



July 21, 2023

TO: Legal Counsel

News Media

Salinas Californian

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The next regular meeting of the **TRANSFORMATION, STRATEGIC PLANNING AND GOVERNANCE COMMITTEE – COMMITTEE OF THE WHOLE** of the Salinas Valley Health¹ will be held **WEDNESDAY, JULY 26, 2023, AT 12:00 P.M.**, in the **HEART CENTER TELECONFERENCE ROOM**, at **SALINAS VALLEY MEDICAL CENTER, 450 E. ROMIE LANE, SALINAS, CALIFORNIA**, or via **TELECONFERENCE** (*visit SalinasValleyHealth.com/virtualboardmeeting for Access Information*).

A handwritten signature in black ink, appearing to read "Pete Delgado", written in a cursive style.

Pete Delgado
President/Chief Executive Officer



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Pete Delgado
President/Chief Executive Officer

SALINAS VALLEY HEALTH¹
TRANSFORMATION, STRATEGIC PLANNING AND GOVERNANCE COMMITTEE
COMMITTEE OF THE WHOLE
MEETING MINUTES
APRIL 19, 2023

Committee Members Present:

Vice-Chair Rolando Cabrera, MD, (*via teleconference*), Juan Cabrera, Pete Delgado, Jim Gattis, Nikolas Greenson, MD (*via teleconference*), Adrienne Laurent, Augustine Lopez, Jib Martens (*via teleconference*), Anne McCune (*via teleconference*), Clement Miller, Lisa Paulo, Allen Radner, MD, and Chair Victor Rey

Committee Members Absent: Theodore Kaczmar, Jr., MD

Other Board Members Present, Constituting Committee of the Whole (*via teleconference*): Catherine Carson and Joel Hernandez Laguna (*via teleconference*) and Juan Cabrera (*in person*).

Anne McCune joined the meeting at 12:27 pm.

CALL TO ORDER/ROLL CALL

A quorum was present and Chair Rey called the meeting to order at 12:09 p.m. in the Heart Center Teleconference Room.

APPROVAL OF MINUTES FROM THE TRANSFORMATION, STRATEGIC PLANNING AND GOVERNANCE COMMITTEE MEETING OF JANUARY 25, 2023

Pete Delgado, President/CEO, recommends the Transformation, Strategic Planning and Governance Committee approval the minutes of the Meeting of January 25, 2023, as presented. This information was included in the Committee packet.

No public comment received.

MOTION:

Upon motion by committee member Delgado, second by committee member Gattis, the Transformation, Strategic Planning and Governance Committee approved the minutes of the January 25, 2023, 2022 meeting, as presented. This information was included in the Committee packet.

Ayes: Committee members: Vice-Chair R. Cabrera, Delgado, Gattis, Greenson, Laurent, Lopez, Martens, Miller, Paulo, Radner, and Chair Rey; Noes: None; Abstentions: None; Absent: McCune. Motion carried.

REVIEW OF PROPOSED AMENDED AND RESTATED DISTRICT BYLAWS

The Amended and Restated Bylaws of Salinas Valley Memorial Healthcare System, Operating as Salinas Valley Health, Monterey County, California were provided in the Committee packet. The Bylaws changes were accepted by the committee.

¹Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

FINANCIAL AND STATISTICAL REVIEW

Augustine Lopez, Chief Financial Officer, provided a financial and statistical performance review for the month ending March 2023.

Key highlights of the financial summary for March 2023 include: (1) Income from operations was -\$2.2M with an operating margin of -2.7%, (2) Net income was 2.4M with a net income margin of 4.0%; (3) Gross revenues were 18% favorable to budget; (4) Inpatient gross revenues were 15% favorable to budget (5) Payor mix was unfavorable to budget due to Medicaid 40% and Medicare 17% above budget; (6) Average daily census was at 124, 8% above budget of 115 and total admissions were 10% above budget; (7) COVID cases were 30 with a ALOS of 9.3 days; (8) Medicare Traditional ALOS CMI adjusted was 5% unfavorable at 2.42 days with a Case Mix of 1.80; (9) Operating Margin 3.7%, Total margin 2.9%, Days cash on hand was 329; and days of net accounts receivable is 48; (10) Contract labor utilization 12 month ending February 2023 was \$25.6M.

