



**Finance and Management Committee
Meeting Notice & Agenda**

Wednesday, October 5, 2011
 RESCHEDULED FROM SEPTEMBER 28, 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.

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|-------|---|--|
| I. | Call To Order | Michael McCormick |
| II. | Action Items | |
| A. | Acceptance of August 31, 2011 Minutes [enclosure] | Michael McCormick |
| B. | Recommendation to Accept FY Ending June 30, 2011 Audited Financial Statements [enclosure] | Diana Surber
Rick Jackson, TCA Partners |
| C. | Recommendation to Accept August 2011 Unaudited Financial Statements [enclosure] | Diana Surber |
| III. | Finance Report | Diana Surber |
| A. | Revenue Cycle Review Findings [to be distributed] | |
| IV. | Chief Executive Officers Report | Deborah E. Stebbins |
| A. | IGT Update | |
| B. | AB97 Update | |
| V. | Facilities Report | Kerry Easthope |
| A. | Overview of Construction Bidding Process Overview [enclosure] | |
| VI. | Chief Executive Officers Report | Deborah E. Stebbins |
| VII. | Board / Committee / Staff Comments | |
| VIII. | Adjournment | |

Next Meeting Scheduled for: Wednesday, October 26, 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.



Members Present: (Voting)	Mike McCormick, Chair James Oddie	William Sellman, MD Ann Evans (by phone)	Jim Yeh, DO Ed Kofman
Management Present:	Deborah E. Stebbins Kerry J. Easthope	Diana Surber Mary Bond, RN	
Ex Officio/Guests:	Jordan Battani	Elliott Gorelick (by phone)	
Absent:	Robert Deutsch, MD		
Submitted by:	Kristen Thorson		
TOPIC	DISCUSSION		ACTION FOLLOW-UP
I. Call to Order	Director McCormick called the meeting to order at 7:36 a.m. Ms. Stebbins introduced Diana Surber, Interim Controller.		
II. Action Items	A.	Acceptance of June 27, 2011 Minutes Minutes will be updated to make note that Ms. Evans participated via phone as a <u>non-voting</u> committee member.	Mr. Kofman made a motion to accept the minutes as presented. Dr. Sellman seconded the motion. The motion carried.
	B.	Recommendation to Accept Unaudited July 2011 Financial Statements Ms. Surber presented the July Financial Statements noting the following key points. Inpatient revenues were down 8.8% from budget in July. Case Mix Index improved for the third month in a row. Outpatient revenues were up 1.9% from budget. Operating expenses were \$185,000 favorable to fixed budget and \$32 favorable to budget per adjusted patient day. Average daily census was 82.1 versus a budgeted 86.1. Acute census was 27.9 versus 30.9; Sub-Acute census was 31.4 versus 33.0 budgeted; and Skilled Nursing census was 22.8 versus 22.2. Total gross patient revenue less than budget by \$1.2 M with Inpatient Programs less than budget by \$1.4.M (8.8%) and Outpatient Programs greater than budget by \$0.1 M (1.9%). Combined expense over revenue for the month and YTD is loss of \$135,000 versus a budgeted profit of \$103,000.	Ms. Evans made a motion to accept the Unaudited July 2011 Financial statements as presented. Dr. Deutsch seconded the motion. The motion carried.
III. Finance Report	A.	Audit Update Ms. Surber gave an update on the audit process noting that a draft audit report is scheduled to be brought to the committee at the September meeting. She and the auditor	

		are working on several areas including the treatment of the Banc of America Master Lease Agreement as it relates to the audited financials as well as the IGT funds.	
	B.	Revenue Cycle Review Update Ms. Surber reported that HFS Consultants have been onsite conducting a revenue cycle review. A report of the findings will be presented at the next committee meeting.	
IV. Chief Executive Officer's Report	A.	County Uncompensated Care Program Ms. Stebbins reported that the hospital is working with Alameda County on potential funding for uncompensated care provided at the hospital.	
		Ms. Stebbins also gave an update on the IGT funds, noting that the 2012 IGT funds have doubled in amount compared to 2011 which should be positive for the hospital. She also reported that the hospital has had discussions with Affinity Medical Group regarding a potential relationship for transporting Affinity patients from San Pablo area to Alameda Hospital for services. She also reported that CMS has not made a decision regarding AB97 and the potential decrease in D/P reimbursement rates.	
V. Board / Committee / Staff Comments	No comments.		
VI. Adjournment	Being no further business, the meeting was adjourned at 8:42 a.m.		

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.

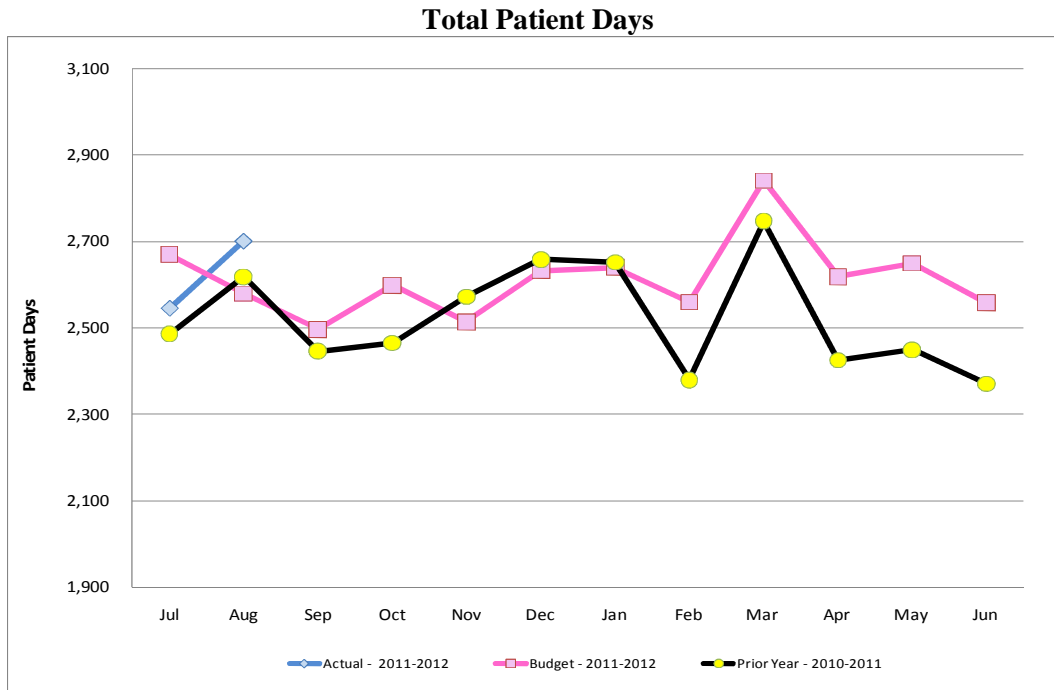
Total liabilities increased by \$276,000 compared to an increase of \$431,000 in the prior month. This increase in the current month was the result of the following:

- 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.

