Alameda Hospital

UPDATED: 6/27/11

CITY OF ALAMEDA HEALTH CARE DISTRICT

Finance and Management Committee
Meeting Notice & Agenda

Wednesday, June 29, 2011
7:30 a.m. – 9:00 a.m.
Dal Cielo Conference Room

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.

I.	Call To Order	Michael McCormick
II.	Action Items	
	A. Acceptance of June 1, 2011 Minutes [enclosure]	Michael McCormick
	B. Recommendation to Accept May 2011 Financial Statements [enclosure]	David A. Neapolitan
	C. Analysis of Decrease in Outpatient Volume by Cost Center	David A. Neapolitan
	D. Recommendation to Allow Access to Bank of Alameda Line of Credit [enclosure]	Deborah E. Stebbins David A. Neapolitan
III.	Chief Financial Officer's Report	David A. Neapolitan
	A. Workers Compensation Insurance Update	
	B. IGT Update	
IV.	Chief Executive Officers Report	Deborah E. Stebbins
	A. AB 97 Update	
V.	Board / Committee / Staff Comments	
VI.	Adjournment	

Next Meeting Scheduled for: Wednesday, July 27, 2011

This is being noticed as a Board Meeting as a quorum of Directors may be present. Ex-officio members and non-committee members cannot vote on any item, whether or not a quorum of the Board is present.

Finance and Management Committee Minutes
June 1, 2011

Members Present:	Mike McCormick, Chair	Ann Evans (by phone)	Jim Yeh, DO
(Voting)	Robert Deutsch, MD	James Oddie	Ed Kofman
Management Present:	Deborah E. Stebbins	Kerry J. Easthope	
	David A. Neapolitan	Mary Bond, RN	
Ex Officio/Guests:	Jordan Battani		
Absent:	William Sellman, MD		
Submitted by:	Christina Lamar		

Topic	Discussion	Action / Follow-Up
I. Call to Order	Mike McCormick called the meeting to order at 7:32 a.m. noting that a quorum of voting members was present.	
II. Action Items	A. Acceptance of April 27, 2011 Minutes	Mr. Kofman made a motion to accept the minutes as presented. Dr. Deutsch seconded the motion. The motion carried.
	B. Recommendation to Accept April 2011 Financial Statements Mr. Neapolitan presented the April 2011 Financial Statements noting the following key points: The average daily census (ADC) was 80.8 versus a budgeted 85.3. Acute ADC 27.5 versus a budgeted 28.8. Sub-Acute ADC was 32.4 versus a budgeted 33.5. South Shore ADC was 21.0 versus a budgeted 23.0. Total gross patient revenue was less than budget by $2,127,000 with inpatient programs less than budget by $1,021,000 and outpatient programs less than budget by $1,106,000. Net patient revenue was $1.3 million or 26.4% less than budget. Expenses were $20,000 favorable to the fixed budget. The management team has implemented several initiatives to respond to the unfavorable financial performance such as the inclusion of mandatory closure days, furlough days, elimination of consulting services, reduction in the use of CNA's, negotiating reductions in service agreement costs, reduced staked parking services, reduced security coverage, and declining specific membership renewals. In addition, there are many initiatives that are in process such as the expansion of SubAcute services / beds, meetings with CMS regarding reimbursement, termination of the inpatient Medi-Cal contract, expand skilled nursing, and staffing changes.	Dr. Deutsch made a recommendation to accept the April Financial Statements as presented. Mr. Oddie seconded the motion. The motion carried.

	C. Recommendation to Accept the FY2012 Operating Budget Management presented the FY 2012 proposed operating budget that projects income in excess of expenses of $540,000 for the 2012 fiscal year In addition to the assumptions used to develop the FY 202 Operating Budget other key areas were discussed and included the following items that were not built into the operating budget assumptions: • Potential CMS rejection of the reimbursement reductions for distinct part skilled nursing (SNF) and Subacute services that were part of AB 97. This amounts to a baseline reduction in net revenue for Alameda Hospital of approximately $2.1 million. • Acquisition of one or more large community based skilled nursing facilities within the District. The positive financial impact on the Hospital is estimated to be in the $2-2.5 million range. • Application to expand our Subacute bed licensure by 12 beds. D. Recommendation to Accept the FY 2012 Capital Budget Management presented the FY 2012 capital budget at the meeting. Key areas discussed and outlined from the capital budget included: • The total of capital budget requests submitted was $2.4 million which included clinical equipment, information technology, plant maintenance upgrades, equipment contingency funds for unforeseen equipment replacements, and continued development of seismic upgrades. However based upon the organizations ability to fund these capital items, along with the continued development of our Electronic Health Record and the opening a Wound Care Clinic, the amount allocated for this capital was reduced to $526,000. • Alameda Hospital will continue to work through the Foundation to pursue external grants for select equipment items.	Dr. Deutsch made a recommendation to accept the FY 2012 Operating Budget and Capital Budget. Mr. Oddie seconded the motion. The motion carried.
	E. Recommendation to Enter into a Lease Agreement with Legacy Marina Village for Building Lease Located at 815 Atlantic Avenue, Alameda, California for Wound Care Program	Mr. McCormick moved to defer the Recommendation to Enter into a Lease Agreement. This will be presented at the District Board Meeting for approval. All were in favor. None opposed. The motion carried.

III. Chief Financial Officer's Report	A. Discussion of Inpatient Medi-Cal Contract Mr. Neapolitan discussed the Inpatient Acute Care Medi-Cal services contract that Alameda Hospital had entered into in May 2010 due to the requirements to be eligible for IGT funds. The requirement for a CMAC contract has been removed from the eligibility requirements; therefore Alameda Hospital will terminate this contract effective October 2011, which will result in an annual net income of approximately $1.25 million.	No action taken.
IV. Administrative Pension Plan Oversight Committee Update	Mr. McCormick discussed the change rates in the fixed return fund of the pension plan. Effective July 1, 2011 the guaranteed rate on new money invested in this will be reduced to a minimum of 1% interest. Current projections indicate that this fund will yield approximately a 2% return, but is subject to change on a quarterly basis. However, employees may choose other fund options at their discretion that may yield a higher interest rate. Diversified has been tracking the trend of rates for this type of fund for the last six (6) months and the proposed rates reflect overall economic conditions for this type of investment vehicle.	No action taken.
V. Board Committee Staff Comments	No Board / Committee / Staff comments.	
VI. Adjourn-ment	Being no further business, the meeting was adjourned at 9:13 a.m.	

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING MAY 31, 2011

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

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
MAY, 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 May 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 May, 2011

- For the month of May 2011, combined expense over revenues (loss) is $816,000 versus a budgeted excess of revenue over expenses (profit) of $23,000. This loss was driven by a continued lower than previously experienced inpatient case mix index, which is an indication of lower acuity level patients, lower than expected outpatient volumes and the second of three adjustments to the reduce the amount of accrued intergovernmental transfer receivable (discussed further on page 11).

- For the eleven months ended May 31, 2011, combined expense over revenues (loss) is $2,904,000 before the inclusion of $1,451,000 of other non-operating income. This additional other non-operating income, which was recorded in March 2011, was the result of the elimination of a liability that was established in fiscal year 2006. The liability was the result of a dispute over contractual language related to the amounts due under the terms of an insurance contract. After inclusion of the elimination of this liability the year to date expense over revenue (loss) is $1,453,000 versus budgeted revenue over expenses (profit) of $590,000.

- Gross patient revenue for the month of May was less than budget by $3,917,000 or 17.3%. This unfavorable variance was the result of unfavorable variances of $2,330,000 and $1,587,000 in inpatient and outpatient programs, respectively. On adjusted patient day basis gross patient revenue was 6.0% less than budgeted at $5,130 compared to a budgeted amount of $5,455 for the month of May. For the eleven months ended gross revenue per adjusted patient day is 0.8% greater than budgeted at $5,428 versus the budgeted $5,388.

- Total patient days for the month were 2,449 compared to the prior month's total patient days of 2,425 and the prior year's 2,610 total patient days. The average daily acute care census was 25.8 compared to a budget of 31.6 and an actual average daily census of 27.5 in the prior month; the average daily Sub-Acute census was 31.9 versus a budget of 33.5 and 32.4 in the prior month and the Skilled Nursing program had an average daily census of 21.3 versus a budget of 23.0 and prior month census of 21.0, respectively.

- Emergency Care Center (ECC) visits were 1,431 or 5.8% less than the budgeted 1,519 visits and were only 5 visits or 0.3% less than the prior year's visits of 1,436.

- Total surgery cases were less than budgeted expectations for the month at 168 cases versus the budgeted 202 cases. The current month's surgical volume was 8.4% greater than the same month prior year's 155 cases.

- Outpatient registrations were 14.1% below budgeted targets at 1,936 and at 63.4 visits per day were 4.7% less than the prior month's 66.5 visits per day.

Total assets decreased by $2,029,000 from the prior month as a result of. The following items make up the decrease in current assets:

- ➢ Total unrestricted cash and cash equivalents for May decreased by $386,000 and days cash on hand including restricted use funds decreased to 15.3 days on hand in May from 17.7 days on hand in April. The decrease in cash was primarily the result of the use of one twelfth of the parcel tax funds in May.

- Net patient accounts receivable decreased in May by $1,475,000 compared to a decrease of $436,000 in April. Day's in outstanding receivables decreased to 55.0 at May 31, 2011 from 58.6 at April 30, 2011. Collections in May totaled $4.9 million compared to $4.4 million in April.

- Other receivables decreased by $106,000 primarily as a result of the write-off of $103,000 of the remaining Intergovernmental transfer estimate that was determined to be in excess of the revised amounts to be received under this program.

- Prepaid and other deposits decreased by $87,000 as a result of the monthly amortization of prepaid insurance and service contracts.

Total liabilities decreased by $1,055,000 compared to a decrease of $473,000 in the prior month. This decrease in the current month was the result of the following:

- Accounts payable and accrued expenses decreased by $137,000 as a result of the payment of additional outstanding trade payables during the month of May.

