



Washington Township Health Care District

2000 Mowry Avenue, Fremont, California 94538-1716 | 510.797.1111

Kimberly Hartz, Chief Executive Officer

Board of Directors

*Jacob Eapen, MD
William F. Nicholson, MD
Bernard Stewart, DDS
Michael J. Wallace
Jeannie Yee*

BOARD OF DIRECTORS' MEETING

**Monday, July 20, 2020– 6:00 P.M.
Meeting Conducted by Zoom**

Join Zoom Meeting

<https://zoom.us/j/97564299828?pwd=SHMyaGE1ck9mOXhNSGk1dWFuMlBQQT09>

Dial by your location: +1 669 219 2599 US (San Jose)

Meeting ID: 975 6429 9828

Password: 914168

AGENDA

PRESENTED BY:

**I. CALL TO ORDER &
PLEDGE OF ALLEGIANCE**

Michael Wallace
Board President

II. ROLL CALL

Dee Antonio
District Clerk

III. COMMUNICATIONS

A. Oral

This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda. "Request to Speak" cards should be filled out in advance and presented to the District Clerk. For the record, please state your name.

B. Written

IV. PRESENTATION

A. Budget Estimate for FY 2020-2021

Chris Henry
Vice President & CFO

B. Planning for the Future of Your Local Hospital

Donald Pipkin
Chief, Strategic Management
&
Ed Fayen
Senior Vice President & COO

V. ACTION

Motions Required

A. Consideration of Resolution 1213: Resolution Ordering Election, Setting Forth the Specifications Thereof and Requesting and

Board Meeting Agenda
July 20, 2020

Authorizing Certain Actions and Accountability
Measures with Respect Thereto

- B. Consideration of Resolution 1214 Budget
Estimate FY 2020-2021

VI. ANNOUNCEMENTS

Kimberly Hartz
Chief Executive Officer

VII. CLOSED SESSION

In accordance with Section 1461, 1462, 32106 and 32155 of the California health & Safety Code and Sections 54962 and 54954.5 of the California Government Code, portions of this meeting may be held in closed session.

- A. Conference involving trade secrets pursuant to Health & Safety Code section 32106
Continuing Program discussion – to be disclosed January 2021
- B. Report of Medical Staff and Quality Assurance Committee, Health & Safety Code section 32155

VIII. OPEN SESSION

Report on Closed Session

Michael Wallace
Board President

IX. ADJOURNMENT

Michael Wallace
Board President

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the District Clerk at (510) 818-6500. Notification two working days prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

**BOARD OF DIRECTORS
OF THE
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT**

RESOLUTION NO. 1213

**RESOLUTION ORDERING AN ELECTION TO AUTHORIZE THE
ISSUANCE OF GENERAL OBLIGATION BONDS IN AN AMOUNT NOT TO EXCEED
\$425,000,000, SETTING FORTH THE SPECIFICATIONS
THEREOF, REQUESTING CONSOLIDATION WITH OTHER ELECTIONS
OCCURRING ON NOVEMBER 3, 2020, AND AUTHORIZING CERTAIN ACTIONS AND
ACCOUNTABILITY MEASURES WITH RESPECT THERETO.**

WHEREAS, the Board of Directors (the “Board”) of the Washington Township Health Care District (the “District”), in the County of Alameda, California (the “County”), is generally authorized to order elections within the District and to designate the specifications thereof;

WHEREAS, pursuant to California Health and Safety Code Sections 32000 *et seq.* (the “Local Health Care District Law”), the Board is specifically authorized to order elections for the purpose of submitting to the electors the question of whether general obligation bonds of the District (the “Bonds”) shall be issued and sold for the purpose of raising money for the purposes hereinafter set forth;

WHEREAS, the Board considers special assessments to be inadvisable for the purposes set forth herein;

WHEREAS, the Board deems it necessary and advisable to submit a bond proposition to the electors which, if approved by two-thirds of the votes cast, would permit the District to issue and sell its Bonds;

