, especially in the event of a Brain Attack or stroke. The key is to recognize a stroke and get to the hospital immediately because time lost is brain lost!

If you or someone with you has one or more of these warning signs, don't delay – call 911 immediately!

Common Symptoms of a Stroke:

www.alamedahospital.org/stroke

General Information: 510.522.3700
Emergency Care Center: 510.523.4357
Physician Referral : 510.522.7058

Alameda Hospital
Quality Care - Close To Home

Quality Care, Just Minutes Away.
2070 Clinton Avenue, Alameda, CA 94501 | www.alamedahospital.org

Alameda Hospital

community wellness

Be Stroke Smart

Are you or someone you love at risk for a Stroke? Find out at Alameda Hospital's upcoming Community Stroke Risk Assessments. Participants will receive a free screening, health information, educational resources and a personal review of your stroke risk factors.

Free Community Stroke Risk Assessments
Friday, January 28th | 1:00 p.m - 4:00 p.m.
Thursday, February 24th | 8:30 a.m. - 11:30 a.m.
Alameda Hospital | 2070 Clinton Avenue
Appointments are required. Call 510-814-4362 or email Community Relations to reserve your space.
Click here for more information.

Strokes are the leading cause of adult disability and the third leading cause of death in the United States. Strokes are more common as we get older, but can strike at any age.

Knowing and understanding the warning signs and symptoms of a stroke are as important as understanding your risk. If you or someone with you has one or more of these signs, don't delay – call 911 immediately!

Common symptoms of a stroke include:

- Sudden weakness or numbness, especially one side of the body
- Sudden difficulty speaking, understanding speech or slurring of speech
- Sudden loss of vision in one or both eyes
- Sudden trouble walking or difficulty with coordination
- Sudden, severe headache of unknown cause

Click here for a calendar of upcoming community events.

Quality Care, Just Minutes Away.
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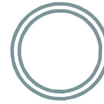
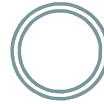
Stroke Care Protocols and Tools



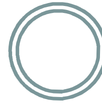
- Emergency Room Code Stroke Packet
- Physician Orders for Stroke and TIA
  - Acute Stroke Emergency Orders
  - Acute Ischemic Stroke with and without tPA
  - Acute Hemorrhagic Stroke
- Stroke Management Protocol
- Nursing Documentation
  - Swallowing Screening Form and electronic version
  - Abbreviated NIHSS Form and electronic version
  - Patient Education
  - Care Plan
  - Stroke Education Packets

Future Plans



- Incorporate Stroke Care into upcoming Electronic Medical Record Implementations
  - Patient Care System – Nursing
  - Computerized Physician Order Entry
  - Physician Computerized Documentation
- Additional Neurology coverage
- Collaborative Stroke Care Networks
  - Alameda County EMS Committee
  - City of Alameda Fire Department EMS
  - Eden Hospital
  - Community Outreach

Questions?



Alameda Hospital | Waters Edge Partnership

PRESENTATION TO THE
CITY OF ALAMEDA HEALTH CARE DISTRICT
BOARD OF DIRECTORS
OCTOBER 10, 2011

Presentation Outline

1. Overview of Waters Edge Skilled Nursing Facility — Deborah E. Stebbins
2. Strategic Rationale for Partnering with Skilled Nursing Facility within District — Deborah E. Stebbins
3. Terms of AH /WE Agreement — Deborah E. Stebbins
4. Timeline for Process — Kerry Easthope
5. Assumptions for Base Line Financial Projections — Kerry Easthope
6. Financial Scenarios — Diana Surber
   - Baseline
   - Lower Initial Medi-Cal Volume
   - Lower Medicare Volume
   - Free Standing SNF Rates
7. Summary — Deborah E. Stebbins

Waters Edge Skilled Nursing Facility

- 120 bed community based Skilled Nursing Facility
- Property and facility owned by family business
- Facility licensed and operated by Zimmerman family since opening in 1971
- One of earliest licensed Intermediate Care Facilities in California (always cutting edge in industry)
- 5 star rating: legacy of care provided to multiple generations of Alamedans
- Physician direction provided by AIM physician group, resulting in continuity with hospital acute care