- Payroll related accruals decreased by $287,000 as a result of fewer days of required accrued payroll liabilities at the end of May due to the timing of paid payrolls at month-end.

- Deferred revenues decreased by $478,000 as a result of the amortization of one-twelfth of the annual parcel tax revenues for the 2011 fiscal year.

- Estimated third party payables decreased by $90,000 in May as a result of the true up of estimated liabilities for fiscal year 2007, 2008 and 2009 Medicare claims that were resolved in fiscal year 2011.

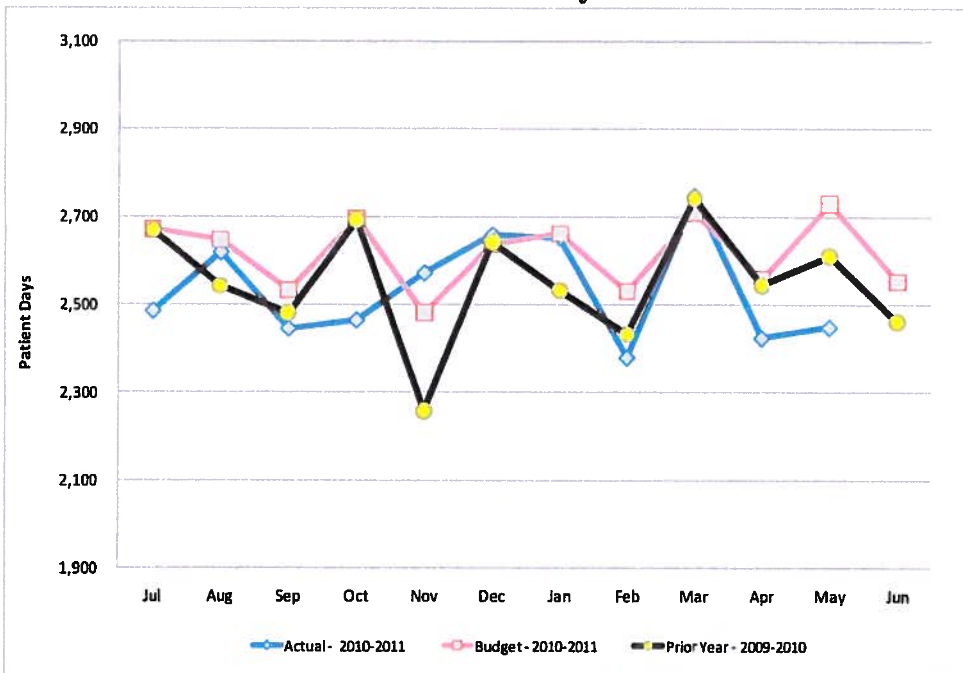
- Long term debt decreased by $37,000 as a result of the monthly payment of the principle portion of the note payable to the Bank of Alameda.

Volumes

The combined actual daily census was 79.0 versus a budget of 88.06 or an unfavorable variance of 10.6%. The current month's overall unfavorable variance from the budgeted census was the result of average daily census that were unfavorable to budget in the acute care areas by 6.0 patients per day or 18.9%. The Sub-Acute and Skilled Nursing programs were also unfavorable to budgeted expectations with unfavorable variances in average daily census of 1.6 and 1.8, respectively.

The graph on the following page shows the total patient days by month for fiscal year 2011 compared to the operating budget and fiscal year 2010 actual.

Total Patient Days

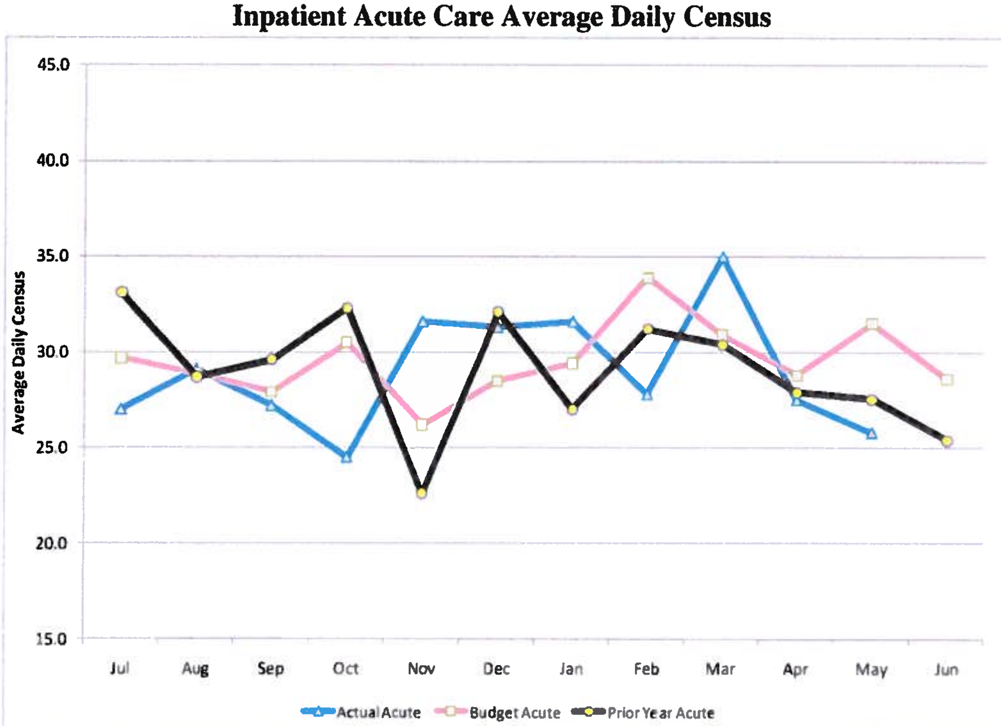


The various components of our inpatient volumes for the month of May are discussed in the following sections.

Acute Care

The acute care patient days were 18.9% (179 days) less than budgeted and were 6.4% less than the prior year's average daily census of 27.5 for May. The acute care program is comprised of the Critical Care Unit (2.4 ADC, 26.7% unfavorable to budget), Definitive Observation Unit (9.1 ADC, 29.4% unfavorable to budget) and Med/Surg Units (14.4 ADC, 6.9% unfavorable 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.

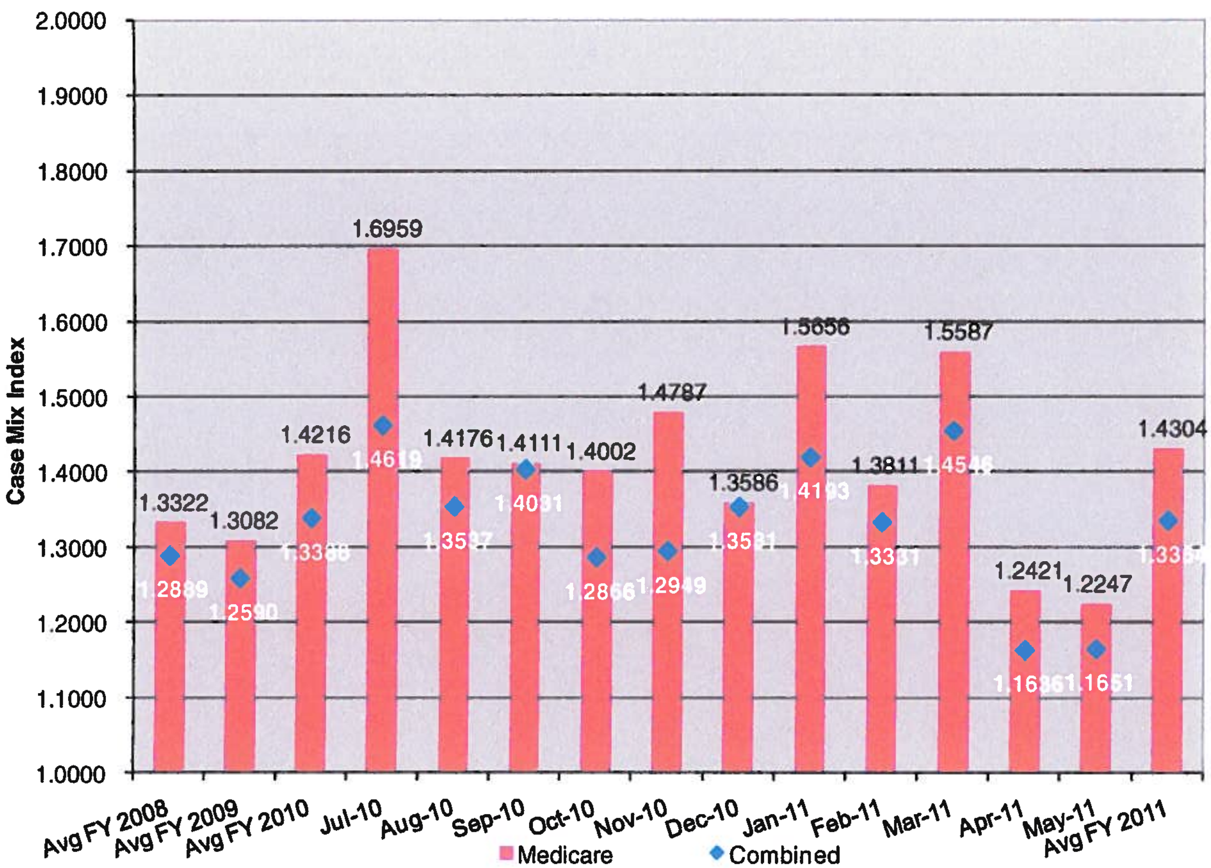
Inpatient Acute Care Average Daily Census



Case Mix Index

The hospitals overall Case Mix Index (CMI) increased slightly to 1.1651 from 1.1636 in the prior month and remains substantially below the fiscal year to date average of 1.3354. The Medicare CMI decreased slightly over the prior month from 1.2421 in April to 1.2247 in May. In May there was again only one (1) outlier case. The graph below shows the CMI for the hospital during the current fiscal year as compared to the prior three fiscal years.