PUBLIC INPUT

No public input received.

CLOSED SESSION

Chair Rey announced that the item to be discussed in Closed Session is *Report Involving Trade Secret*. The meeting recessed into Closed Session under the Closed Session protocol at 12:29 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 1:17 p.m., Chair Rey reported that in Closed Session, the Committee discussed *Report Involving Trade Secret*.

No action taken in the Closed Session.

ADJOURNMENT

There being no other business, the meeting was adjourned at 1:17 p.m. The Transformation, Strategic Planning and Governance Committee meets quarterly. The next meeting is scheduled for Wednesday, July 26, 2023 at 12:00 p.m.

Victor Rey, Chair
Transformation, Strategic Planning and Governance

/KmH

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
June 30, 2023**

	<u>Month of June,</u>		<u>Twelve months ended June 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,762	1,760	23,632	21,148
Medi-Cal	981	1,094	13,871	11,883
Commercial insurance	659	624	8,720	8,784
Other patient	86	46	1,467	1,256
Total patient days	<u>3,488</u>	<u>3,524</u>	<u>47,690</u>	<u>43,071</u>
Gross revenue:				
Medicare	\$ 105,303,384	\$ 98,016,903	\$ 1,263,747,921	\$ 1,123,537,736
Medi-Cal	67,729,412	64,206,315	849,054,820	685,840,554
Commercial insurance	56,494,220	50,125,392	628,644,840	593,689,626
Other patient	8,840,971	5,833,628	105,684,890	94,823,167
	<u>238,367,987</u>	<u>218,182,238</u>	<u>2,847,132,471</u>	<u>2,497,891,083</u>
	72.6%	74.4%	74.2%	72.4%
Deductions from revenue:				
Administrative adjustment	72,563	(27,209)	3,086,596	3,260,698
Charity care	824,076	554,068	7,724,323	9,592,563
Contractual adjustments:				
Medicare outpatient	33,599,796	30,594,787	370,792,647	334,139,787
Medicare inpatient	45,009,982	40,699,043	555,460,281	492,120,788
Medi-Cal traditional outpatient	2,647,523	3,463,809	38,876,838	36,040,421
Medi-Cal traditional inpatient	1,250,711	1,792,869	59,791,485	67,818,454
Medi-Cal managed care outpatient	30,121,468	24,233,798	341,758,075	266,005,432
Medi-Cal managed care inpatient	20,115,843	25,071,160	304,661,806	236,204,606
Commercial insurance outpatient	21,941,233	18,989,754	225,451,397	201,941,543
Commercial insurance inpatient	20,116,538	17,984,711	240,140,483	208,330,469
Uncollectible accounts expense	4,464,114	4,036,087	47,598,238	45,609,276
Other payors	506,947	(647,066)	17,086,451	8,012,984
	<u>180,670,794</u>	<u>166,745,810</u>	<u>2,212,428,620</u>	<u>1,909,077,021</u>
Net patient revenue	<u>\$ 57,697,193</u>	<u>\$ 51,436,428</u>	<u>\$ 634,703,851</u>	<u>\$ 588,814,062</u>
	24.21%	23.57%	22.29%	23.57%
Gross billed charges by patient type:				
Inpatient	\$ 119,256,978	\$ 110,969,167	\$ 1,519,243,349	\$ 1,330,183,319
Outpatient	87,936,332	78,842,751	972,485,176	846,505,981
Emergency room	31,174,677	28,370,321	355,403,945	321,201,783
	<u>\$ 238,367,987</u>	<u>\$ 218,182,238</u>	<u>\$ 2,847,132,470</u>	<u>\$ 2,497,891,083</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
June 30, 2023**