Strategic Rationale

- Supports Strategic Vision to broaden revenue/scope of services to support infrastructure needs of acute hospital
- Extends the continuum of services on island for seniors and long term care residents/patients
- Allows for expansion of our revenue base in distinct-part skilled nursing business line.
- Strengthens continuity of care between acute and post acute care, especially with common hospitalist coverage between AH and WE

Strategic Rationale (continued)

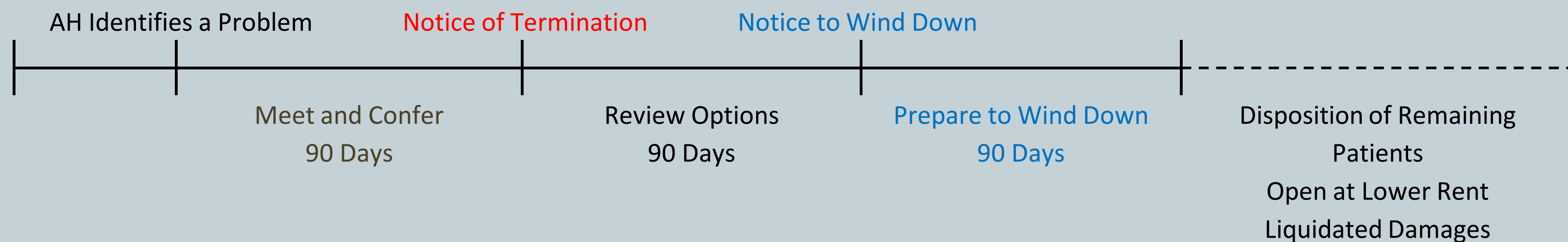
- Provides guaranteed revenue stream to Zimmerman family in form of rental income. Allows them time and resources to expand their development of independent and assisted living services.
- No-start up costs in terms of a conventional purchase of business
- High level of Return on Investment due to minimal up-front costs and favorable reimbursement

Term Sheet between AH and WE

- Approval proposed for October 10, 2011 action
- Approval of final sublease following due diligence on November 7, 2011
- 20 year sublease of 120 SNF; two 5-year renewal options by AH
- Triple net lease of beds and other personal property; not an acquisition or an assumption of balance sheet or existing business assets and liabilities
- Starting lease rate of $638/bed/month with annual increases based on SF CPI and capped at 1.75% per annum
- Start-up working capital needed by AH (to a max of $500,000) financed by WE.

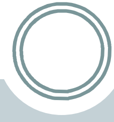
Term Sheet between AH and WE (continued)

- AH agrees to hire and recognize seniority of all qualified WE personnel at minimum of current wage and benefit levels
- Early termination of Sub Lease due to financial hardship of AH provided for in form of three month meet and confer period, followed by 6 month unwind. Schedule of gradually declining liquidated damages to be paid by AH to WE in event of early termination.



Term Sheet between AH and WE (continued)

- WE has option to reapply for license or approve an alternate tenant in event of early termination by AH.
- AH has first right of refusal to purchase property in event WE is sold to any party other than another family member.



QUESTIONS

Timeline

October 10, 2011:	Review Waters Edge documentation at Public Session of District Board Meeting. Approval of Resolution 2011-6l
September 25, 2011 – October 31, 2011:	Complete due diligence & prepare Sub Lease Agreement with Waters Edge
October 2011:	Prepare Licensure Application to CDPH and Certification Application to CMS (for submittal once approved by District Board in November)
October- November 2011:	Provide staff and community information sessions regarding the Waters Edge Transaction and expansion of long term care services by Alameda Hospital.
October 26, 2011:	Approval of final financial pro formas for Waters Edge at Finance and Management Committee of the District Board
November 7,2011:	Board Approval of final proposed terms & Sub Lease Agreement and financial pro forma for Waters Edge transaction. Following District Board approval, submit Applications to CDPH and CMS
January 2012:	Receive approvals from Licensing and Certification from CDPH and CMS