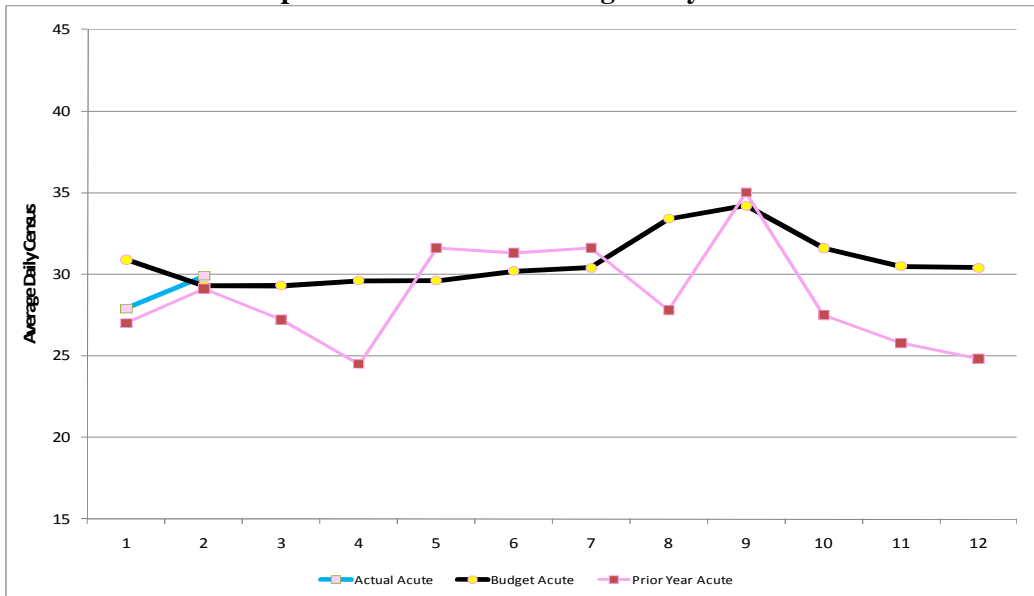


The various components of our inpatient volumes for the month of August are discussed in the following sections.

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.

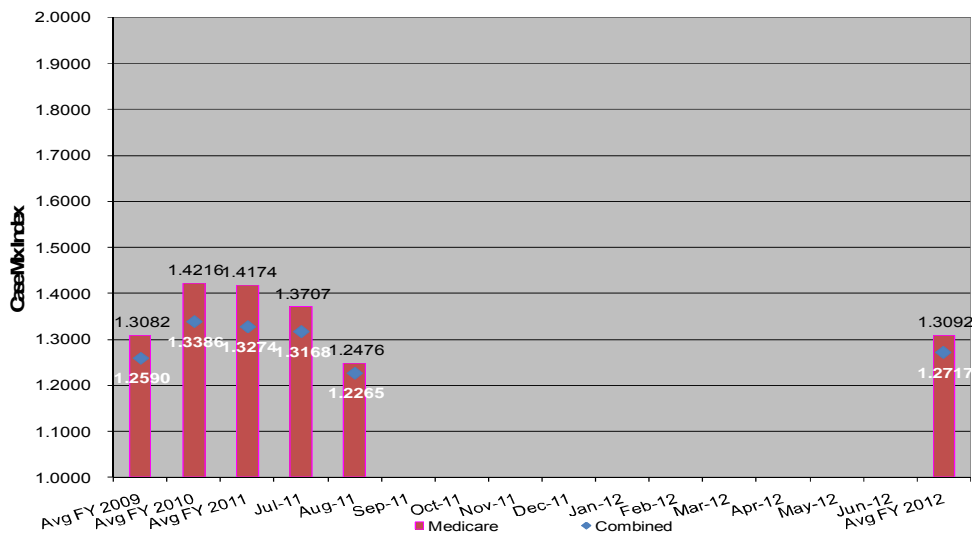
Inpatient Acute Care Average Daily Census



Case Mix Index

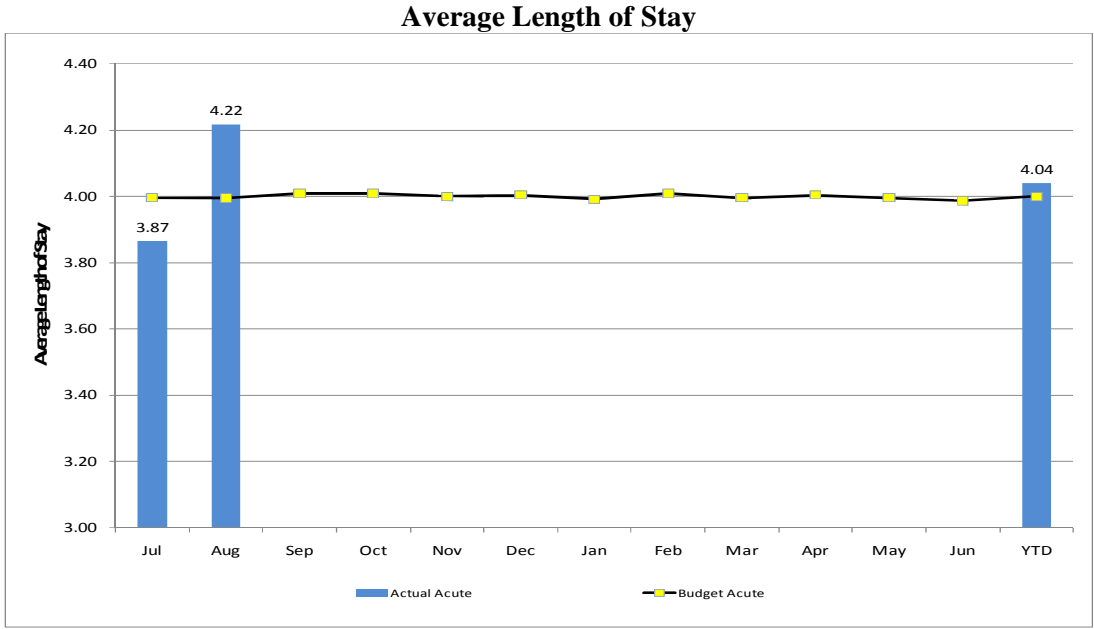
The hospital's overall Case Mix Index (CMI) decreased slightly to 1.2265, from the prior month of 1.2392, which is below the prior fiscal year average of 1.3274. The Medicare CMI decreased from 1.3707 in July to 1.2476 in August. The graph below shows the CMI for the hospital during the current fiscal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