	Month of June,		Twelve months ended June 30,	
	current year	prior year	current year	prior year
Operating revenue:				
Net patient revenue	\$ 57,697,193	\$ 51,436,428	\$ 634,703,851	\$ 588,814,062
Other operating revenue	1,456,715	415,158	19,354,793	13,924,053
Total operating revenue	<u>59,153,908</u>	<u>51,851,586</u>	<u>654,058,644</u>	<u>602,738,115</u>
Operating expenses:				
Salaries and wages	15,339,465	15,693,191	200,798,472	186,838,429
Compensated absences	2,642,484	2,863,109	34,440,500	33,034,072
Employee benefits	25,254,355	9,318,395	112,167,994	84,730,013
Supplies, food, and linen	6,821,744	6,637,409	82,113,243	76,339,085
Purchased department functions	5,229,078	4,049,215	50,500,131	42,053,884
Medical fees	2,719,477	2,782,393	26,831,181	22,892,541
Other fees	2,984,415	3,067,931	35,116,921	30,660,007
Depreciation	478,740	4,784,231	22,653,044	25,346,051
All other expense	2,973,961	(680,218)	20,709,727	14,978,805
Total operating expenses	<u>64,443,719</u>	<u>48,515,656</u>	<u>585,331,213</u>	<u>516,872,887</u>
Income from operations	<u>(5,289,811)</u>	<u>3,335,930</u>	<u>68,727,431</u>	<u>85,865,228</u>
Non-operating income:				
Donations	6,648,598	(65,000)	16,406,938	1,844,206
Property taxes	2,053,906	1,320,277	5,720,572	4,986,944
Investment income	1,407,871	(1,793,683)	8,254,571	(13,522,866)
Taxes and licenses	0	0	0	(29,074)
Income from subsidiaries	(5,354,640)	(829,542)	(42,354,456)	(33,352,926)
Total non-operating income	<u>4,755,735</u>	<u>(1,367,948)</u>	<u>(11,972,375)</u>	<u>(40,073,716)</u>
Operating and non-operating income	(534,076)	1,967,982	56,755,056	45,791,511
Net assets to begin	<u>913,078,139</u>	<u>853,821,025</u>	<u>855,789,006</u>	<u>809,997,496</u>
Net assets to end	<u>\$ 912,544,063</u>	<u>\$ 855,789,007</u>	<u>\$ 912,544,063</u>	<u>\$ 855,789,007</u>
Net income excluding non-recurring items	\$ (534,076)	\$ 1,967,982	\$ 56,755,056	\$ 39,499,135
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,292,376</u>
Operating and non-operating income	<u>\$ (534,076)</u>	<u>\$ 1,967,982</u>	<u>\$ 56,755,056</u>	<u>\$ 45,791,511</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
June 30, 2023**

	<u>Month of June,</u>		<u>Twelve months ended June 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Detail of other operating income:				
Dietary revenue	\$ 185,468	\$ 172,757	\$ 1,989,152	\$ 1,715,287
Discounts and scrap sale	132,869	2,023	1,347,360	1,336,587
Sale of products and services	95,258	50,508	514,618	764,979
Clinical trial fees	0	1,210	0	28,910
Stimulus Funds	0	0	0	0
Rental income	98,924	59,810	2,084,037	1,880,981
Other	944,196	128,850	13,419,626	8,197,309
Total	\$ 1,456,715	\$ 415,158	\$ 19,354,793	\$ 13,924,053

Detail of investment income:				
Bank and payor interest	\$ 1,402,630	\$ 115,550	\$ 11,184,628	\$ 1,082,877
Income from investments	5,241	(1,914,233)	(1,727,807)	(16,320,488)
Gain or loss on property and equipment	0	5,000	(1,202,250)	1,714,745
Total	\$ 1,407,871	\$ (1,793,683)	\$ 8,254,571	\$ (13,522,866)

Detail of income from subsidiaries:

Salinas Valley Medical Center:

Pulmonary Medicine Center	\$ (181,797)	\$ (182,721)	\$ (2,025,696)	\$ (2,202,870)
Neurological Clinic	(67,306)	(15,558)	(779,593)	(624,810)
Palliative Care Clinic	(103,994)	(80,270)	(870,651)	(943,414)
Surgery Clinic	(152,801)	(80,711)	(1,730,882)	(1,477,919)
Infectious Disease Clinic	(32,116)	(18,198)	(370,495)	(305,689)
Endocrinology Clinic	(201,752)	(93,860)	(2,100,044)	(1,468,261)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(469,444)	(439,496)	(5,770,601)	(5,062,460)
OB/GYN Clinic	(414,289)	(257,444)	(4,047,530)	(3,903,447)
PrimeCare Medical Group	(709,890)	(70,519)	(8,014,124)	(5,637,329)
Oncology Clinic	(413,029)	(260,781)	(3,490,516)	(2,837,829)
Cardiac Surgery	(403,674)	(108,228)	(3,710,973)	(2,386,170)
Sleep Center	(33,332)	(24,180)	(448,918)	(391,073)
Rheumatology	(57,248)	(42,537)	(739,926)	(653,798)
Precision Ortho MDs	(395,372)	(45,049)	(4,606,611)	(3,287,472)
Precision Ortho-MRI	0	190	0	0
Precision Ortho-PT	(25,531)	(9,385)	(422,895)	(541,192)
Vaccine Clinic	0	2,723	(683)	(55,690)
Dermatology	(67,386)	6,158	(279,020)	(182,294)
Hospitalists	0	0	0	0
Behavioral Health	(39,350)	(40,933)	(417,730)	(725,870)
Pediatric Diabetes	(48,584)	(40,116)	(552,538)	(512,196)
Neurosurgery	(24,673)	(38,804)	(361,771)	(285,200)
Multi-Specialty-RR	1,316	17,066	82,050	106,330
Radiology	(1,297,370)	11,404	(1,794,865)	(2,538,422)
Salinas Family Practice	(95,792)	(82,242)	(1,241,078)	(1,151,129)
Urology	(109,662)	66,642	(1,085,215)	(173,493)
Total SVMC	(5,343,076)	(1,826,849)	(44,780,305)	(37,241,697)

Doctors on Duty	(595)	683,726	515,366	762,542
Vantage Surgery Center	0	0	0	222,007
LPCH NICU JV	0	178,532	0	178,532
Central Coast Health Connect	(106,009)	(55,447)	(106,009)	(55,447)
Monterey Peninsula Surgery Center	58,641	168,182	1,649,523	2,407,819
Coastal	22,943	(68,398)	54,826	(343,667)
Apex	0	0	0	103,759
GenesisCare USA	(56,210)	35,766	(161,196)	155,750
Monterey Bay Endoscopy Center	69,666	54,946	473,340	457,477

Total **\$ (5,354,640)** **\$ (829,542)** **\$ (42,354,456)** **\$ (33,352,926)**

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
June 30, 2023**

	Current year	Prior year
Current assets:		
Cash and cash equivalents	\$ 328,752,213	\$ 298,028,150
Patient accounts receivable, net of estimated uncollectibles of \$27,287,667	85,106,372	83,765,858
Supplies inventory at cost	8,016,154	7,960,823
Current portion of lease receivable	1,924,102	534,201
Other current assets	10,620,365	10,649,480
	434,419,206	400,938,512
Assets whose use is limited or restricted by board	157,874,522	148,632,659
Capital assets:		
Land and construction in process	58,875,554	36,458,903
Other capital assets, net of depreciation	187,542,494	202,553,942
	246,418,048	239,012,844
Other assets:		
Right of use assets, net of amortization	5,675,770	7,137,296
Long term lease receivable	1,120,595	1,462,610
Investment in securities	145,498,387	141,269,337
Investment in SVMC	7,683,412	12,629,372
Investment in Aspire/CHI/Coastal	1,698,526	1,643,700
Investment in other affiliates	21,594,227	21,767,134
Net pension asset	532,173	2,421,869
	183,803,090	188,331,318
Deferred pension outflows	116,970,429	95,857,027
	\$ 1,139,485,295	\$ 1,072,772,360
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 56,350,575	\$ 62,774,145
Due to third party payers	6,173,719	34,388,483
Current portion of notes payable	0	0
Current portion of self-insurance liability	18,527,794	17,347,981
Current portion of lease liability	1,894,870	2,935,968
	82,946,958	117,446,577
Long term portion of notes payable	0	0
Long term portion of workers comp liability	13,285,330	14,058,922
Long term portion of lease liability	3,977,016	4,455,311
	100,209,304	135,960,810
Lease deferred inflows	2,856,614	1,911,058
Pension liability	123,875,314	79,111,485
Net assets:		
Invested in capital assets, net of related debt	246,418,048	239,012,844
Unrestricted	666,126,015	616,776,163
	912,544,063	855,789,007
	\$ 1,139,485,295	\$ 1,072,772,360