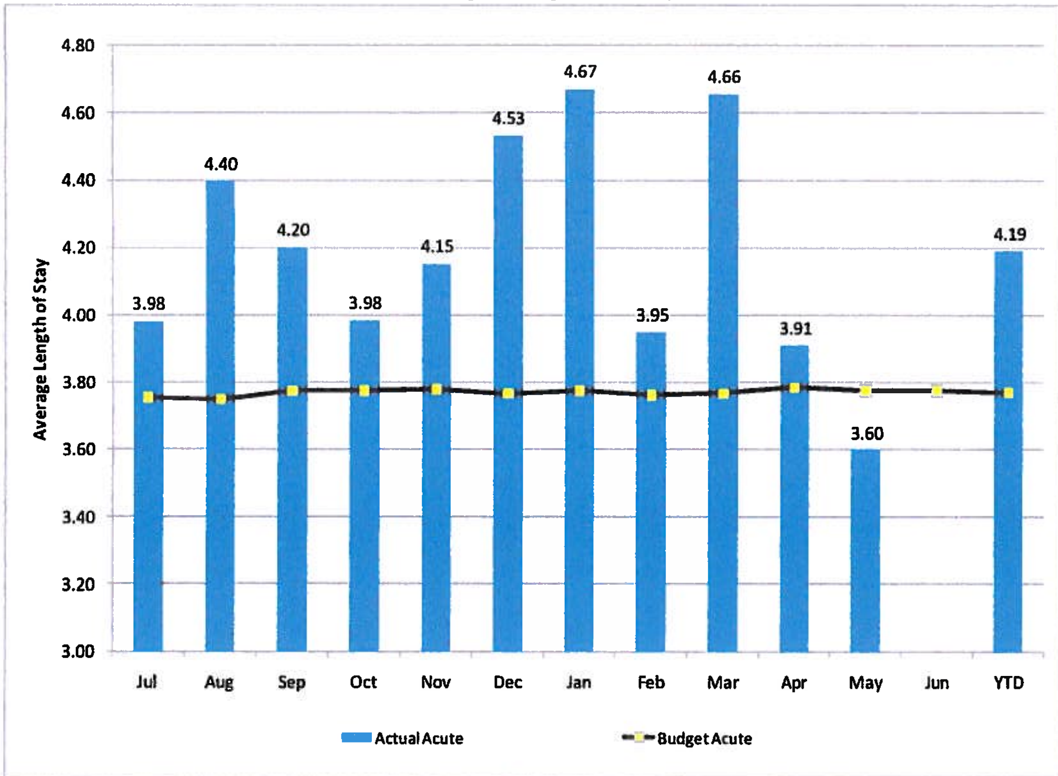
Case Mix Index Comparison



Average Length of Stay

The average length of stay (ALOS) decreased from that of the prior months 3.91 to 3.60 in the month of May. This brings the year-to-date average to 4.19 versus the budgeted FY 2011 average of 3.77. The graph on the following page shows the ALOS by month and the budgeted ALOS for fiscal year 2011.

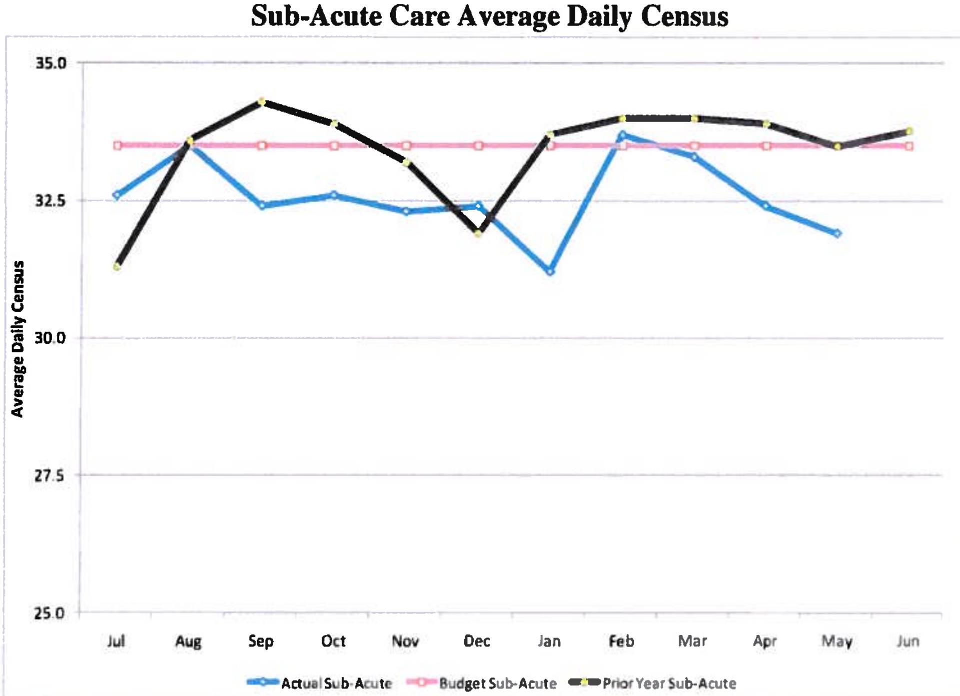
Average Length of Stay



Sub-Acute Care

The Sub-Acute program patient days were less than budgeted projections with an average daily census of 31.9 for the month of May which was budgeted for an average daily census of 33.5. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.

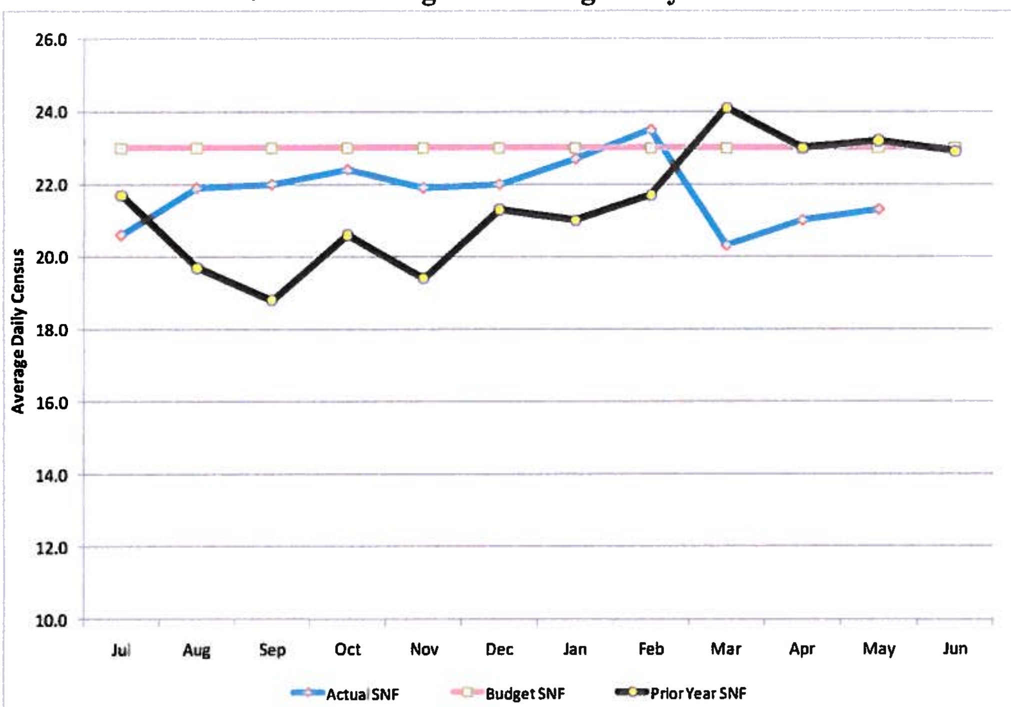
Sub-Acute Care Average Daily Census



Skilled Nursing Care

The Skilled Nursing Unit (South Shore) patient days were 7.4% or 53 patient days less than budgeted for the month of May. Comparing performance to the prior year this programs volume remains slightly greater than the prior year's performance for the eleven months of fiscal year 2011 that has had an average daily census of 21.8 versus 21.3 in fiscal year 2010. The following graph shows the Skilled Nursing Unit monthly average daily census as compared to budget and the prior year.

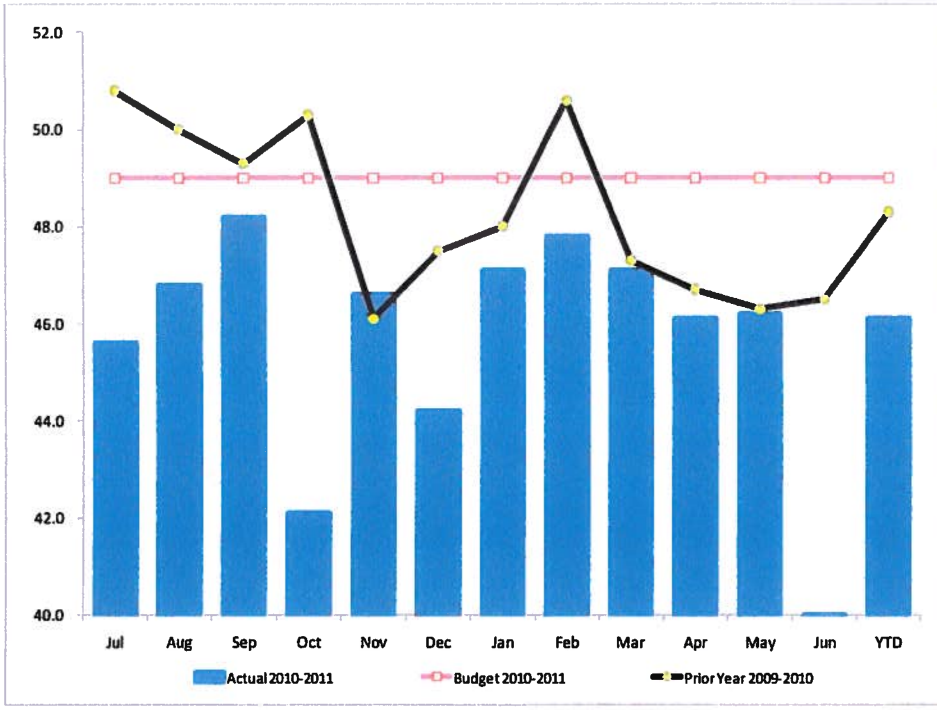
Skilled Nursing Unit Average Daily Census



Emergency Care Center (ECC)

Emergency Care Center visits in May totaled 1,431 and were 5.8% or only 88 visits less than budgeted for the month with 17.2% of these visits resulting in inpatient admissions versus 15.0% in April. In May there were 288 ambulance arrivals versus 256 in the prior month, on a per day basis this represents an increase of 9.4% over the prior month daily average. Of the 288 ambulance arrivals in the current month 181 or 62.8% were from Alameda Fire Department (AFD) ambulances. The graph on the following page shows the Emergency Care Centers average visits per day for fiscal year 2011 as compared to budget and the prior year performance.