Case Mix Index Comparison



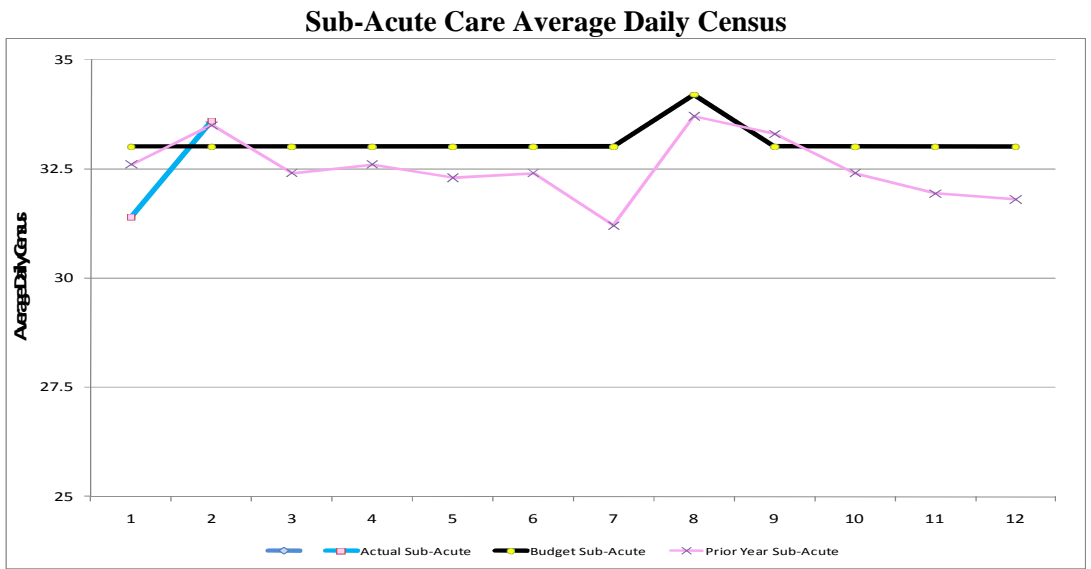
Average Length of Stay

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

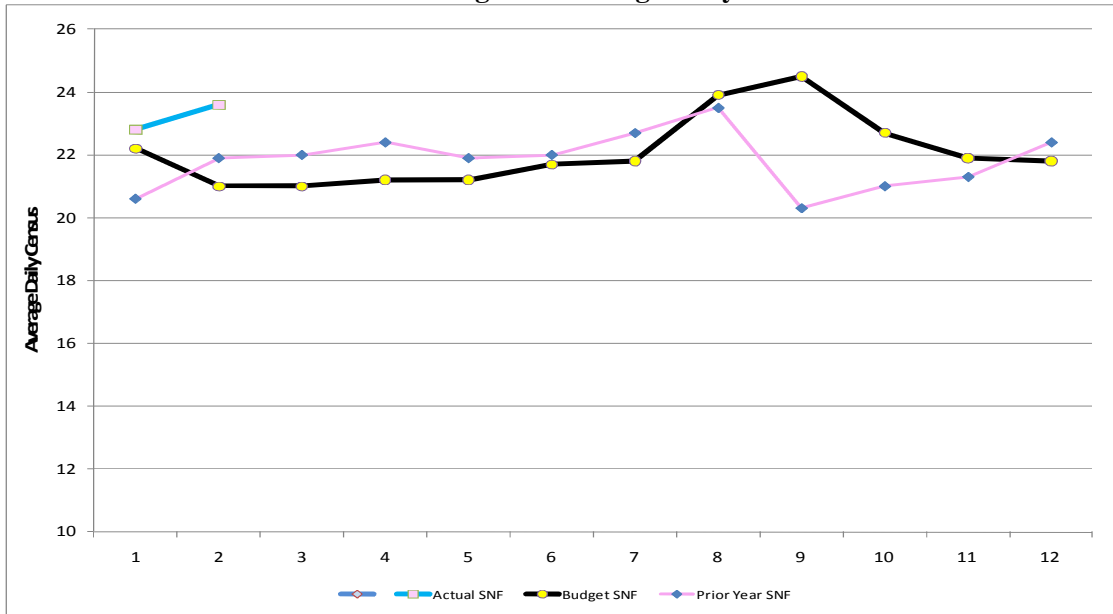
The Sub-Acute program average daily census of 33.6 in August was slightly more than budgeted projections of 33.0. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.



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.

Skilled Nursing Unit Average Daily Census



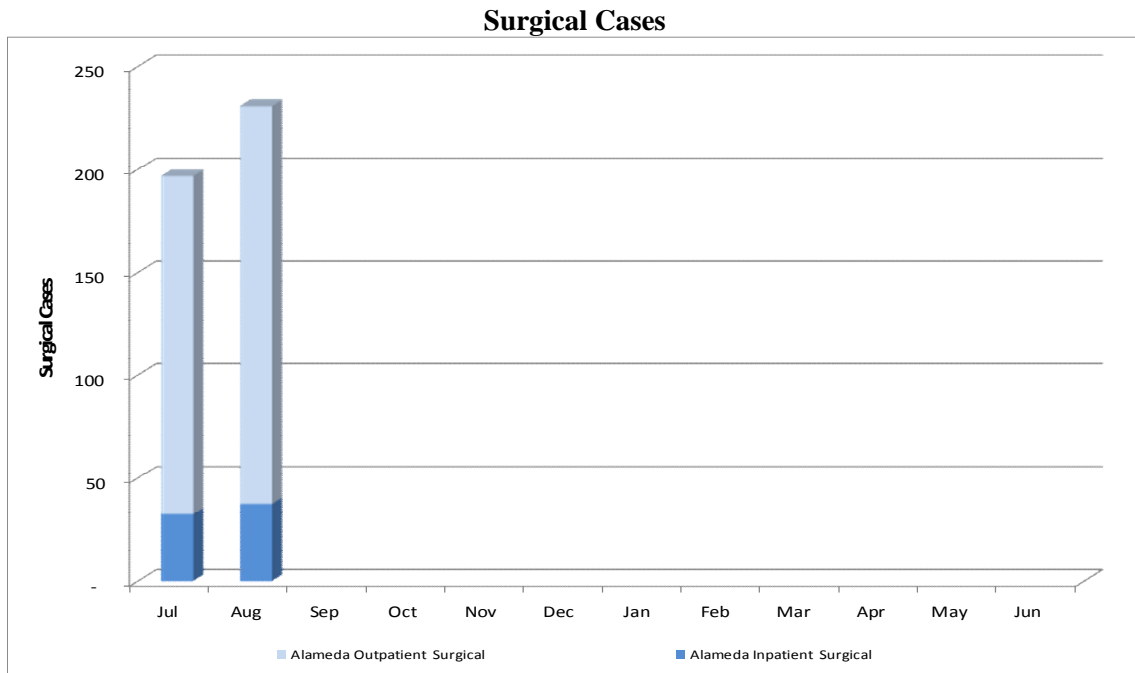
Emergency Care Center (ECC)

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.