WHEREAS, it is desirable that the election to determine whether the Bonds shall be issued and sold be consolidated with such other election or elections as may be held on the same day in the same territory or in territory that is in part the same;

WHEREAS, this measure mandates fiscal accountability, including the establishment of a Citizens’ Oversight Committee, to insure funds are spent as promised;

WHEREAS, the Election Code requires at Section 9400 *et seq.*, that a tax rate statement be contained in all official publications and ballot pamphlets prepared, sponsored or published by the District which relate to the proposition;

WHEREAS, this Board desires to authorize the filing of a ballot argument in favor of the proposition to be submitted to the voters at the election; and

WHEREAS, this Board desires to obtain the services of Nixon Peabody LLP to act as bond counsel to assist with the Election (as defined herein);

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED, as follows;

Section 1. The Board hereby orders an election and submits to the electors of the District the question of whether general obligation bonds of the District shall be issued and sold in one or more series from time to time. Pursuant to Health and Safety Code Section 32301, a special election shall be

held within the boundaries of the Washington Township Health Care District on November 3, 2020 (the “Election”), for the purpose of submitting to the registered voters of the District the following proposition (the “Proposition”):

“To complete the upgrades necessary to make Washington Hospital earthquake safe and to ensure the hospital remains open and accessible to provide life-saving care during a major disaster, to provide modern operating rooms, intensive care for infants and modern patient facilities, shall community-owned Washington Township Health Care District authorize \$425,000,000 in bonds at legal rates, generating approximately \$21,000,000 annually at an average rate of 1 cent per \$100 of assessed valuation while bonds are outstanding, with all money staying local?”

Bonds _____ Yes

Bonds _____ No

The Bonds proposed to be issued and sold shall bear interest at a rate or rates per annum not exceeding the statutory maximum, presently 12% per annum, payable at the time or times permitted by law, and the term of the Bonds shall not exceed 30 years from the date of issuance of the Bonds or the date of issuance of any series thereof. The aggregate principal amount of Bonds proposed to be issued under the Proposition shall not exceed \$425,000,000.

The District’s Chief Executive Officer or its Chief Financial Officer (or the designee of either of them) are each hereby authorized and directed to make any changes to the text of the Proposition or its abbreviated form as required to comply with the intent of this Resolution, the requirements of election officials and requirements of law.

Section 2. Pursuant to Section 1 of Article XIII A of the Constitution of the State of California and Health and Safety Code Section 32302, the Proposition shall become effective only if two-thirds of the votes cast on the Proposition are in favor thereof.

Section 3. Pursuant to Government Code Section 53410, the Board hereby provides the requisite accountability measures. The bond proceeds shall apply only to the single purpose identified in the Proposition. The District shall create an account into which the bond proceeds shall be deposited. The Board hereby directs the District’s Chief Financial Officer to file with the Board an annual report as required by Government Code Section 53411 no later than the first January 1st following the first issuance of the Bonds and at least once a year thereafter. If two-thirds or more of the voters of the District voting on the Proposition approve the Proposition, the Board shall establish and appoint members to an independent Citizens’ Oversight Committee to ensure that all funds are spent only as authorized hereby.

Section 4. This Resolution shall stand as the order to the Registrar of Voters to call the Election within the boundaries of the District on November 3, 2020. The Registrar of Voters is hereby requested, pursuant to Section 32301 of the Health and Safety Code, to take all steps to call and hold the Election in accordance with law and these specifications. This order of election and the foregoing specifications of the election order are made pursuant to the Local Health Care District Law. Pursuant to the Elections Code, the Board of Supervisors of the County is required to permit the Registrar of Voters of the County to render all services specified by Section 10418 of the Elections Code relating to the election for which services the District agrees to reimburse the County.

Section 5. The Board of Supervisors of the County is requested to order consolidation of the Election with such other elections as may be held on the same day in the same territory or in territory that is in part the same.