Waters Edge Pro Forma Assumptions (Base and Expected Scenario)

- Patient Volume and Payor Mix
- Reimbursement Rates
- Nurse Staffing
- Expenses for other functional areas
- Wage Scales
- Benefits
- Other Operating Expenses and Added Infrastructure considerations

Patient Volume & Payor Mix

- Current Waters Edge Payor Mix:

Medicare	4
Medi-Cal	64
Private Pay	34
Managed Care	0
Total	102

- Base Pro Forma Year 1:

Medicare	13.1
Medi-Cal	76.3
Private Pay	4
Managed Care	7.3
Total	100

- Base Pro Forma Year 2:

Medicare	18
Medi-Cal	78
Private Pay	3
Managed Care	9
Total	108

Reimbursement Rates

- Medi-Cal and Private Pay:
  - As a Distinct Part SNF, reimbursement rates for Medi-Cal are based upon Cost, both direct and allocated cost from the Hospital.
    - Based upon budgeted costs and cost report allocation methodology: Medi-Cal rate $315 per day Year 1 and $305 per day year 2. (Note: AB97 rate Cap - $316)
    - We are required to charge Private Pay patients an amount equal to or greater than Medi-Cal.
- Medicare: Reimbursement based upon Medicare RUG-IV scores (based upon amount of nursing and rehab services that are needed and provided).
  - Primarily short term, post acute care patient population.
  - Anticipated reimbursement level for both Year 1 and Year 2 is $619 per day.
    - At South Shore: 72% of Medicare patients were at or above this reimbursement level.
- Managed Care rate is set at $450 per day for both Year 1 and 2. This is based upon contracted rates with third party payors, such as Blue Cross, Kaiser, etc.

Nurse Staffing

- Nurse staffing has been budgeted based upon about 4.0 hours per patient day.
  - This equates to 8 RN's, 8 LVN's and 37 CNA's per 24 hour period for a census of 108 patients.
    - Nurse staffing will flex based upon patient census and acuity.
  - This staffing represents an increased in licensed staff of two nurses per 24 hour period and exceeds the State requirements of 3.2 hours per patient day.
  - Enriched staffing is essential to be able to attract and provide care for a greater number of post acute Medicare patients

Expenses for Other Functional Areas

- The budget for other departmental functions at Waters Edge was originally developed to include labor and non labor expenses and was validated against industry standards for such expenses, as well as, current expenditures in these departments at Waters Edge.
- In most cases, our budgeted expenditures exceed both current level and industry standards. Once again, we want to ensure adequate resources to provide enhanced care and services to a larger number of post acute Medicare patients.
- These departmental expenses have been categorized into their respective expense categories for consistent budgeting and reporting.

Wage Scales

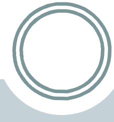
- Rates of pay were compared between South Shore rates and current Waters Edge pay scales in each category of employee.
- For the most part, the pay rates at South Shore exceed those for comparable classifications at Waters Edge.
- Exceptions were for RN's and LVN's where the actual rate of pay at Waters Edge was slightly higher.
- We assumed the higher rate for pay for each classification in projecting nurse staffing costs.
- In addition, in the projections, we have built in a small inflationary factor over current wage scales.

Benefits

- In the Pro Forma, benefits are budgeted at 30% of base wages. This is consistent with the hospital's budget experience for these expenses.
- Waters Edge employees currently do not have an employer contributions to a pension plan and employees are generally eligible for benefits at 32 hours vs. 20 hours per week at the Hospital.
  - Many employees have opted out of benefits in lieu of premium pay. However, with Benefits budgeted at 30%, we are planning for a more congruent benefit structure between the organizations in the future.
- Waters Edge is currently on a Kaiser health benefits plan.