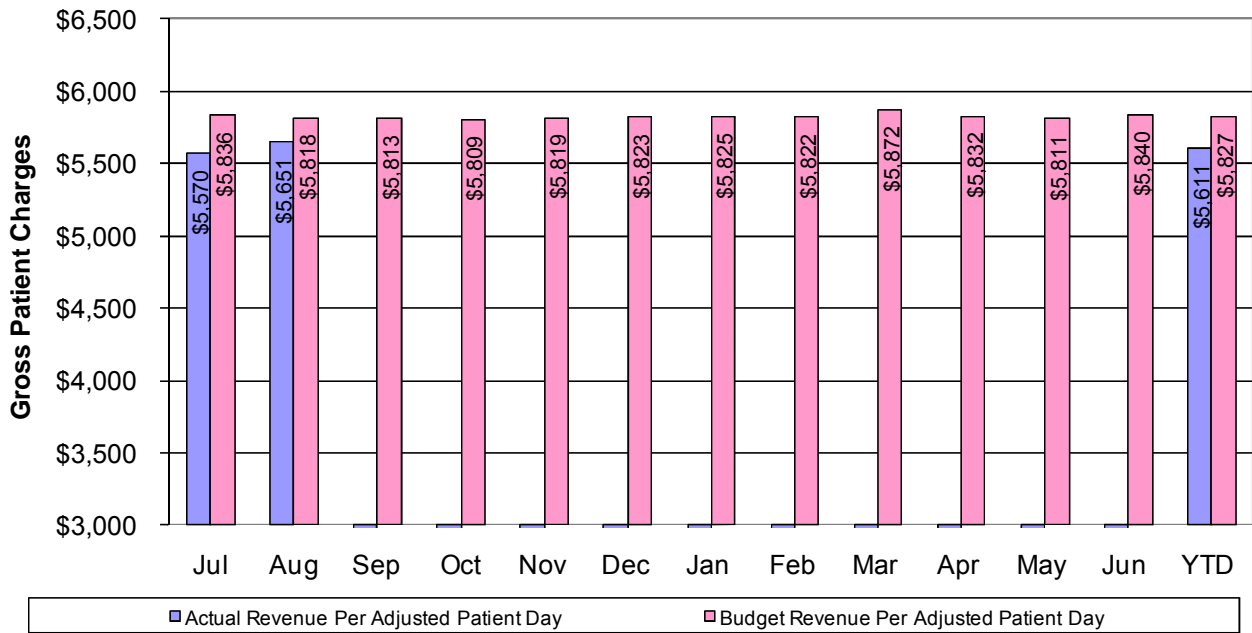


Income Statement

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.

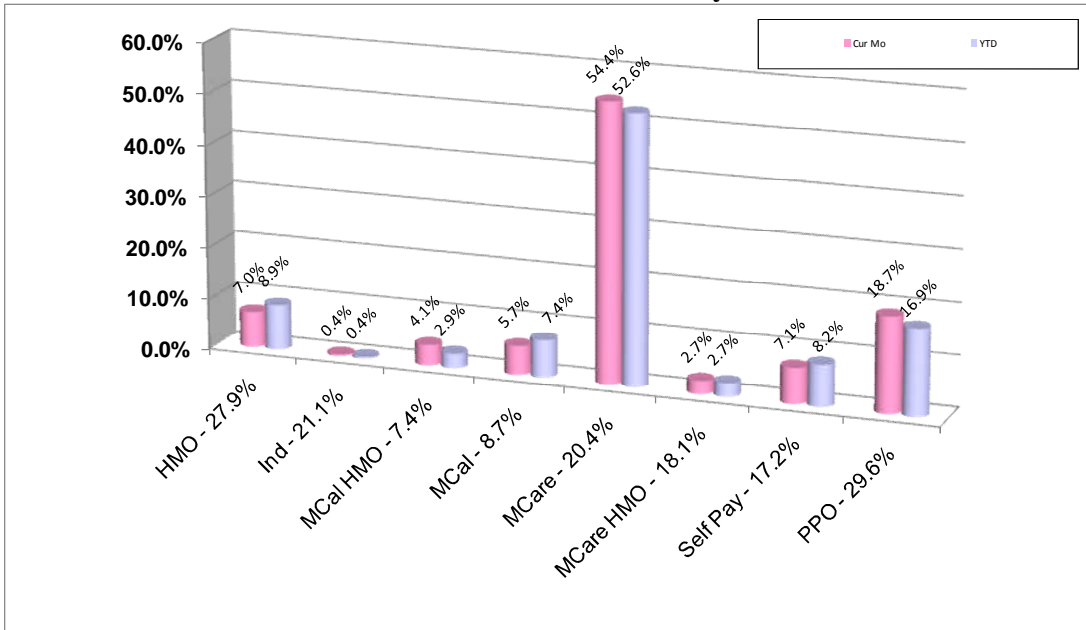
Gross Charges per Adjusted Patient Day



Payor Mix

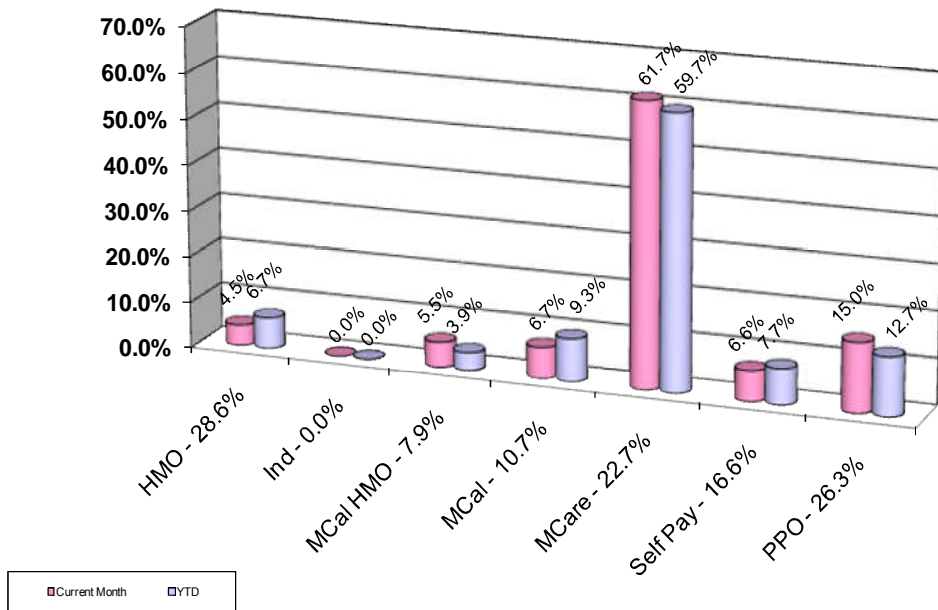
Combined acute care services, inpatient and outpatient, Medicare and Medicare Advantage total gross revenue in August made up 57.1% of the month's total gross patient revenue. Combined Medicare revenue was followed by HMO/PPO utilization at 25.7%, Medi-Cal Traditional and Medi-Cal HMO utilization at 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.