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
June 30, 2023

	Month of June,				Twelve months ended June 30,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 238,367,987	\$ 208,914,441	29,453,546	14.10%	\$ 2,847,132,471	\$ 2,504,949,071	342,183,400	13.66%
Deductions from revenue	180,670,794	161,574,650	19,096,144	11.82%	2,212,428,620	1,936,443,207	275,985,413	14.25%
Net patient revenue	57,697,193	47,339,791	10,357,402	21.88%	634,703,851	568,505,864	66,197,987	11.64%
Other operating revenue	1,456,715	1,374,687	82,028	5.97%	19,354,793	16,496,239	2,858,554	17.33%
Total operating revenue	59,153,908	48,714,478	10,439,430	21.43%	654,058,644	585,002,104	69,056,540	11.80%
Operating expenses:								
Salaries and wages	15,339,465	16,372,555	(1,033,090)	-6.31%	200,798,472	195,549,570	5,248,902	2.68%
Compensated absences	2,642,484	2,874,976	(232,492)	-8.09%	34,440,500	34,211,012	229,488	0.67%
Employee benefits	25,254,355	7,280,194	17,974,161	246.89%	112,167,994	86,536,628	25,631,366	29.62%
Supplies, food, and linen	6,821,744	6,215,371	606,373	9.76%	82,113,243	75,583,312	6,529,931	8.64%
Purchased department functions	5,229,078	3,490,994	1,738,084	49.79%	50,500,131	41,892,036	8,608,095	20.55%
Medical fees	2,719,477	2,026,754	692,723	34.18%	26,831,181	24,321,051	2,510,130	10.32%
Other fees	2,984,415	1,982,528	1,001,887	50.54%	35,116,921	23,960,799	11,156,122	46.56%
Depreciation	478,740	1,897,347	(1,418,607)	-74.77%	22,653,044	23,080,683	(427,639)	-1.85%
All other expense	2,973,961	1,732,165	1,241,796	71.69%	20,709,727	20,960,962	(251,235)	-1.20%
Total operating expenses	64,443,719	43,872,885	20,570,834	46.89%	585,331,213	526,096,054	59,235,159	11.26%
Income from operations	(5,289,811)	4,841,593	(10,131,404)	-209.26%	68,727,431	58,906,050	9,821,381	16.67%
Non-operating income:								
Donations	6,648,598	166,667	6,481,931	3889.16%	16,406,938	2,000,000	14,406,938	720.35%
Property taxes	2,053,906	333,333	1,720,573	516.17%	5,720,572	4,000,000	1,720,572	43.01%
Investment income	1,407,871	129,915	1,277,955	983.68%	8,254,571	1,558,986	6,695,586	429.48%
Income from subsidiaries	(5,354,640)	(3,559,699)	(1,794,941)	50.42%	(42,354,456)	(41,823,902)	(530,554)	1.27%
Total non-operating income	4,755,735	(2,929,783)	7,685,518	-262.32%	(11,972,375)	(34,264,916)	22,292,541	-65.06%
Operating and non-operating income \$	(534,076)	\$ 1,911,810	(2,445,886)	-127.94%	\$ 56,755,056	\$ 24,641,134	32,113,922	130.33%

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
June 30, 2023

	<u>Month of June,</u>		<u>Twelve months ended June 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 57,697,193	\$ 51,436,428	\$ 634,703,851	\$ 588,814,062
Other operating revenue	1,456,715	415,158	19,354,793	13,924,053
Total operating revenue	<u>59,153,908</u>	<u>51,851,586</u>	<u>654,058,644</u>	<u>602,738,115</u>
Total operating expenses	64,443,719	48,515,656	585,331,213	516,872,887
Total non-operating income	<u>4,755,735</u>	<u>(1,367,948)</u>	<u>(11,972,375)</u>	<u>(40,073,716)</u>
Operating and non-operating income	<u>\$ (534,076)</u>	<u>\$ 1,967,982</u>	<u>\$ 56,755,056</u>	<u>\$ 45,791,511</u>

SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
June 30, 2023

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 434,419,206	\$ 400,938,512
Assets whose use is limited or restricted by board	157,874,522	148,632,659
Capital assets	246,418,048	239,012,844
Other assets	183,803,090	188,331,318
Deferred pension outflows	<u>116,970,429</u>	<u>95,857,027</u>
	<u>\$ 1,139,485,295</u>	<u>\$ 1,072,772,360</u>
LIABILITIES AND EQUITY:		
Current liabilities	82,946,958	117,446,577
Long term liabilities	17,262,346	18,514,233
Lease deferred inflows	2,856,614	1,911,058
Pension liability	123,875,314	79,111,485
Net assets	<u>912,544,063</u>	<u>855,789,007</u>
	<u>\$ 1,139,485,295</u>	<u>\$ 1,072,772,360</u>

Financial Performance Review

June 2023

Augustine Lopez
Chief Financial Officer

Consolidated Financial Summary For the Month of June 2023

\$ in Millions	For the Month of June 2023			
			Variance fav (unfav)	
	Actual	Budget	\$VAR	%VAR
Operating Revenue	\$ 67.9	\$ 57.1	\$ 10.8	18.9%
Operating Expense	\$ 77.4	\$ 56.1	\$ (21.3)	-38.0%
Income from Operations *	\$ (9.5)	\$ 1.0	\$ (10.5)	-1050.0%
<i>Operating Margin %</i>	<i>-14.0%</i>	<i>1.7%</i>	<i>-15.7%</i>	<i>-923.53%</i>
Non Operating Income**	\$ 8.7	\$ 1.0	\$ 7.7	770.0%
Net Income	\$ (0.8)	\$ 2.0	\$ (2.8)	-140.0%
<i>Net Income Margin %</i>	<i>-1.2%</i>	<i>3.4%</i>	<i>-4.6%</i>	<i>-135.3%</i>

*** Income from operations includes the following normalized items:**

Expense: <\$18.1M> Defined Benefit Pension Plan adjustment per Actuarial Report for Plan Year 2022

Revenue: \$3.0M Non-Designated Public Hospital IGT payments received in June for FY 22 and FY 23 (Previously known as AB 113)

Revenue: \$4.0M We received a second \$4 million one-time payment from our Managed Medicaid Health plan as result of our recent contract negotiation to fund the organization's readiness for the new reimbursement methodology under APR/DRG

<\$11.1M> Total for month of June

**** Non-operating income includes the following normalized item:**

\$8.1M Revenue recognition post audit review for the CARES Act Provider Relief Funds received in FY 22 (Phase 4)

Consolidated Financial Summary – Normalized For the Month of June 2023

\$ in Millions	For the Month of June 2023			
			Variance fav (unfav)	
	Actual	Budget	\$VAR	%VAR
Operating Revenue	\$ 60.9	\$ 57.1	\$ 3.8	6.7%
Operating Expense	\$ 59.3	\$ 56.1	\$ (3.2)	-5.7%
Income from Operations *	\$ 1.6	\$ 1.0	\$ 0.6	60.0%
<i>Operating Margin %</i>	2.6%	1.7%	0.9%	52.9%
Non Operating Income **	\$ 0.7	\$ 1.0	\$ (0.3)	-30.0%
Net Income	\$ 2.3	\$ 2.0	\$ 0.3	15.0%
<i>Net Income Margin %</i>	3.7%	3.4%	0.3%	8.8%

*** Income from operations excludes the following normalized items:**

Expense: <\$18.1M> Defined Benefit Pension Plan adjustment per Actuarial Report for Plan Year 2022

Revenue: \$3.0M Non-Designated Public Hospital IGT payments received in June for FY 22 and FY 23 (Previously known as AB 113)