Other Operating Expenses & Infrastructure

- The addition of Waters Edge will represent a major resizing of the organizational structure of the Hospital, including over a 100% increase in Average Daily Census.
- An increase of over 30% in the number of full-time equivalent employees and an increase in net revenue of about 25%.
- It is anticipated that we will need additional administrative infrastructure to integrate and support this expansion of our operations.
- The operating budget has an allocation of an additional $21,000 per month to provide for such expenses (IT, Human Resources, Finance, Administration, Plant Maintenance, etc.)



QUESTIONS

Base Scenario (in 000's)

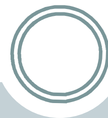
	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11	Mo 12	Year 1	Year 2
Average Daily Census	**86**	**89**	**94**	**96**	**102**	**104**	**105**	**105**	**106**	**106**	**107**	**108**	**101**	**108**
Net Patient Revenues	**968**	**936**	**1,073**	**1,059**	**1,183**	**1,169**	**1,245**	**1,245**	**1,224**	**1,264**	**1,243**	**1,302**	**13,911**	**14,977**
Expenses														
Total Salary & Benefits	594	591	626	620	659	654	672	672	658	672	658	672	7,746	7,963
Professional Fees	6	6	6	6	6	6	6	6	6	6	6	6	66	66
Supplies	86	83	93	92	100	99	102	102	100	103	101	105	1,167	1,167
Purchased Services	101	99	108	107	115	114	117	117	115	118	116	120	1,348	1,348
Rents and Leases	77	77	77	77	77	77	77	77	77	77	77	77	919	935
Utilities and Telephone	15	15	15	15	15	15	15	15	15	15	15	15	180	180
Insurance	16	16	16	16	16	16	16	16	16	16	16	16	196	196
Other Operating Expenses	54	54	54	54	48	48	48	48	48	48	48	48	595	570
Total Operating Expenses	**948**	**941**	**994**	**986**	**1,034**	**1,027**	**1,052**	**1,052**	**1,034**	**1,054**	**1,036**	**1,058**	**12,216**	**12,425**
Contribution	**20**	**(5)**	**79**	**73**	**149**	**142**	**192**	**192**	**190**	**210**	**207**	**245**	**1,695**	**2,553**

(also refer to page 79 in Board Packet)

Low Initial Medi-Cal Volume Key Assumptions

1. Medi-Cal average daily census (ADC) in Month 1 is reduced from 70 to 64, the current Medi-Cal census at Waters Edge
2. Medi-Cal ADC is ramped up to reach 78 by Month 12, the same as the Base Scenario
3. No change in volume in Year 2
4. Nursing salaries are adjusted to equal 4.0 hours per patient day, benefits are adjusted by 30% of change in salary
5. Variable expenses (supplies, purchased services, and postage) are adjusted based on change in volume
6. No change to other salaries or fixed expenses

Low Initial Medi-Cal Volume



	Base Scenario		Low Initial Medi-Cal		Increase / (Decrease) From Base Scenario	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
	101	**108**	**96**	**108**	**(4)**	**-**
	13,910,978	**14,977,440**	**13,442,773**	**14,976,849**	**(468,205)**	**(591)**
Total Salary & Benefits	7,745,563	7,962,774	7,508,706	7,962,774	(236,856)	-
Professional Fees	66,000	66,000	66,000	66,000	-	-
Supplies	1,166,632	1,166,632	1,123,037	1,166,632	(43,595)	-
Purchased Services	1,348,256	1,348,256	1,340,672	1,348,256	(7,584)	-
Rents and Leases	918,720	934,798	918,720	934,798	-	-
Utilities and Telephone	180,000	180,000	180,000	180,000	-	-
Insurance	196,000	196,000	196,000	196,000	-	-
Depr & Amort	-	-	-	-	-	-
Other Operating Expenses	595,114	570,400	594,822	570,400	(292)	-
Total Operating Expenses	**12,216,284**	**12,424,860**	**11,927,957**	**12,424,860**	**(288,328)**	**-**
Contribution	**1,694,694**	**2,552,580**	**1,514,816**	**2,551,989**	**(179,878)**	**(591)**