Combined Acute Care Services Payor Mix



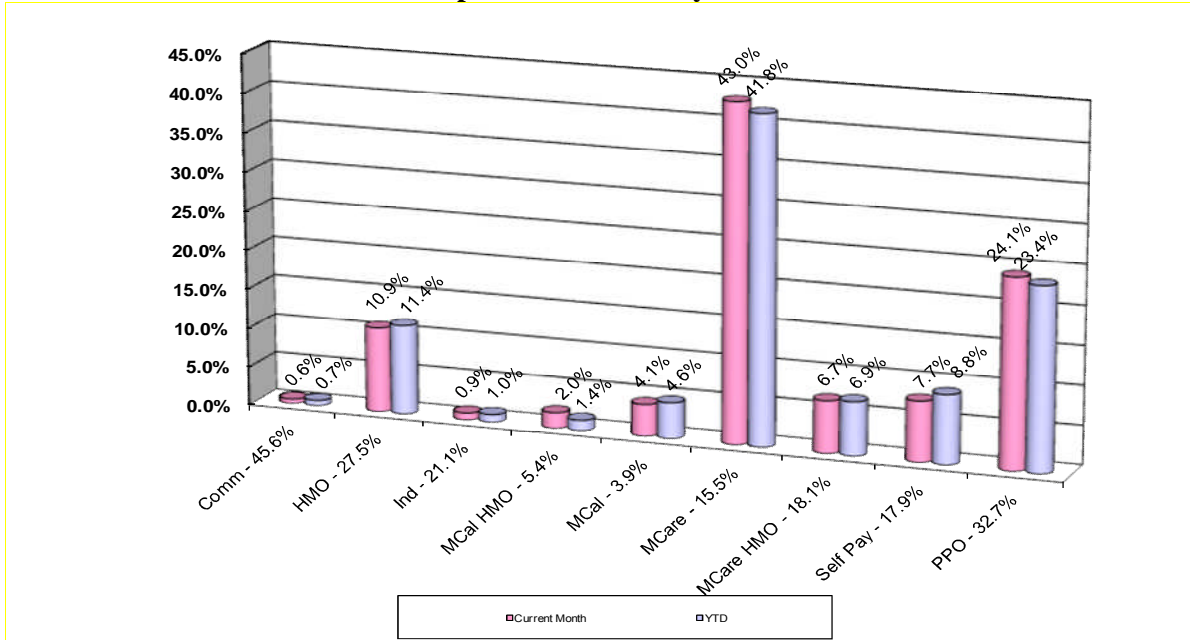
The inpatient acute care current month gross Medicare and Medicare Advantage charges made up 61.7% of our total inpatient acute care gross revenues followed by HMO/PPO at 19.5%, Medi-Cal and Medi-Cal HMO at 12.2% and Self Pay at 6.6% of the inpatient acute care revenue. The graph below shows inpatient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

Inpatient Acute Care Payor Mix



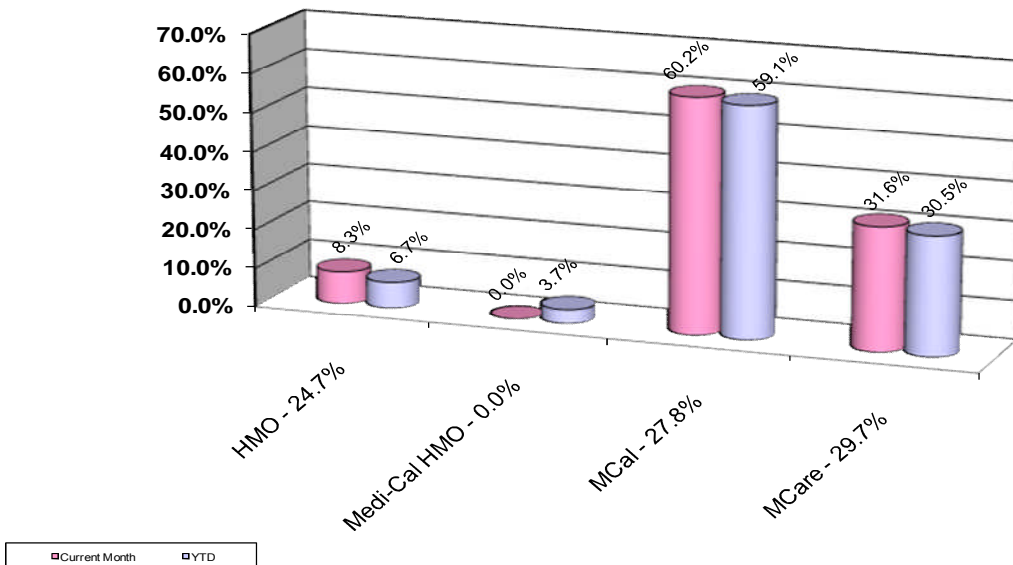
The outpatient gross revenue payor mix for August was comprised of 49.7% Medicare and Medicare Advantage, 35% HMO/PPO, 6.1% Medi-Cal and Medi-Cal HMO, and 7.7% self pay. The graph below shows the current month and fiscal year to date outpatient payor mix and the current months estimated level of reimbursement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

Outpatient Services Payor Mix



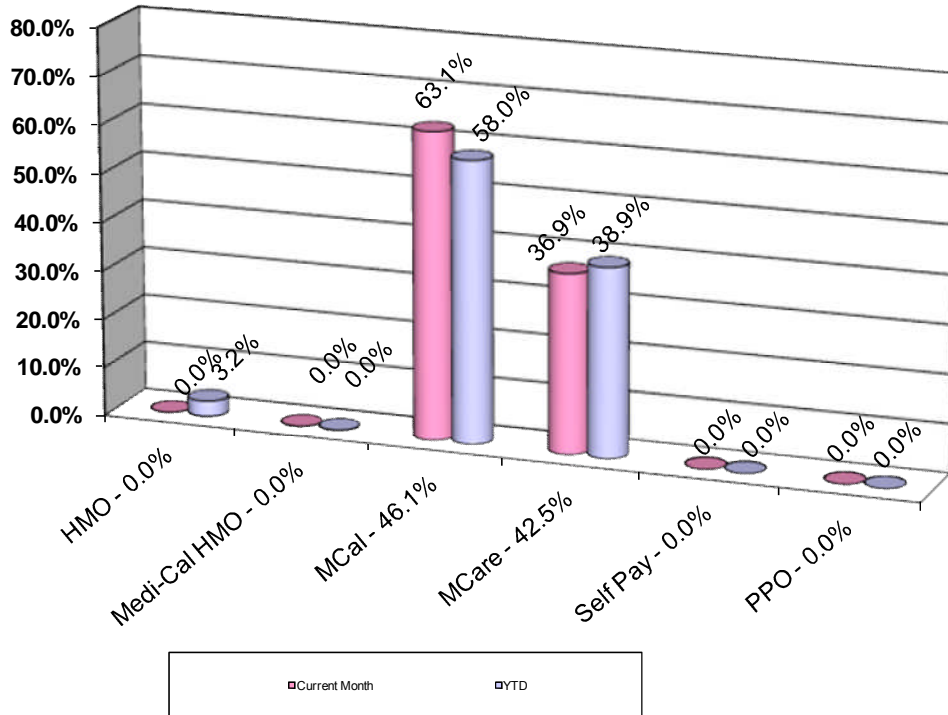
In August, the Sub-Acute care program again was dominated by Medi-Cal utilization of 60.2%, but down from 62.8% in July. Medicare was 31.6% and HMO rounds out the unit at 8.3%. The graph below shows the payor mix for the current month and fiscal year to date and the current months estimated reimbursement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