Emergency Care Center Visits per Day

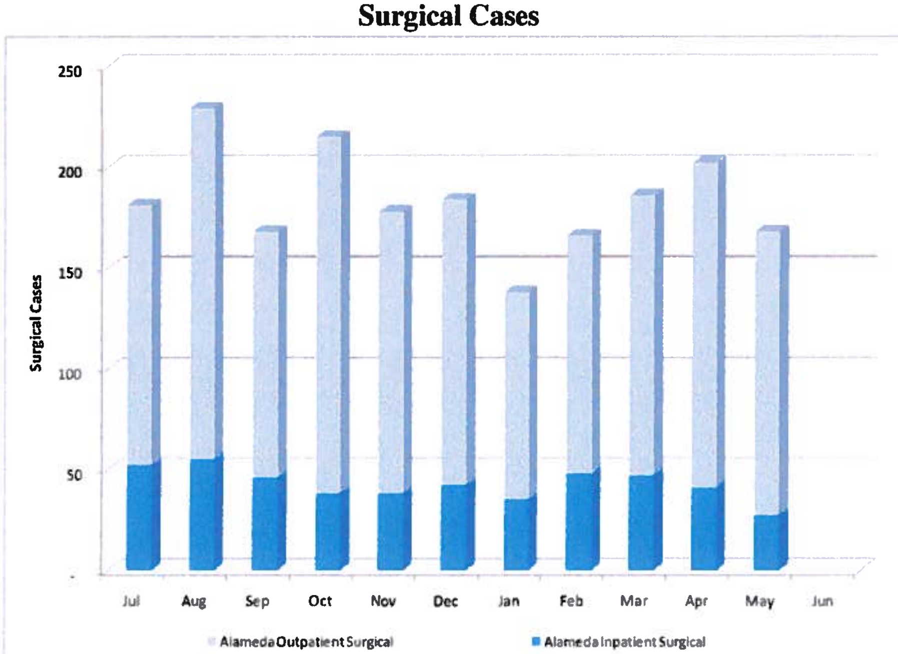


Surgery

Surgery cases were 168 versus the 202 budgeted cases and 155 cases in the prior year. In May, surgery cases decreased over the prior month by 12.9%. The decrease of 26 cases over the prior month was the result of an decrease of 16 and 10 inpatient and outpatient cases, respectively. Inpatient and outpatient cases totaled 27 and 141 versus 41 and 161 in May and April, respectively. The decrease in cases from the prior month was driven by decreases in Ophthalmology (15), Gastrointestinal (8), Podiatry (3), Pulmonary (2) and Urology (2), cases offset by *increases* in Gynecology (4) Pain Management (2) and Cardiology (1) cases.

The graph below shows the number of inpatient and outpatient surgical cases by month for fiscal year 2011.

Surgical Cases

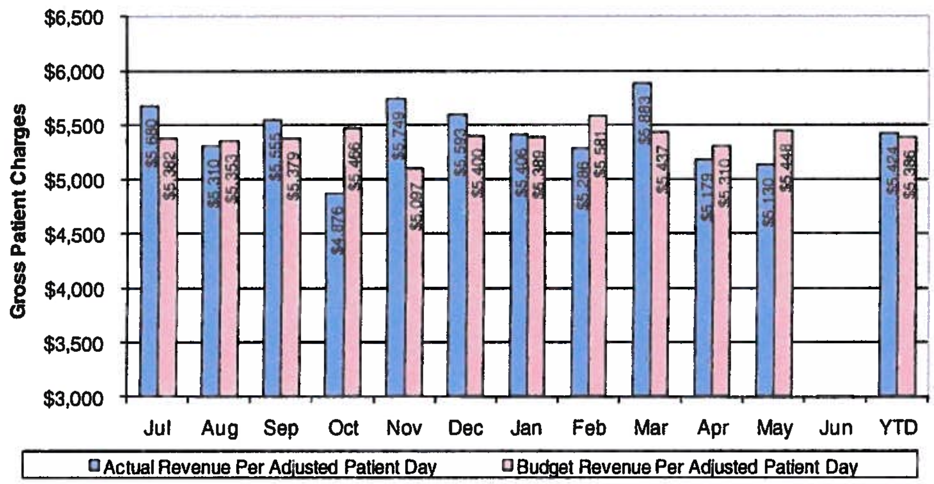


Income Statement

Gross Patient Charges

Gross patient charges in May were less than budgeted by $3,917,000. This unfavorable variance was comprised of unfavorable variances of $2,330,000 and $1,587,000 in inpatient and outpatient revenues, respectively. The decrease in inpatient gross revenues was again driven by lower patient census in all inpatient programs coupled with a significant decline in acute inpatient acuity levels. Outpatient revenues were also lower than budgeted as a result of the delayed opening of the Wound Care program ($558,000), which now has a planned January 2012 opening, lower than expected emergency room visits ($402,000), lower than budgeted IVT revenues ($311K), lower than budgeted imaging revenues ($132K), lower than budgeted observation revenues ($99K) and lower than budgeted laboratory revenues ($48,000). On an adjusted patient day basis total patient revenue was $5,130 versus the budgeted $5,455 for the month of May. The following table shows the hospitals monthly gross revenue per adjusted patient day by month and year-to-date for fiscal year 2011 compared to budget.

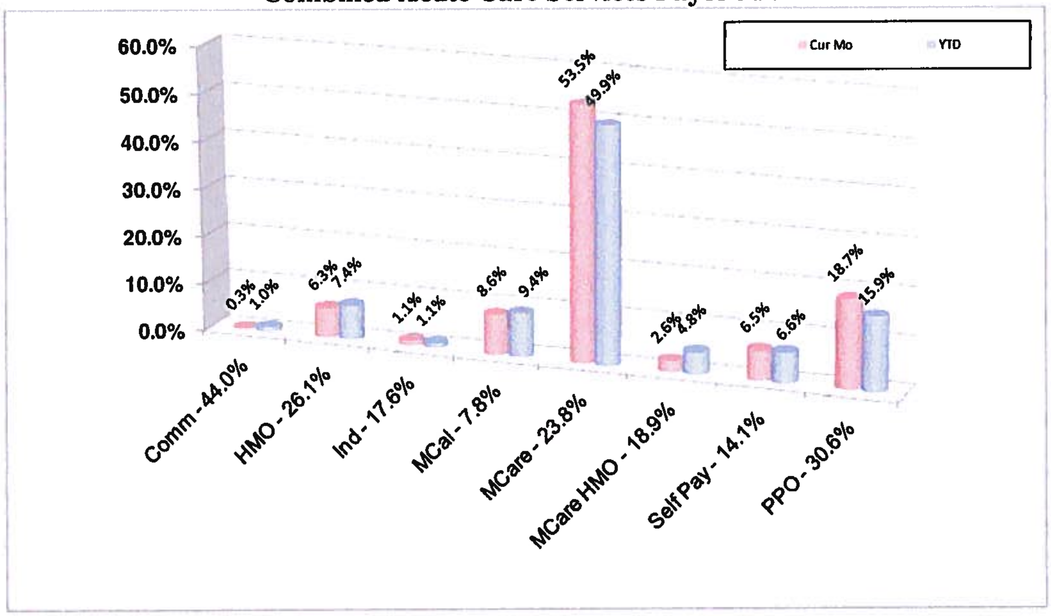
Gross Charges per Adjusted Patient Day



Payor Mix

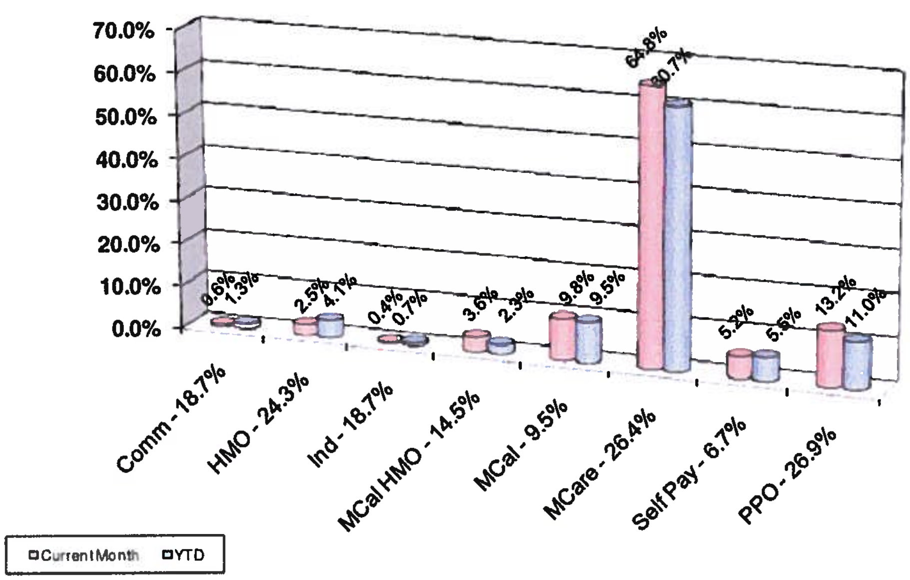
Combined acute care services, inpatient and outpatient, Medicare and Medicare Advantage total gross revenue in May made up 56.1% of the months total gross patient revenue. Combined Medicare revenue was followed by HMO/PPO utilization at 25.0% , Medi-Cal Traditional and Medi-Cal HMO utilization at 8.6% and self pay at 6.5%. 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 months estimated reimbursement for each payor for the combined inpatient and outpatient acute care services.