Revenue: \$4.0M We received a second \$4 million one-time payment from our Managed Medicaid Health plan as result of our recent contract negotiation

_____ to fund the organization's readiness for the new reimbursement methodology under APR/DRG

<\$11.1M> Total for month of June

**** Non-operating income excludes the following normalized item:**

\$8.1M Revenue recognition post audit review for the CARES Act Provider Relief Funds received in FY 22 (Phase 4)

Executive Summary: Favorable Financial Performance

- *Salinas Valley Health as a system had a positive financial performance* with income from operations of \$1.6 million or a 2.6% operating margin, after adjusting for the normalizing items totaling <\$11.1> million. These results were attributed to the following:
 - ✓ Higher than expected net patient volumes, including IP & OP surgeries, IP deliveries, outpatient infusion services, as well as various ancillary services
 - ✓ Increase in Commercial insurance revenue, up 10% from budget
 - ✓ Total ALOS was at 3.78, below budget by 8%
 - ✓ There has been a marked improvement in reducing contract labor & overtime utilization
 - ✓ Worked & Paid FTEs were also managed effectively compared to budget
- Non-operating income was favorable by \$7.7 million mostly due to recognition of \$8.1 million in CARES Act Provider Relief Funds, which was normalized for the month

Consolidated Financial Summary

Year-to-Date June 2023

\$ in Millions	FY 2023 YTD June			
	Actual	Budget	Variance fav (unfav)	
			\$VAR	%VAR
Operating Revenue*	\$ 752.2	\$ 681.3	\$ 70.9	10.4%
Operating Expense**	\$ 727.7	\$ 667.8	\$ (59.9)	-9.0%
Income from Operations	\$ 24.5	\$ 13.5	\$ 11.0	81.5%
Operating Margin %	3.3%	2.0%	1.3%	65.0%
Non Operating Income***	\$ 32.8	\$ 11.7	\$ 21.1	180.3%
Net Income	\$ 57.3	\$ 25.2	\$ 32.1	127.4%
Net Income Margin %	7.6%	3.7%	3.9%	105.4%

*Normalizing revenue items in Operations includes:

- \$4.9M Rate Range Program (FY 2022)
- \$3.0M Non-Designated Public Hospital IGT for FY 22 and FY 23 (Previously known as AB 113)
- \$1.8M AB915 OP Supplemental Payments (FY 21)

**Normalizing expense items in Operations includes:

- \$2.4M in Salaries & Wages related to the Employee Retention Grants from the State
- \$18.1M Balance Sheet Adjustment for 2022 Actuarially Determined Liability and Reserve

***Normalizing items in Non-Operating Income includes:

- \$5.1M FEMA Funds recognized
- \$8.1M CARES Act Provider Relief Funds FY22 Phase 4
- \$2.4M received in payments related to the Employee Retention Grants from State of California (SB 184)

Consolidated Financial Summary - Normalized

Year-to-Date June 2023

\$ in Millions	FY 2023 YTD June				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 742.5	\$ 681.3	\$ 61.2	9.0%	
Operating Expense	\$ 707.1	\$ 667.8	\$ (39.3)	-5.9%	
Income from Operations	\$ 35.4	\$ 13.5	\$ 21.9	162.2%	
<i>Operating Margin %</i>	4.8%	2.0%	2.8%	140.0%	
Non Operating Income	\$ 17.8	\$ 11.7	\$ 6.1	52.1%	
Net Income	\$ 53.2	\$ 25.2	\$ 28.0	111.1%	
<i>Net Income Margin %</i>	7.2%	3.7%	3.5%	94.6%	

Salinas Valley Health Key Financial Indicators

Statistic	YTD	SVH		S&P A+ Rated		YTD	
	6/30/23	Target	+/-	Hospitals	+/-	6/30/22	+/-
Operating Margin*	4.8%	5.0%		4.0%		6.7%	
Total Margin*	7.2%	6.0%		6.6%		5.9%	
EBITDA Margin**	8.5%	7.4%		13.6%		10.7%	
Days of Cash*	329	305		249		344	
Days of Accounts Payable*	40	45		-		50	
Days of Net Accounts Receivable*	49	45		49		50	
Supply Expense as % NPR	12.6%	14.0%		-		12.8%	
SWB Expense as % NPR	51.4%	53.0%		53.7%		51.2%	
Operating Expense per APD*	6,503	6,739		-		6,370	