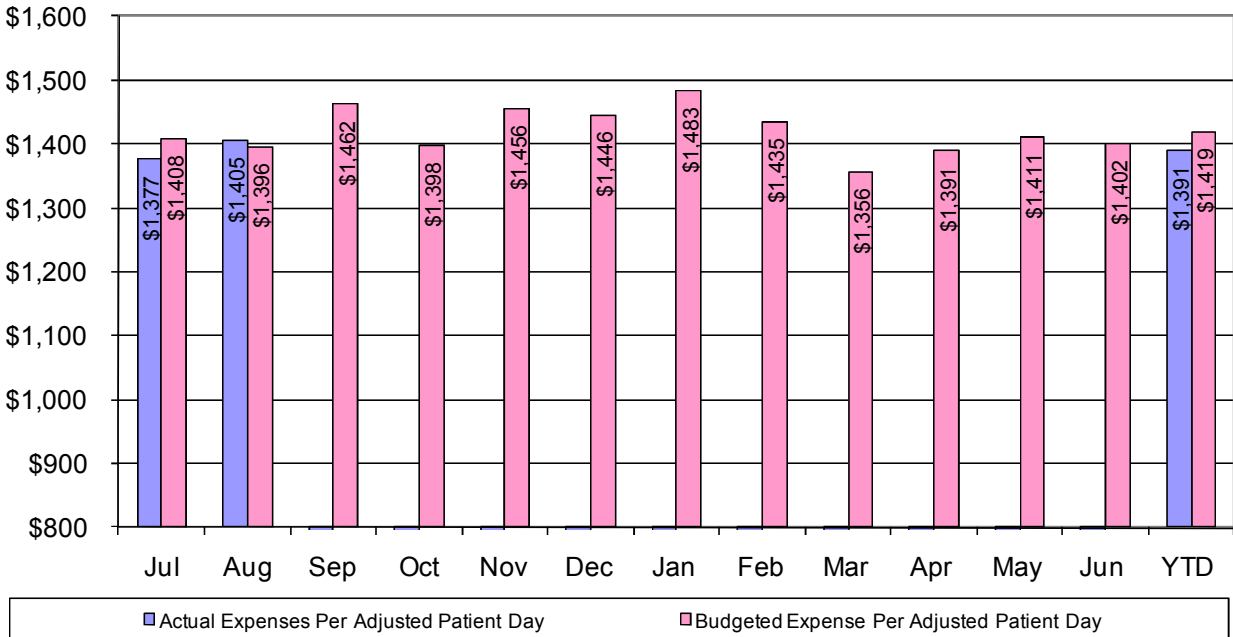
Net Patient Service Revenue

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



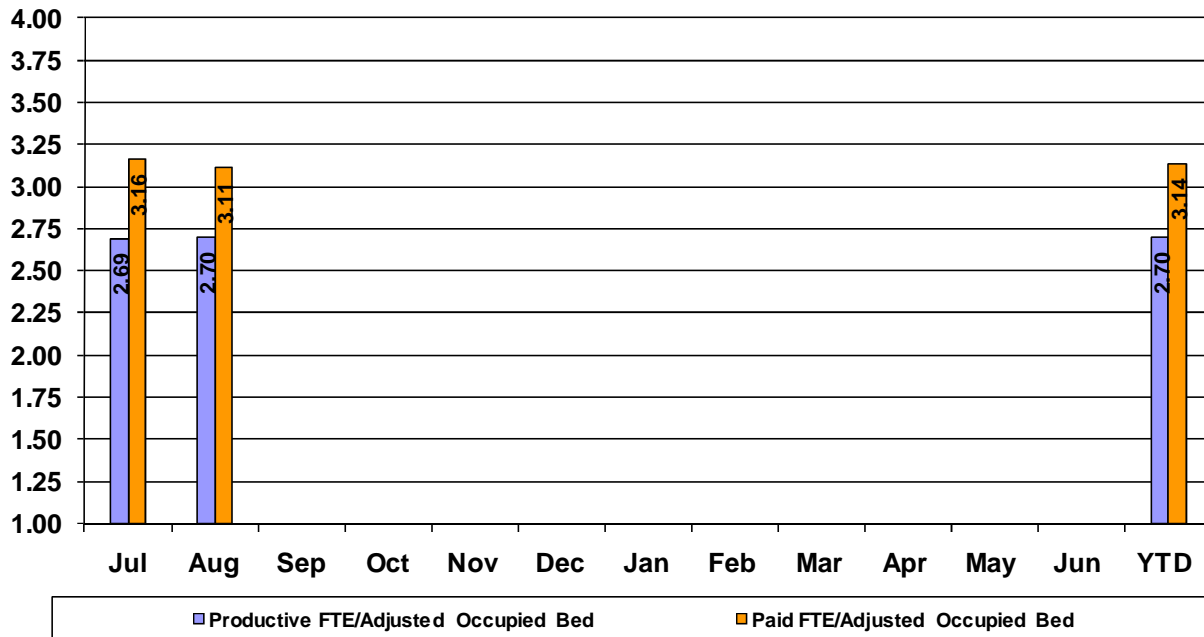
Salary and Temporary Agency Expenses

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.

FTE's per Adjusted Occupied Bed



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**

	<u>ACTUAL AUGUST 2011</u>	<u>CURRENT FIXED BUDGET</u>	<u>VARIANCE (UNDER) OVER</u>	<u>%</u>	<u>AUGUST 2010</u>	<u>YTD AUGUST 2011</u>	<u>YTD FIXED BUDGET</u>	<u>VARIANCE</u>	<u>%</u>	<u>YTD AUGUST 2010</u>
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
	<u>225</u>	<u>237</u>	<u>(12)</u>	<u>-5.1%</u>	<u>217</u>	<u>458</u>	<u>488</u>	<u>(30)</u>	<u>-6.1%</u>	<u>439</u>
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
	<u>2,701</u>	<u>2,580</u>	<u>121</u>	<u>4.7%</u>	<u>2,619</u>	<u>5,246</u>	<u>5,250</u>	<u>(4)</u>	<u>-0.1%</u>	<u>5,105</u>
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
	<u>87.13</u>	<u>83.23</u>	<u>4.03</u>	<u>4.8%</u>	<u>82.03</u>	<u>84.61</u>	<u>84.68</u>	<u>(1.66)</u>	<u>-2.0%</u>	<u>82.34</u>
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
	<u>231</u>	<u>216</u>	<u>15</u>	<u>6.9%</u>	<u>229</u>	<u>428</u>	<u>390</u>	<u>38</u>	<u>9.7%</u>	<u>410</u>
Kaiser Inpatient Cases	-	-	-	-	-	-	-	-	-	-
Kaiser Eye Cases	-	-	-	-	-	-	-	-	-	-
Kaiser Outpatient Cases	-	-	-	-	-	-	-	-	-	-
Total Kaiser Cases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
% 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