Combined Acute Care Services Payor Mix

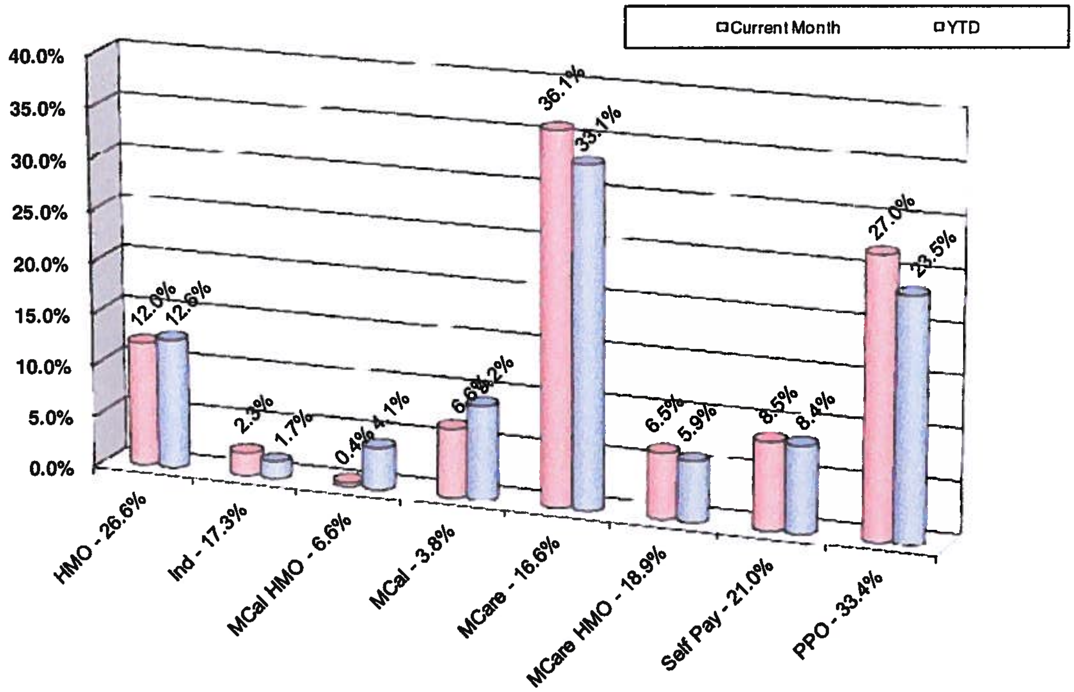


The inpatient acute care current month gross Medicare and Medicare Advantage charges made up 64.8% of our total inpatient acute care gross revenues followed by HMO/PPO at 15.7%, Medi-Cal and Medi-Cal HMO at 13.4% and Self Pay at 5.2% of the inpatient acute care revenue. Despite the further decline in acuity levels, the current month's payor mix the overall net inpatient revenue percentage improved from the prior month to 23.3% in May versus 20.3% in April. The below shows inpatient acute care current month and year to date payor mix and current month estimated net revenue percentages for fiscal year 2011.

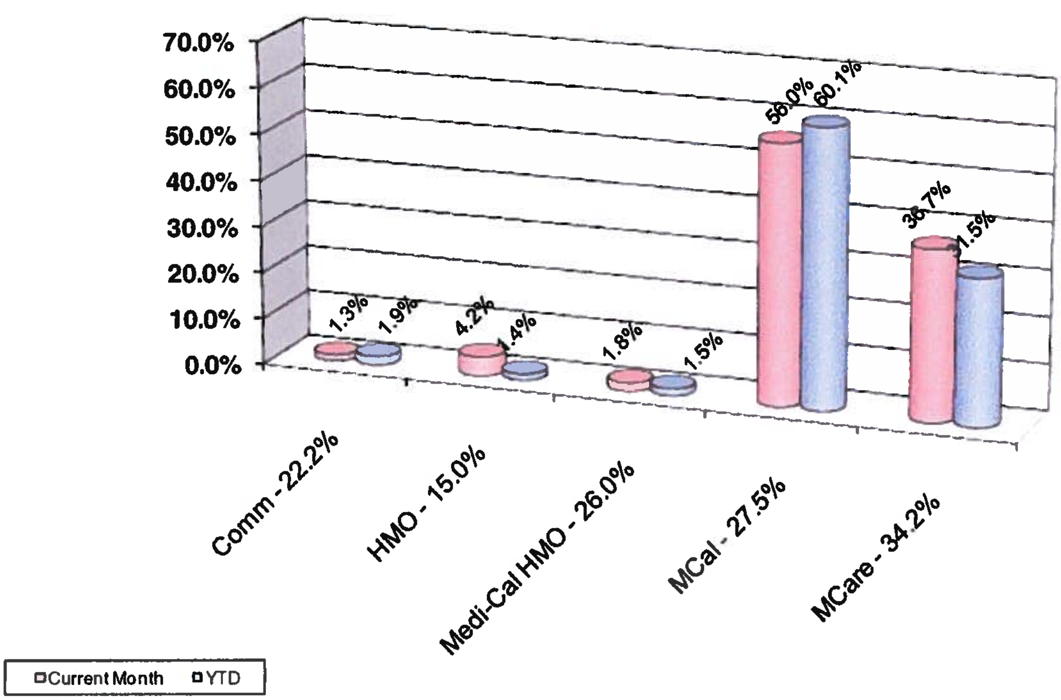
Inpatient Acute Care Payor Mix



The outpatient gross revenue payor mix for May was comprised of 42.7% Medicare and Medicare Advantage, 39.0% HMO/PPO, 7.0% Medi-Cal and Medi-Cal HMO, and 8.5% self pay. The graph on the following page shows the current month and fiscal year to date outpatient payor mix and the current months estimated level of reimbursement for each payor.

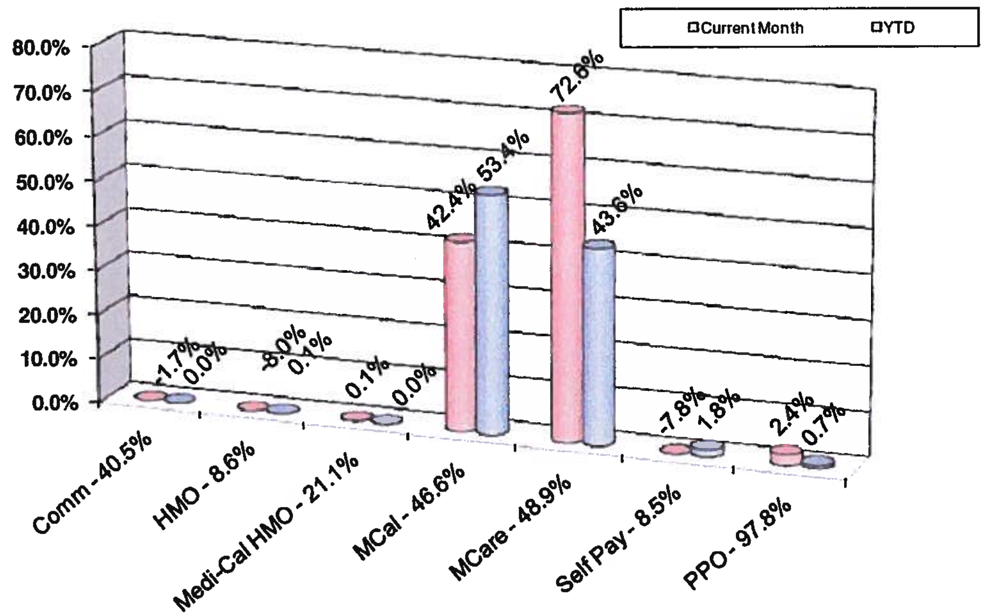


In May, the Sub-Acute care program again was dominated by Medi-Cal utilization of 57.8% versus 54.9% in April. The graph below shows the payor mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payor.



In May, the Skilled Nursing program gross revenues were comprised primarily of Medicare at 72.6% and Medi-Cal at 42.4%. 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



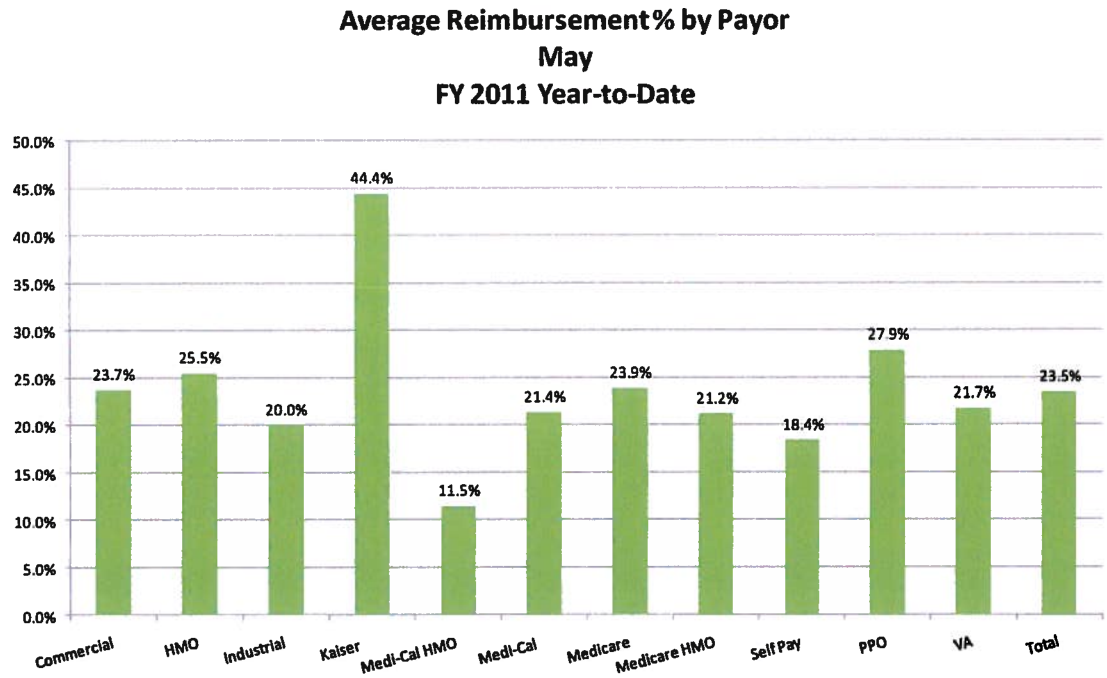
Deductions from Revenue

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 May contractual allowances, bad debt and charity adjustments (as a percentage of gross patient charges) were 80.4% versus the budgeted 76.0%. A major factor causing the increase in this percentage was continued lower case mix index that has been experienced in April and May of fiscal year 2011.