Low Medicare Volume Key Assumptions

1. Medicare average daily census (ADC) in Month 1 is reduced from 8 in the Base Scenario to 2
2. Medicare ADC is ramped up to reach 16 by Month 12, 2 ADC below the Base Scenario
3. Year 2 Medicare ADC is reduced from 18 to 16
4. Nursing salaries are adjusted to equal 4.0 hours per patient day, benefits are adjusted by 30% of change in salary
5. Variable expenses (supplies, purchased services, and postage) are adjusted based on change in volume with purchased services for therapies weighted for higher cost per Medicare day
6. No change to other salaries or fixed expenses

Low Medicare Volume

	Base Scenario		Low Medicare Volume		Increase / (Decrease) From Base Scenario	
	Year 1	**Year 2**	**Year 1**	**Year 2**	**Year 1**	**Year 2**
	101	**108**	**97**	**106**	**(3)**	**(2)**
	13,910,978	**14,977,440**	**13,178,186**	**14,598,104**	**(732,793)**	**(379,336)**
Total Salary & Benefits	7,745,563	7,962,774	7,583,538	7,868,360	(162,024)	(94,414)
Professional Fees	66,000	66,000	66,000	66,000	-	-
Supplies	1,166,632	1,166,632	1,132,385	1,147,472	(34,247)	(19,160)
Purchased Services	1,348,256	1,348,256	1,191,027	1,254,498	(157,229)	(93,758)
Rents and Leases	918,720	934,798	918,720	918,720	-	(16,078)
Utilities and Telephone	180,000	180,000	180,000	180,000	-	-
Insurance	196,000	196,000	196,000	196,000	-	-
Other Operating Expenses	595,114	570,400	594,872	570,333	(242)	(67)
Total Operating Expenses	**12,216,284**	**12,424,860**	**11,862,542**	**12,201,384**	**(353,743)**	**(223,476)**
Contribution	**1,694,694**	**2,552,580**	**1,315,644**	**2,396,720**	**(379,050)**	**(155,860)**

Free Standing SNF Rates Key Assumptions

1. Medi-Cal reimbursement rate is reduced from $305 to $221 per day for the full twelve months of Year
2. No other changes to ADC, revenues or expenses

Free Standing SNF Rate

	Base Scenario		Freestanding SNF Rates Yr 2		Increase / (Decrease) From Base Scenario	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
	101	**108**	**101**	**108**	**-**	**-**
	13,910,978	**14,977,440**	**13,910,978**	**12,503,145**	**-**	**(2,474,295)**
Total Salary & Benefits	7,745,563	7,962,774	7,745,563	7,962,774	-	-
Professional Fees	66,000	66,000	66,000	66,000	-	-
Supplies	1,166,632	1,166,632	1,166,632	1,166,632	-	-
Purchased Services	1,348,256	1,348,256	1,348,256	1,348,256	-	-
Rents and Leases	918,720	934,798	918,720	934,798	-	-
Utilities and Telephone	180,000	180,000	180,000	180,000	-	-
Insurance	196,000	196,000	196,000	196,000	-	-
Other Operating Expenses	595,114	570,400	595,114	570,400	-	-
Total Operating Expenses	**12,216,284**	**12,424,860**	**12,216,284**	**12,424,860**	**-**	**-**
Contribution	**1,694,694**	**2,552,580**	**1,694,694**	**78,285**	**-**	**(2,474,295)**