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year End</u>
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
Prepays and Other	312,138	367,538	262,359
Total Current Assets	<u>19,649,062</u>	<u>19,463,564</u>	<u>19,048,109</u>
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	<u>(39,015,751)</u>	<u>(38,939,152)</u>	<u>(38,862,494)</u>
Property, Plant and Equipment, net	<u>8,377,082</u>	<u>8,385,413</u>	<u>8,321,570</u>
Total Assets	<u>\$ 28,533,325</u>	<u>\$ 28,343,894</u>	<u>\$ 27,853,395</u>
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	<u>18,886,273</u>	<u>18,534,286</u>	<u>18,077,324</u>
Long Term Debt, net	<u>1,040,714</u>	<u>1,115,474</u>	<u>1,142,109</u>
Total Liabilities	<u>19,926,987</u>	<u>19,649,760</u>	<u>19,219,433</u>
Net Assets:			
Unrestricted	7,871,582	7,971,640	8,022,670
Temporarily Restricted	<u>734,757</u>	<u>722,494</u>	<u>611,292</u>
Total Net Assets	<u>8,606,339</u>	<u>8,694,134</u>	<u>8,633,962</u>
Total Liabilities and Net Assets	<u>\$ 28,533,325</u>	<u>\$ 28,343,894</u>	<u>\$ 27,853,395</u>

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 Operating 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
Prepays 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	<u>Audited Results</u>			<u>Unaudited Results</u>	
	FY 2008	FY 2009	FY 2010	FY 2011	YTD 8/31/2011
<u>Profitability Ratios</u>					
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%
<u>Liquidity Ratios</u>					
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
<u>Debt Ratios</u>					
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			Unaudited Results	
	YTD				
	FY 2008	FY 2009	FY 2010	FY 2011	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 instruments.
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.

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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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.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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 statute of limitations applicable to claims that arise with respect to contracts in California. Therefore, given the passing of the four-year statute 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.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

- 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. Net 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.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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

A Certified Public Accountancy Limited Liability Partnership

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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	
	<u>2011</u>	<u>2010</u>
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	<u>262,359</u>	<u>453,871</u>
Total current assets	19,004,112	21,931,285
Assets limited as to use	483,716	476,630
Capital assets, net of accumulated depreciation	<u>8,632,791</u>	<u>7,314,870</u>
Total assets	<u>\$ 28,120,619</u>	<u>\$ 29,722,785</u>
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)	<u>343,382</u>	<u>645,750</u>
Total current liabilities	17,750,199	17,796,961
Debt borrowings, net of current maturities	<u>1,110,286</u>	<u>1,236,831</u>
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	<u>454,848</u>	<u>2,897,493</u>
Total net assets	<u>9,260,134</u>	<u>10,688,993</u>
Total liabilities and net assets	<u>\$ 28,120,619</u>	<u>\$ 29,722,785</u>

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	
	<u>2011</u>	<u>2010</u>
Operating revenues		
Net patient service revenue	\$ 57,757,879	\$ 67,778,668
Other operating revenue	<u>127,017</u>	<u>157,493</u>
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	<u>1,108,797</u>	<u>984,815</u>
Total operating expenses	<u>66,993,107</u>	<u>72,062,874</u>
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	<u>291,396</u>	<u>193,686</u>
Total nonoperating revenues (expenses)	<u>6,227,755</u>	<u>6,143,253</u>
Increase (decrease) in net assets before extraordinary gain	(2,880,456)	2,016,539
Extraordinary gain on extinguishment of debt	<u>1,451,597</u>	<u> </u>
Increase (decrease) in net assets	(1,428,859)	2,016,539
Net assets at beginning of the year	<u>10,688,993</u>	<u>8,672,454</u>
Net assets at end of the year	<u>\$ 9,260,134</u>	<u>\$ 10,688,993</u>

See accompanying notes and auditor's report

Statements of Cash Flows

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2011</u>	<u>2010</u>
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	<u>(44,741,403)</u>	<u>(47,023,126)</u>
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	<u>555,466</u>	<u>448,794</u>
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	<u>(122,255)</u>	<u>(97,191)</u>
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	<u>19,303</u>	<u>28,988</u>
Net cash provided by (used in) investing activities	<u>12,217</u>	<u>20,567</u>
Net increase (decrease) in cash and cash equivalents	(1,660,946)	1,691,060
Cash and cash equivalents at beginning of year	<u>3,725,769</u>	<u>2,034,709</u>
Cash and cash equivalents at end of year	<u>\$ 2,064,823</u>	<u>\$ 3,725,769</u>

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2011</u>	<u>2010</u>
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)	<u>(302,368)</u>	<u>(102,162)</u>
Net cash provided by operating activities	<u>\$ (5,802,671)</u>	<u>\$ (2,720,223)</u>

See accompanying notes and auditor's report

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2011

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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:

	<u>2011</u>	<u>2010</u>
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	<u>80,609,704</u>	<u>114,502,502</u>
Gross patient service revenues	244,191,497	278,874,463
Less deductions from revenue and related allowances	<u>(186,433,618)</u>	<u>(211,095,795)</u>
Net patient service revenues	<u>\$ 57,757,879</u>	<u>\$ 67,778,668</u>

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:

	<u>2011</u>	<u>2010</u>
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	<u>8,188,321</u>	<u>10,051,064</u>
Gross patient accounts receivable	35,446,216	43,504,333
Less allowances for contractual adjustments and bad debts	<u>(28,197,031)</u>	<u>(33,946,186)</u>
Net patient accounts receivable	<u>\$ 7,249,185</u>	<u>\$ 9,558,147</u>

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

NOTE E - OTHER RECEIVABLES

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

	<u>2011</u>	<u>2010</u>
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	<u>168,573</u>	<u>329,733</u>
	<u>\$ 8,090,457</u>	<u>\$ 6,669,235</u>

NOTE F - ASSETS LIMITED AS TO USE

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

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents restricted by contributors	<u>\$ 483,716</u>	<u>\$ 476,630</u>

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.