Net Patient Service Revenue

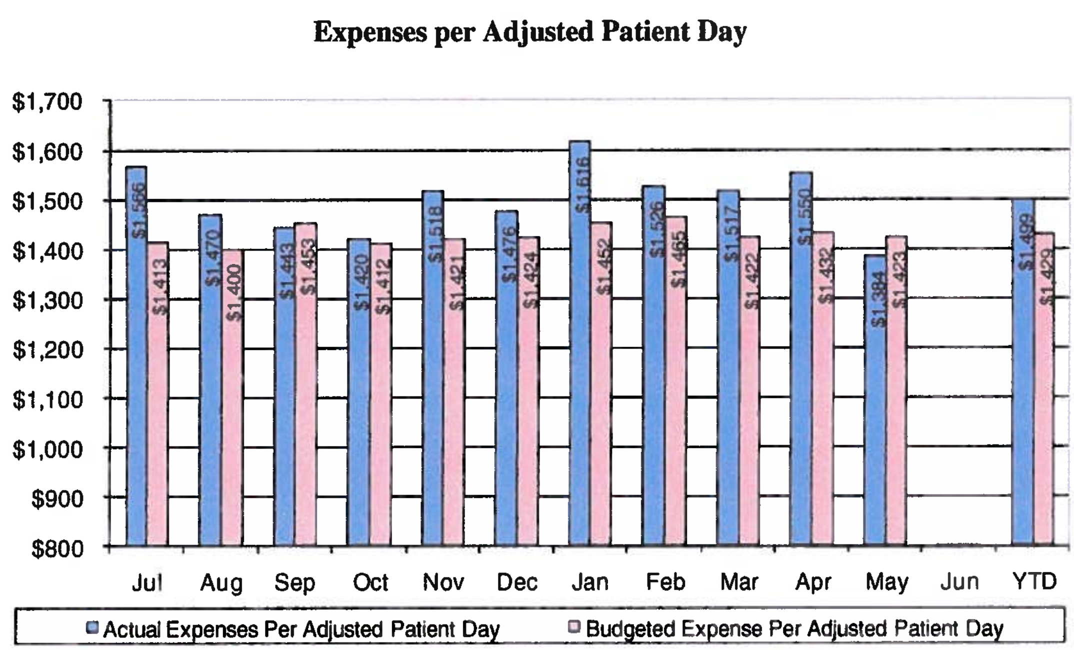
Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. This difference reflects what the anticipated cash payments the Hospital is expecting to receive for the services provided. In addition, included in the year to date net patient service revenue are the estimated amounts to be received from participation in the State of California's FY 2011 Intergovernmental Transfer (IGT) Program, $180,000 per month and $1,083,000 for the six month ended December 31, 2010. As a result of the inclusion of all forty-six (46) California district hospitals in the fiscal year 2011 IGT program and finalization of amounts that will be received by each of these Hospitals an additional reduction of $102,000 will be included each month over the remainder of fiscal year 2011. This reduction will result in an estimated adjusted amount to be received of $776,000 for fiscal year 2011. It is anticipated that this amount will be received before June 30, 2011.

The graph on the following page shows the level of reimbursement that the Hospital has estimated for fiscal year 2011 by major payor category.



Total Operating Expenses

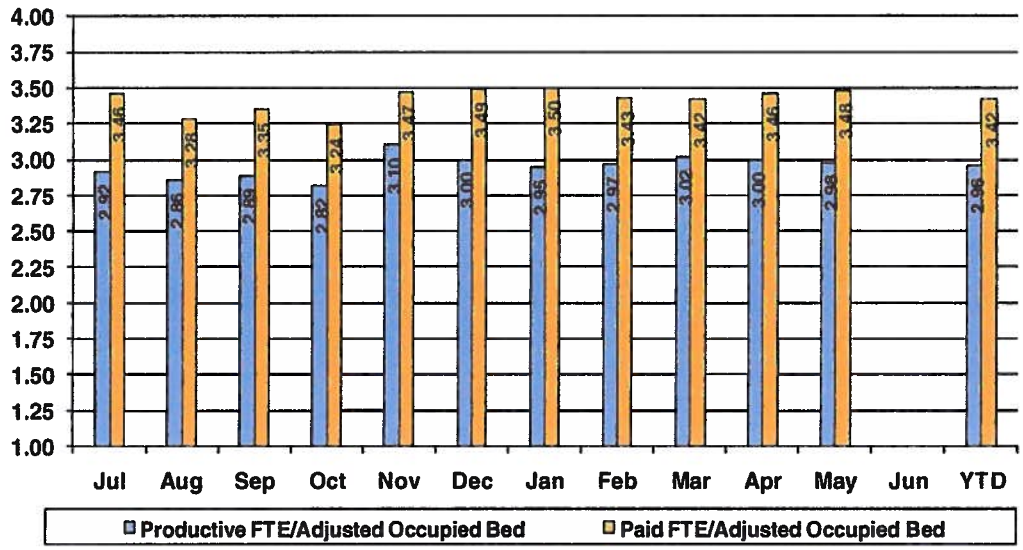
Total operating expenses were less than the fixed budget by $855,000 or 14.5%. On an adjusted patient day basis, our cost per adjusted patient day was $1,384 which was $41 per adjusted patient day favorable to budget. This variance in expenses per adjusted patient day was primarily the result of favorable variances in non salary and benefit costs of $78 per adjusted patient day. The graph below shows the actual hospital operating expenses on an adjusted patient day basis for the 2011 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.



Salary and Temporary Agency Expenses

Salary and temporary agency costs combined were favorable to the fixed budget by $93,000 but were unfavorable to budgeted levels on a per adjusted patient day basis by $76 or 10.3%. On an adjusted occupied bed basis, productive FTE's were unfavorable to budget by 7.4% at 3.0 FTE's versus the budgeted 2.8 FTE's. The graph below shows the productive and paid FTE's per adjusted occupied bed for FY 2011 by month.

FTE's per Adjusted Occupied Bed



Benefits

Benefits were favorable to the fixed budget by $250,000 or 27.0%. This favorable variance was the result of lower than budget expenses related to the self insured group health insurance program ($80,000), pension plan expenses ($50,000) and lower workers compensation insurance costs ($25,000). In addition, there was a reversal of $95,000 of benefit accruals related to the EHR implementation that were made in error during the months of January through April.

Professional Fees

Professional fees were favorable to budget by $83,000 in May. This favorable variance was the result of the delay in the start of the Wound Care Program ($67,000), lower required emergency room call ($15,000) and lower than budgeted costs associated with primary care physician coverage in the clinic ($8,000).

Supplies

Supplies were favorable to budget by $285,000 or $54 per adjusted patient day in May. This favorable variance was the result of lower than budgeted medical supplies expense of $277,000. The favorable medical supplies expense was primarily the result of lower than budgeted expenses for pharmacy supplies ($113,000) in the infusion therapy program, lower than budgeted lab supply costs ($89,000) and supply expenses related to the Wound Care program ($67,000) that have been delayed until January 2012.

Purchased Services

Purchased services were favorable to budget by $79,000 or $9 per adjusted patient day for the month. This favorable variance was primarily the result of lower than budgeted repairs and maintenance costs ($30,000), collection agency costs $12,000 and various other purchased services ($14,000).

Rents and Leases
Rents and leases were $59,000 favorable to the fixed budget and $14 per adjusted patient day favorable to budget for the month of May. This favorable variance was primarily the result of lower than budgeted rental expense related to the PACS and Digital Radiology upgrade project ($31,000). This project will not be completed until the end of the third quarter of calendar 2011 due to Office of Statewide Health Planning delays. In addition, there were multiple departments that did not incur equipment rental costs in May.

Action Items
The management team has implemented several initiatives to respond to the unfavorable financial performance. In addition, there are many initiatives that are in process and will be implemented over the next months. Most of these initiatives are also part of the Fiscal Year 2012 budget.

Initiatives that have been implemented include:

- We have implemented mandatory closure of most support departments on eight major holidays as well as two "non-holiday" closure days during the next fiscal year (beginning Memorial Day 2011). Essential support departments will staff at core staffing levels on these days. Productive salary cost savings are estimated to be $59,000 per year for the two days.

- Mandatory furlough days for the months of June, July and August will be implemented. All non nursing employees will be required to take one PTO or non paid day off per pay period during this period when patient activity is typically slower. Savings are estimated to be $59,000 per month in productive salary expense during these three months.

- Elimination of outside consulting services from Robert Half and Jacobus who provided support for the EHR implementation and IT department ($68,000 - $80,000 per month). While this will not have an impact on the monthly Statement of Revenues and Expenses this will help with our cash flow.

- Reduction in the use of approximately 9.9 Certified Nursing Assistants (CNA's) on nursing units resulting in savings of approximately $42,000 per month, while still complying with state staffing guidelines.