ROI / Contract Risk – Year 1

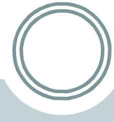
	Base Scenario	Low Initial Medi-Cal Volume	Low Medicare Volume	Freestanding SNF Rates
Year 1				
Operating Contribution Margin	$1,694,694	$1,514,816	$1,315,644	$1,694,694
Start up Costs				
Legal Fees	20,000	20,000	20,000	20,000
Professional Fees / Consultants	66,285	66,285	66,285	66,285
Facility Inspection Fees	7,500	7,500	7,500	7,500
Licensing Fees	35,640	35,640	35,640	35,640
Infrastructure Enhancements	250,000	250,000	250,000	250,000
Total Start up Costs	379,425	379,425	379,425	379,425
Contract Risk				
Liquidated Damages provision	500,000	500,000	500,000	500,000
Total Contract Risk	500,000	500,000	500,000	500,000
Total Start up Cost / Contract Risk	$879,425	$879,425	$879,425	$879,425
Return on Investment / Contract Risk	**193%**	**172%**	**150%**	**193%**

ROI / Contract Risk – Year 2

	Base Scenario	Low Initial Medi-Cal Volume	Low Medicare Volume	Freestanding SNF Rates
Total Start up Cost / Contract Risk	$879,425	$879,425	$879,425	$879,425
Year 2				
Operating Contribution Margin	$2,552,580	$2,551,989	$2,396,720	$78,285
Return on Investment / Contract Risk	290%	290%	273%	9%
Year 2 with Wind Down				
* *First six months same as Year 2*				
* *Second six months- no revenues or expenses but continue to pay rent*				
Operating contribution - Six months of Year 2	*$1,276,290*	*$1,275,994*	*$1,198,360*	*$39,143*
Total Start up Cost /Contract Risk	*879,425*	*879,425*	*879,425*	*879,425*
Additional risk - Six months of rent expense	*467,399*	*467,399*	*467,399*	*467,399*
Year 2 Risk including Wind Down	*$1,346,824*	*$1,346,824*	*$1,346,824*	*$1,346,824*
Return on Investment / Contract Risk	*95%*	*95%*	*89%*	*3%*

Current Ratio Impact

	Base Scenario	Low Initial Medi-Cal Volume	Low Medicare Volume	Freestanding SNF Rates
Current Ratio as of 8/31/11	1.04	1.04	1.04	1.04
<u>Current Ratio with Waters Edge</u>				
At end of Quarter 1	1.04	1.03	1.03	1.04
At end of Quarter 2	1.06	1.05	1.04	1.06
At end of Quarter 3	1.09	1.08	1.07	1.09
At end of Year 1	1.12	1.11	1.10	1.12
At end of Year 2	1.25	1.24	1.22	1.12



QUESTIONS

Summary

- In summary, the partnership between AH and WE should enhance the continuum of services for elderly and strengthen the continuity of care between acute and long-term care services
- Base Financial Scenario (most likely) will contribute $1.7 - $2.5 M additional margin per year. Even worst case scenario (free standing SNF reimbursement) shows a positive ROI.
- Cost of partnership is modest: working capital requirements will be financed by Waters Edge, Inc.
- Liquidated damages provision provides for manageable costs to exit relationship in unlikely event of fundamental change in financial nature of relationship.
- Approval of requested resolution will open way to continue due diligence and begin completion of necessary applications, subject to ratification at November, 7, 2011 District Board Meeting.

Proposed Action

- **Approval of Resolution 2011-6I**
  - Chief Executive Officer of the District is authorized, on behalf of the District, and subject to the final approval of this Board at such time as the following have been completed, to undertake the agreed-upon due diligence process and the negotiation of the required definitive agreements, and to prepare all necessary applications and notices, and any and all other documents necessary to effectuate the Proposed Transaction and to secure such licenses, permits and other entitlements as may be required, including without limitation, any change of ownership applications for WE provider enrollment forms, applications for transfers of licenses, permits or other entitlements or notices to the Department of Health Services, third-party payors, and such regulatory agencies and taxing authorities as may be necessary or convenient to effectuate the transfer of WE and secure the necessary rights to operate same.
  - **RESOLVED FURTHER**, that any binding or irrevocable actions with respect to the Proposed Transaction shall require satisfactory completion and evaluation of the due diligence process and final Board approval of all aspects of the Proposed Transaction.