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

NOTE G - CAPITAL ASSETS (continued)

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

	<u>Balance at June 30, 2010</u>	<u>Transfers & Additions</u>	<u>Reclasses & Retirements</u>	<u>Balance at June 30, 2011</u>
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	<u>827,650</u>	<u>2,093,399</u>		<u>2,921,049</u>
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	<u>(16,758,135)</u>	<u>(563,103)</u>		<u>(17,321,238)</u>
Total accumulated depreciation	<u>(37,934,678)</u>	<u>(961,544)</u>		<u>(38,896,222)</u>
Capital assets, net	<u>\$ 7,314,870</u>	<u>\$ 1,317,921</u>	<u>\$</u>	<u>\$ 8,632,791</u>

	<u>Balance at June 30, 2009</u>	<u>Transfers & Additions</u>	<u>Reclasses & Retirements</u>	<u>Balance at June 30, 2010</u>
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	<u>533,294</u>	<u>294,356</u>		<u>827,650</u>
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	<u>(15,990,558)</u>	<u>(767,577)</u>		<u>(16,758,135)</u>
Total accumulated depreciation	<u>(36,779,646)</u>	<u>(1,155,032)</u>		<u>(37,934,678)</u>
Capital assets, net	<u>\$ 7,237,461</u>	<u>\$ 77,409</u>	<u>\$</u>	<u>\$ 7,314,870</u>

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

NOTE H - DEBT BORROWINGS

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

	<u>2011</u>	<u>2010</u>
Note payable to a bank; principal and interest at 4.80% due in monthly installments of \$42,460 each 15 th 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	<u>1,888,183</u>	<u>1,687,662</u>
Less current maturities of debt borrowings	<u>(777,897)</u>	<u>(450,831)</u>
	<u>\$ 1,110,286</u>	<u>\$ 1,236,831</u>

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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:

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

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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:

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC) in \$</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset) in \$</u>
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:

<u>Valuation Date</u>	<u>Accrued Liability in \$</u>	<u>Actuarial Value of Assets in \$</u>	<u>Unfunded Accrued Liability (UAAL) in \$</u>	<u>Funded Ratio Percentage</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
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

CITY OF ALAMEDA HEALTH CARE DISTRICT

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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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 statutes 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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

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:

	<u>Fair Value</u>	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	<u>\$ 94,290</u>	<u>\$ 94,290</u>	=====	=====

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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:

	<u>Fair Value</u>	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	<u>\$ 593,848</u>	<u>\$ 593,848</u>	<u>_____</u>	<u>_____</u>

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:

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

DATE: October 5, 2011

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

FROM: Kerry Easthope, Associate Administrator

SUBJECT: Public Bid Process Summary for Wound Care Construction Project

As a follow up to a request during the open session of the September 2011 meeting of the Board of Directors, I am providing a brief summary of the public bid process, along with a brief discussion of the consideration of requiring the use of all union labor for this project and the use of contractors located within the City of Alameda.

The public bid process has been established for public entities and in our situation specifically, for District Hospitals that have construction projects that are anticipated to exceed \$25,000 in value. The primary purpose of the public bid process is to provide an equal and fair opportunity for interested parties to bid on public works projects and for the District the opportunity to solicit competitive bids and thus help ensure the fiduciary responsibility that the District has over the spending of such public funds. Although the District establish specific criteria that all bidders must comply with in preparing their bids in order to best meet the desired outcomes for the public bid project, we try to not unreasonably restrict the bidders ability to obtain uniquely competitive and competent bids. Once bids are submitted, the District then reviews each bid carefully to ensure that they have met the minimal bid requirements (specifications) outlined in the bid documents and the District also considers the proposed cost to complete that work. In summary, one of the District's primary objective in the bid process is to obtain the most **competent and competitive** bidder to complete each construction project.

A very high level overview of the public bid process is as follows:

1. District provides public notice soliciting interested parties to pre-qualify for the project.
2. Interested bidders submit pre-qualification documents.
3. Qualified bidders participate in pre-bid meeting and receive all documents, plans, specifications & requirements for the job, walk the project with architect and project managers, ask questions etc.
4. Bidders submit competitive bids to District.
5. District Opens and reviews all bids to ensure completeness, competence, and competitiveness of their proposals.

6. Management recommends to the board the contract that it feels meets all of the requirements of the bid proposal and the Board of Directors needs to approve entering into this contract.
7. District awards the Contract to most competent and competitive bidder
Prevailing bidder is given a Notice to Proceed with work
8. Progress is monitored for compliance by qualified project manager and architect.
9. Project is complete, once approved by representative of the District and any/all external agencies having jurisdiction over the project (e.g. The City of Alameda or OSHPD).

The bid documents that have been reviewed by legal council and approved for use by the District require that the contract pay prevailing wages. Here is an excerpt from the bid documents regarding wage rates and pay requirements.

1. Wage Rates

Pursuant to Section 1770 of the California Labor Code, the successful bidder shall pay not less than the prevailing rate of per diem wages as determined by the Director of the California Department of Industrial Relations. Copies may be obtained from State of California, Division of Labor Statistics and Research, (415) 557-0561. The Contractor shall post a copy of such determination at each job site. Contractor may be subject to penalties for paying less than prevailing wage per Labor Code Section 1775. The Contractor shall, as a penalty to the Owner, forfeit \$50.00 for each calendar day, or portion thereof, for each worker paid less than the specified prevailing rates for such Work or craft in which such worker is employed, whether paid by the Contractor or by any subcontractors under him unless the requirements of Labor Code § 1775(b) are met.

In addition, the contractor needs to be able to provide a certified payroll if requested.

Exclusive Union Labor discussion:

The bid documents as approved, do not stipulate that the contractor exclusively use Union Labor. After discussion of this matter with District legal council, it would take quite some time and expense to modify the public bid document language to keep the intent of the public bid process, while stipulating the use of exclusive use of Union Labor.

It is managements opinion that for the relatively small contract amount of the Wound Care project (about \$1 million), that the time, effort and money that would be required to incorporate these changes not be made for this project. However, if it were the desire of the District Board that such modifications be made for a larger project such as the seismic retrofit project, that such changes be incorporated in that bid document.

Bidders for Wound Care Project:

There were a total of 12 contractors that responded to the public inquiry for pre-qualification. Of the 12, 7 met the basic pre-qualification requirements; none of them are located in Alameda. However, two of the contractors who did not qualify because a lack of OSHPD project experience, are based in Alameda. It is not necessarily in the Districts best interest to restrict where the contractor reside (e.g. within Alameda) as it may preclude us from selecting the most qualified contractors. Nonetheless, we will indicate in the bid documents that the District encourages the bidding contractors to use Alameda based subcontractors when possible; all other factors being equal.

Materials Distributed at
FMC Meeting
October 5, 2011

Alameda Hospital
 Table of Patient Days
 Month ending

AUGUST 2011

	<u>Current Month</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>
Acute	928	907	21	2.3%
Sub-Acute	1,042	1,023	19	1.9%
Skilled Nursing	731	650	81	12.5%
Total	2,701	2,580	121	4.7%

	<u>Prior Year</u>		
	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
	901	27	3.0%
	1,038	4	0.4%
	680	51	7.5%
Total	2,619	82	3.1%

	<u>Year-to-Date</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>
Acute	1,794	1,866	(72)	-3.9%
Sub-Acute	2,015	2,046	(31)	-1.5%
Skilled Nursing	1,437	1,338	99	7.4%
Total	5,246	5,250	(4)	-0.1%

	<u>Prior Year-to-Date</u>		
	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
	1,737	57	3.3%
	2,050	(35)	-1.7%
	1,318	119	9.0%
Total	5,105	141	2.8%

**Alameda Hospital
Revenue Cycle Review Update
October 5, 2011**

Report received from HFS Consultants October 3, 2011

Implementation plan currently being developed and will be reported on at next FMC 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