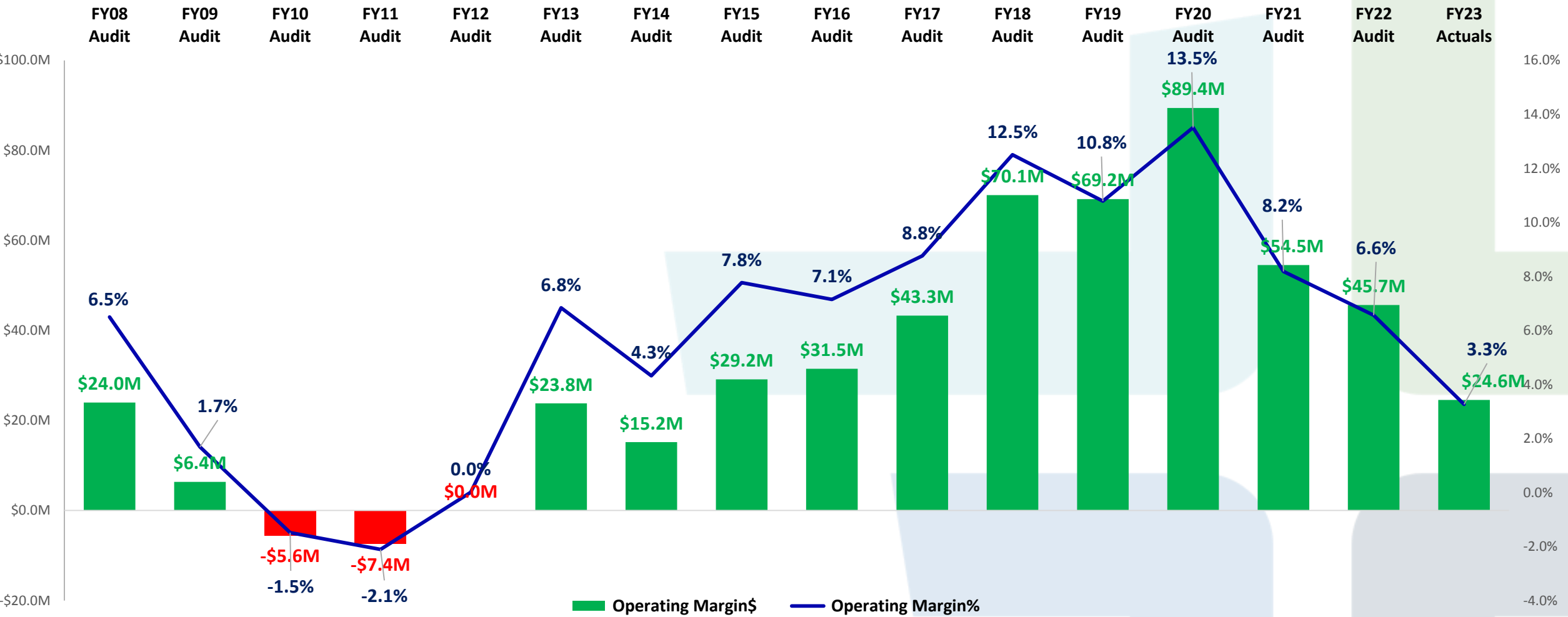
*These metrics have been adjusted for normalizing items

**Metric based on Operating Income (consistent with industry standard)

***Metric based on 90 days average net revenue (consistent with industry standard)

Days of Cash and Accounts Payable metrics have been adjusted to **exclude** accelerated insurance payments (COVID-19 assistance)

Consolidated Operating Margin Trend



Questions / Comments

PUBLIC INPUT

CLOSED SESSION

*(Report on Item to be
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

ADJOURNMENT

*The Transformation, Strategic Planning &
Governance Committee meets Quarterly.*