- Negotiation of a new service agreement with Alliance Imaging who provides mobile MRI service, resulting in a reduction in fees of $4,000 per month.

- Reduction in scope of service and coverage limits for GE Biomedical Service support, resulting in an expense reduction of about $4,100 per month.

- Reduced stacked parking service to 11:00 am to 4:00 pm. Monthly savings are $3,000 (60 day notice given).

- Reduced security guard coverage to night shift only, seven days a week resulting in savings of $6,250 per month.

- Memberships deemed to not be of a benefit to the ongoing operations of the organization will be cancelled or not renewed. These include memberships with: Aging Services of California, Association of California Hospital Districts, Advisory Board and the Governance Institute for monthly savings of $6,250. Some of the annual fees for these memberships have been prepaid and as such savings will be realized over the next fiscal year.

The annual impact of the above cost reduction initiatives that will affect the Statement of Revenues and

Expenses is about $879,000 per year or an average of $73,266 per month, plus $445,000 cash flow savings associated with the discontinuation of the IT consulting firms.

Initiatives that are in process:

- Expansion of the number of sub acute beds by twelve beds. A letter has been sent to representatives at the California Department of Health Services expressing our interest and the need to expand sub acute capacity at Alameda Hospital.

- Management, together with representatives from the California Hospital Association, have spoken with regional and national representatives from CMS to provide information and data to support the rejection of the State's request under AB 97 (Medi-Cal D/P SNF & Sub Acute reimbursement reductions).

- Termination our inpatient Medi-Cal contract, which will become effective mid October 2011.

- Progressive steps to expand our operational presence in skilled nursing within the District.

The following pages include the detailed financial statements for the eleven (11) months ended May 31, 2011, of fiscal year 2011.

ALAMEDA HOSPITAL
KEY STATISTICS
MAY 2011

	ACTUAL MAY 2011	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	MAY 2010	YTD MAY 2011	YTD FIXED BUDGET	VARIANCE	%	YTD MAY 2010
Discharges:										
Total Acute	222	259	(37)	-14.3%	197	2,315	2,633	(318)	-12.1%	2,583
Total Sub-Acute	4	1	3	300.0%	1	23	16	7	43.8%	13
Total Skilled Nursing	5	12	(7)	-58.3%	14	98	134	(36)	-26.9%	116
	231	272	(41)	-15.1%	212	2,436	2,783	(347)	-12.5%	2,712
Patient Days:										
Total Acute	799	978	(179)	-18.3%	854	9,698	9,925	(227)	-2.3%	9,817
Total Sub-Acute	990	1,039	(49)	-4.7%	1,038	10,907	11,223	(316)	-2.8%	11,183
Total Skilled Nursing	660	713	(53)	-7.4%	718	7,294	7,705	(411)	-5.3%	7,146
	2,449	2,730	(281)	-10.3%	2,610	27,899	28,853	(954)	-3.3%	28,146
Average Length of Stay										
Total Acute	3.60	3.78	(0.18)	-4.7%	4.34	4.19	3.77	0.42	11.1%	3.80
Average Daily Census										
Total Acute	25.77	31.55	(5.97)	-18.9%	27.55	28.95	29.63	(0.68)	-2.3%	29.30
Total Sub-Acute	31.94	33.52	(1.63)	-4.9%	33.48	32.56	33.50	(0.94)	-2.8%	33.38
Total Skilled Nursing	21.29	23.00	(1.77)	-7.7%	23.16	21.77	23.00	(1.23)	-5.3%	21.33
	79.00	88.06	(9.37)	-10.6%	84.19	83.28	86.13	(1.62)	-1.9%	84.02
Emergency Room Visits	1,431	1,519	(88)	-5.8%	1,436	15,453	16,418	(965)	-5.9%	16,228
Outpatient Registrations	1,936	2,254	(318)	-14.1%	1,972	21,813	24,525	(2,712)	-11.1%	27,004
Surgery Cases:										
Inpatient	27	55	(28)	-50.9%	43	469	548	(79)	-14.4%	628
Outpatient	141	147	(6)	-4.1%	112	1,546	1,556	(10)	-0.6%	4,098
	168	202	(34)	-16.8%	155	2,015	2,104	(89)	-4.2%	4,726
Kaiser Inpatient Cases	-	-	-	-	-	-	-	-	-	91
Kaiser Eye Cases	-	-	-	-	-	-	-	-	-	1,461
Kaiser Outpatient Cases	-	-	-	-	-	-	-	-	-	1,417
Total Kaiser Cases	-	-	-	-	-	-	-	-	-	2,969
% Kaiser Cases	0.0%	0.0%			0.0%	0.0%	0.0%			62.8%
Adjusted Occupied Bed	117.22	133.77	(16.55)	-12.4%	128.46	123.59	130.47	(6.88)	-5.3%	143.36
Productive FTE	350.50	372.43	(21.93)	-5.9%	365.63	365.84	368.10	(2.26)	-0.6%	388.98
Total FTE	409.69	423.39	(13.70)	-3.2%	415.98	422.78	418.82	3.96	0.9%	443.80
Productive FTE/Adj. Occ. Bed	2.99	2.78	0.21	7.4%	2.85	2.96	2.82	0.14	4.9%	2.71
Total FTE/ Adj. Occ. Bed	3.50	3.17	0.33	10.4%	3.24	3.42	3.21	0.21	6.6%	3.10

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

	Current Month	Prior Month	Prior Year End
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 2,037,785	$ 2,423,796	$ 3,480,668
Patient Accounts Receivable, net	8,331,120	9,656,474	9,558,147
Other Receivables	2,058,403	2,164,043	6,654,035
Third-Party Payer Settlement Receivables	628,100	604,885	374,557
Inventories	1,159,933	1,157,875	1,149,706
Prepaids and Other	208,538	295,478	453,872
Total Current Assets	14,423,879	16,302,551	21,670,985
Assets Limited as to Use, net	471,451	579,225	476,630
Property, Plant and Equipment, net	8,155,703	8,027,889	6,993,735
Total Assets	**$ 23,051,033**	**$ 24,909,665**	**$ 29,141,350**
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	$ 416,000	$ 416,000	$ 450,831
Accounts Payable and Accrued Expenses	7,061,608	7,198,801	6,112,296
Payroll Related Accruals	3,971,862	4,259,003	4,351,133
Deferred Revenue	478,792	956,656	5,736,951
Employee Health Related Accruals	528,999	554,371	645,750
Third-Party Payer Settlement Payable	909,297	999,297	500,000
Total Current Liabilities	13,366,558	14,384,128	17,796,961
Long Term Debt, net	857,005	894,001	1,236,831
Total Liabilities	14,223,563	15,278,129	19,033,792
Net Assets:			
Unrestricted	8,228,443	8,924,735	9,560,928
Temporarily Restricted	599,027	706,801	546,630
Total Net Assets	8,827,470	9,631,536	10,107,558
Total Liabilities and Net Assets	**$ 23,051,033**	**$ 24,909,665**	**$ 29,141,350**

City of Alameda Health Care District

Statements of Operations

May 31, 2011

$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	2,449	2,730	(281)	-10.3%	2,610	27,899	28,853	(954)	-3.3%	28,146
Discharges	231	272	(41)	-15.1%	212	2,436	2,782	(346)	-12.4%	2,711
ALOS (Average Length of Stay)	10.60	10.04	0.56	5.6%	12.31	11.45	10.37	1.08	10.4%	10.38
ADC (Average Daily Census)	79.0	88.1	(9.06)	-10.3%	84.2	83	86.1	(2.85)	-3.3%	84.0
CMI (Case Mix Index)	1.1651				1.4711	1.3354				1.3397
Revenues										
Gross Inpatient Revenues	$ 12,563	$ 14,893	$ (2,330)	-15.6%	$ 12,702	$ 151,447	$ 155,447	$ (4,001)	-2.6%	$ 152,025
Gross Outpatient Revenues	6,142	7,701	(1,559)	-20.2%	6,780	73,604	79,731	(6,126)	-7.7%	107,383
Total Gross Revenues	18,705	22,594	(3,889)	-17.2%	19,482	225,051	235,178	(10,127)	-4.3%	259,408
Contractual Deductions	14,119	16,371	2,252	13.8%	13,522	162,739	169,312	6,574	3.9%	191,799
Bad Debts	745	666	(79)	-11.9%	586	7,296	6,999	(297)	-4.3%	5,842
Charity and Other Adjustments	168	167	(1)	-0.8%	374	1,649	1,750	101	5.8%	1,013
Net Patient Revenues	3,674	5,391	(1,717)	-31.9%	5,001	53,367	57,117	(3,750)	-6.6%	60,754
Net Patient Revenue %	19.6%	23.9%			25.7%	23.7%	24.3%			23.4%
Net Clinic Revenue	56	28	28	101.6%	44	395	307	88	28.7%	155
Other Operating Revenue	9	14	(4)	-32.1%	(7)	112	152	(41)	-26.6%	410
Total Revenues	**3,739**	**5,433**	**(1,693)**	-31.2%	**5,038**	**53,874**	**57,576**	**(3,702)**	-6.4%	**61,320**
Expenses										
Salaries	2,860	2,928	68	2.3%	2,971	32,507	31,144	(1,363)	-4.4%	34,379
Temporary Agency	155	180	25	13.8%	144	2,242	1,894	(348)	-18.4%	1,863
Benefits	676	925	250	27.0%	855	8,828	9,831	1,004	10.2%	10,308
Professional Fees	299	382	83	21.7%	278	3,367	3,698	331	9.0%	3,214
Supplies	435	720	285	39.5%	704	7,640	7,693	53	0.7%	9,160
Purchased Services	316	395	79	20.0%	349	3,972	4,278	305	7.1%	4,215
Rents and Leases	53	111	59	52.7%	80	755	965	209	21.7%	794
Utilities and Telephone	71	73	2	3.4%	53	701	790	89	11.3%	763
Insurance	29	36	7	19.7%	43	347	394	47	11.9%	487
Depreciation and amortization	79	74	(5)	-7.0%	80	877	804	(73)	-9.0%	1,053
Other Opertaing Expenses	76	79	4	4.5%	81	953	896	(57)	-6.4%	890
Total Expenses	**5,047**	**5,903**	**855**	14.5%	**5,639**	**62,190**	**62,387**	**197**	0.3%	**67,125**
Operating gain (loss)	**(1,308)**	**(470)**	**(838)**	-178.1%	**(600)**	**(8,316)**	**(4,812)**	**(3,505)**	72.8%	**(5,805)**
Non-Operating Income / (Expense)										
Parcel Taxes	480	479	0	0.1%	477	5,268	5,275	(6)	-0.1%	5,269
Investment Income	2	-	2	0.0%	1	12	-	12	0.0%	23
Interest Expense	(13)	(8)	(4)	-52.5%	(7)	(109)	(117)	8	-6.8%	(91)
Other Income / (Expense)	22	22	0	0.3%	23	1,692	244	1,448	593.4%	251
Net Non-Operating Income / (Expense)	**492**	**493**	**(2)**	**-0.3%**	**493**	**6,864**	**5,402**	**1,462**	**27.1%**	**5,452**
Excess of Revenues Over Expenses	**$ (816)**	**$ 23**	**$ (839)**	**-3662.0%**	**$ (107)**	**$ (1,453)**	**$ 590**	**$ (2,043)**	**-346.2%**	**$ (353)**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

May 31, 2011

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 3,445	$ 3,596	$ (150)	-4.2%	$ 3,173	$ 3,653	$ 3,561	$ 92	2.6%	$ 3,165
Gross Outpatient Revenues	1,684	1,859	(175)	-9.4%	1,694	1,775	1,827	(51)	-2.8%	2,236
Total Gross Revenues	5,130	5,455	(325)	-6.0%	4,867	5,428	5,388	41	0.8%	5,401
Contractual Deductions	3,872	3,953	81	2.0%	3,378	3,925	3,879	(47)	-1.2%	3,994
Bad Debts	204	161	(44)	-27.1%	146	176	160	(16)	-9.8%	122
Charity and Other Adjustments	46	40	(6)	-14.5%	93	40	40	0	0.8%	21
Net Patient Revenues	1,008	1,302	(294)	-22.6%	1,249	1,287	1,308	(21)	-1.6%	1,265
Net Patient Revenue %	19.6%	23.9%			25.7%	23.7%	24.3%			23.4%
Net Clinic Revenue	15	7	9	129.0%	11	10	7	2	35.5%	3
Other Operating Revenue	3	3	(1)	-22.9%	(2)	3	3	(1)	-22.8%	9
Total Revenues	1,026	1,312	(286)	-21.8%	1,259	1,300	1,319	(20)	-1.5%	1,277
Expenses										
Salaries	784	707	(77)	-10.9%	742	784	713	(71)	-9.9%	716
Temporary Agency	43	43	1	2.1%	36	54	43	(11)	-24.6%	39
Benefits	185	223	38	17.1%	214	213	225	12	5.5%	215
Professional Fees	82	92	10	11.1%	70	81	85	4	4.1%	67
Supplies	119	174	54	31.3%	176	184	176	(8)	-4.6%	191
Purchased Services	87	95	9	9.1%	87	96	98	2	2.2%	88
Rents and Leases	14	27	12	46.3%	20	18	22	4	17.6%	17
Utilities and Telephone	19	18	(2)	-9.7%	13	17	18	1	6.6%	16
Insurance	8	9	1	8.8%	11	8	9	1	7.2%	10
Depreciation and Amortization	22	18	(4)	-21.6%	20	21	18	(3)	-14.8%	22
Other Operating Expenses	21	19	(2)	-8.5%	20	23	21	(2)	-12.0%	19
Total Expenses	1,384	1,425	41	2.9%	1,409	1,500	1,429	(71)	-5.0%	1,398
Operating Gain / (Loss)	(359)	(114)	(245)	-215.9%	(150)	(200)	(110)	(90)	82.2%	(121)
Non-Operating Income / (Expense)										
Parcel Taxes	132	116	16	13.7%	119	127	121	6	5.2%	110
Investment Income	1	-	1	0.0%	0	0	-	0	0.0%	0
Interest Expense	(3)	(2)	(1)	-73.2%	(2)	(3)	(3)	0	-1.9%	(2)
Other Income / (Expense)	6	5	1	13.9%	6	41	6	35	630.1%	5
Net Non-Operating Income / (Expense)	135	119	16	13.2%	123	166	124	42	33.8%	114
Excess of Revenues Over Expenses	$ (224)	$ 6	$ (229)	-4145.9%	$ (27)	$ (35)	$ 14	$ (49)	-352.9%	$ (7)

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

	Current Month	Year-to-Date
Cash flows from operating activities		
Net Income / (Loss)	$ (816,356)	$ (1,452,548)
Items not requiring the use of cash:		
Depreciation and amortization	78,701	$ 876,511
Write-off of Kaiser liability	-	$ (1,451,597)
Changes in certain assets and liabilities:		
Patient accounts receivable, net	1,325,354	1,227,027
Other Receivables	105,640	4,595,632
Third-Party Payer Settlements Receivable	(113,215)	155,754
Inventories	(2,058)	(10,227)
Prepaids and Other	86,940	245,334
Accounts payable and accrued liabilities	(137,193)	2,400,909
Payroll Related Accruals	(287,141)	(379,271)
Employee Health Plan Accruals	(25,372)	(116,751)
Deferred Revenues	(477,864)	(5,258,159)
Cash provided by (used in) operating activities	(262,564)	832,614
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	107,774	5,179
Additions to Property, Plant and Equipment	(206,515)	(2,038,479)
Other	120,064	120,063
Cash provided by (used in) investing activities	21,323	(1,913,237)
Cash flows from financing activities		
Net Change in Long-Term Debt	(36,996)	(414,657)
Net Change in Restricted Funds	(107,774)	52,397
Cash provided by (used in) financing and fundraising activities	(144,770)	(362,260)
Net increase (decrease) in cash and cash equivalents	(386,011)	(1,442,883)
Cash and cash equivalents at beginning of period	2,423,796	3,480,668
Cash and cash equivalents at end of period	$ 2,037,785	$ 2,037,785

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	FY 2008	FY 2009	FY 2010	Q1 FY 2011	Q2 FY 2011	Q3 FY 2011	YTD 4/30/2011	YTD 5/31/2011
	Audited Results			Unaudited Results				
Profitability Ratios								
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	-0.72%	3.62%	4.82%	0.04%	1.59%	3.37%	0.51%	-0.87%
Operating Margin	-3.75%	1.03%	2.74%	-1.58%	-0.15%	1.51%	-1.16%	-2.46%
Liquidity Ratios								
Current Ratio	0.98	1.15	1.23	1.19	1.21	1.24	1.13	1.07
Days in accounts receivable ,net	51.70	57.26	51.83	59.89	64.26	60.17	59.07	51.36
Days cash on hand (with restricted)	30.61	13.56	21.60	12.38	9.07	14.11	17.72	15.25
Debt Ratios								
Cash to Debt	187.3%	115.3%	249.0%	143%	93.4%	172.6%	229.2%	197.11%
Average pay period	58.93	58.03	57.11	67.10	62.78	67.98	64.70	63.06
Debt service coverage	(0.14)	3.87	5.98	0.01	1.04	3.15	0.50	(0.89)
Long-term debt to fund balance	0.26	0.20	0.14	0.14	0.13	0.11	0.12	0.13

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: June 27, 2011

TO: City of Alameda Health Care District,
Finance and Management Committee

FROM: Deborah E. Stebbins, Chief Executive Officer
David A. Neapolitan, Chief Financial Officer

SUBJECT: Recommendation to Authorize Management to Utilize the Bank of Alameda Line of Credit

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Recommendation:

Management is requesting that the Finance and Management Committee recommend to the Board of Directors that management be authorized to immediately access up to fifty percent (50%) of the $1.5 million line of credit (LOC) with the Bank of Alameda in order to process payments to critical vendors of the hospital.

Background:

Since the loss of the Kaiser business in April of 2010, management has diligently tried to ration the annual parcel tax revenues in order to pay vendors as promptly as possible. However, as a result of the loss of this $9.6 million in net patient revenues and managements efforts to reduce costs since the loss of this business, the hospital has operated at a shortfall of approximately $328,000 per month. In addition, to this shortfall the organization has recently seen a decline in inpatient volumes over the last quarter of fiscal year 2011. Also impacting our current cash position has been the costs associated with the development of our Electronic Health Record Implementation and the Seismic Retrofit Project during fiscal year 2011. The EHR and Seismic projects have required the payments of approximately $1 million over the past year and have been funded from the 2009 / 2010 Intergovernmental Transfer (IGT), 2010 / 2011 parcel tax proceeds and operating cash flows.

Discussion:

As was presented in the operating budget for fiscal year 2012, our cash flow projection is extremely tight, with a breakeven cash flow projection for the fiscal year. As there are no additional sources of cash reserves at this time, in order to immediately process payments to critical vendors for invoices that now exceed credit terms by as much as 60 days it is imperative that the LOC is accessed in order to pay past due vendor invoices so that our critical vendors continue to provide necessary medical services and supplies on a timely basis to ensure that patient care is not compromised. Currently our days in accounts payable, excluding payroll related payments and liabilities, are at 61.7 days on average as of June 24, 2011. After the payment of the selected medical supply and service vendors ($750,000) our days in accounts payable will decline to 54.5 or an 11.6% decrease in days trade payables outstanding. However, this still remains beyond terms for the majority of our vendors whose terms are generally net 30 days.

As the use of the LOC is a temporary financing vehicle (all principal due on or before February 23, 2012) it is anticipated that any borrowings from the line of credit will be repaid upon receipt of the first installment of the parcel tax proceeds in December 2011 or through other possible financing options, such as a certificate of participation (COP) financing or other short term financing vehicles that might be available. These alternative options will be necessary in order to provide working capital for the Long-Term Care Expansion projects that are currently being evaluated.