Section 6. The Clerk of the Board is hereby directed to deliver, no later than August 7, 2020 (which date is at least 88 days prior to the date set for the Election), one certified copy of this Resolution and order to the Registrar of Voters of the County and one certified copy to the Clerk of the Board of Supervisors of the County.

Section 7. The Chief Executive Officer of the District is hereby authorized to prepare or cause to be prepared a tax rate statement (the "Tax Rate Statement") conforming to the requirements of Elections Code Section 9401 and to file the Tax Rate Statement with the Registrar of Voters of the County. The Tax Rate Statement shall be in substantially the form attached hereto as Exhibit A.

Section 8. The Registrar of Voters of the County is hereby requested to include the Tax Rate Statement in all official publications pertaining to the Proposition, pursuant to the terms of Elections Code Section 9402.

Section 9. The Registrar of Voters of the County is hereby requested to transmit a copy of the Proposition to the County Counsel with a request that the County Counsel prepare an impartial analysis thereof.

Section 10. One or more members of the Board are hereby authorized, but not directed, to prepare and file with the Registrar of Voters of the County a ballot argument in favor of the Proposition pursuant to the requirements of Elections Code Section 9501.

Section 11. The Secretary of the Board is hereby directed to submit a copy of the ballot argument, if the same is filed pursuant to Section 10 above, to the Registrar of Voters of the County on or before the deadline date fixed by the Registrar of Voters of the County.

Section 12. The Board has determined to appoint Nixon Peabody LLP to act as bond counsel to assist with the Election and the purposes of this resolution.

Section 13. The Board presently intends and reasonably expects to have tax-exempt obligations (the "Obligations") issued on its behalf no later than 18 months of (i) the date of the expenditure of moneys, if any, made with respect to the projects outlined in the Proposition (the "Projects") or (ii) the date upon which the Project for which expenditures are to be reimbursed is placed in service or abandoned, whichever is later (but in no event more than 3 years after the date the original expenditure of such moneys is paid), and to allocate an amount of the proceeds thereof not to exceed \$300,000,000 to reimbursable expenditures in connection with the Projects, as may be qualified under the provisions of Section 1.150-2 of the Treasury Regulations of the Internal Revenue Service (the "Reimbursable Expenditures"). All of the Reimbursable Expenditures covered by this Section were paid not earlier than 60 days prior to the date of this Resolution or constitute preliminary expenditures within the meaning of Section 1.150-2 of the Treasury Regulations. The Board intends to allocate within 30 days after the date of issue of the Obligations, the proceeds therefrom to reimburse the District for the Reimbursable Expenditures. With respect to the proceeds of the Obligations allocated to reimburse the District for prior expenditures, the Board hereby covenants not to employ an abusive device under Treasury Regulation Section 1.148-10, including using within one year of the reimbursement allocation, the funds corresponding to the proceeds of the Obligations in a manner that results in the creation of

replacement proceeds, as defined in Treasury Regulation Section 1.148-1, of the Obligations or another issue of tax-exempt obligations.

The above provisions are made solely for the purpose of establishing compliance with the requirements of said Section 1.150-2 of the Treasury Regulations. This provision does not bind the District or the Board to make any expenditure, incur any indebtedness, or proceed with the financing, acquisition or construction of the Projects.

Section 14. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED by the Board of the Washington Township Health Care District at a regular meeting thereof, at which a quorum of its members participated and were acting throughout, conducted electronically at Fremont, California on July 20, 2020, through a system freely accessible to the public, by the following roll-call vote:

AYES:_____

NOES:_____

ABSTAIN:_____

ABSENT:_____

President of the
Board of Directors of the
Washington Township Health Care District

Secretary of the Board of Directors of the
Washington Township Health Care District

CLERK'S CERTIFICATE

I, _____, Secretary of the Board of Directors of the Washington Township Health Care District, County of Alameda, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution adopted at a regular meeting of the Board of Directors of the District at which a quorum of its members participated and were acting throughout, conducted electronically at Fremont, California on July 20, 2020, through a system freely accessible to the public, by the following roll-call vote:

AYES:_____

NOES:_____

ABSTAIN:_____

ABSENT:_____

An agenda of the meeting was posted at least 72 hours before the meeting conducted electronically at Fremont, California through a system freely accessible to members of the public, and a brief description of the resolution appeared on the agenda.

The resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect

Dated: July 20, 2020

Secretary of the Board of Directors of the
Washington Township Health Care District

EXHIBIT A
FORM OF TAX RATE STATEMENT

**TAX RATE STATEMENT IN CONNECTION WITH
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
BOND MEASURE TO BE SUBMITTED AT
BOND ELECTION TO BE HELD ON NOVEMBER 3, 2020**

An election will be held in the Washington Township Health Care District (the "District") on November 3, 2020, to authorize the sale of up to \$425,000,000 in general obligation bonds of the District (the "Bonds") to finance the acquisition and improvement of real property for healthcare related purposes. If such Bonds are authorized and sold, the principal thereof and interest thereon will be payable from the proceeds of tax levies made upon the taxable property in the District. The following information is provided in compliance with Sections 9400-9404 of the California Elections Code. This information is based upon the best estimates and projections presently available from official sources, upon experience within the District and other demonstrable factors.

1. The best estimate from official sources of the average annual tax rate that would be required to be levied to fund the bond issue over the entire duration of the bond debt service, based on estimated assessed valuations available at the time of the filing of this statement, or a projection based on experience within the District, or other demonstrable factors, is one cent per \$100 (\$9.98 per \$100,000) of assessed valuation of all property to be taxed. The final year in which the tax is anticipated to be collected is 2055-56.

2. The best estimate from official sources of the highest tax rate that would be required to be levied to fund the bond issue, and an estimate of the year in which that rate will apply, based on estimated assessed valuations available at the time of filing of this statement, or a projection based on experience within the District, or other demonstrable factors, is 1.172 cents per \$100 (\$11.72 per \$100,000) of assessed valuation on all property to be taxed for fiscal year 2026-27.

3. The best estimate from official sources of the total debt service, including the principal and interest, that would be required to be repaid if all the Bonds are issued and sold, is \$742,900,000.

Attention of all voters is directed to the fact that the foregoing information is based upon projections and estimates only, which are not binding upon the District. The actual tax rates and the years in which they will apply may vary from those presently estimated, due to variations from these estimates in the timing of bond sales, the amount of Bonds sold at any given sale, actual assessed valuations over the term of repayment of the Bonds and applicable interest rates. The actual interest rates at which the Bonds will be sold, which will not exceed the maximum permitted by law, will depend upon the bond market at the time of sale. The actual times of sales of the Bonds and the amount sold at any given time will be governed by the needs of the District and other factors (including market variations in interest rates on general obligation bonds). Actual future assessed valuations will depend upon the amount and value of taxable property within the District as determined in the assessment and the equalization process. Assessed valuation is not the same as market price of real property. Therefore, the actual tax rates and the years in which those tax rates will be applicable may vary from those presently estimated and stated above.

Voters should note that the estimated tax rates are based on the ASSESSED VALUE of taxable property in the District as shown on the county's official tax rolls, not on the property's market value. Property owners should consult their own property tax bills to determine their property's assessed valuation and any applicable tax exemptions.

Dated: July 20, 2020

Chief Executive Officer
Washington Township Health Care District

**RESOLUTION NO. 1214
BUDGET ESTIMATE
FY 2020-2021**

BE IT RESOLVED, that the following be, and the same is hereby adopted as the estimate of the Board of Directors as the amount of money required for the Fiscal Year 2020-2021:

SALARIES, WAGES & BENEFITS	\$284,004,000
SUPPLIES & SERVICES	131,385,000
INSURANCE & UTILITIES	8,114,000
RESERVES – DEPRECIATION	48,762,000
FIXED ASSETS	14,112,000
REVENUE BOND PRINCIPAL & INTEREST	17,494,000
GENERAL OBLIGATION BOND PRINCIPAL & INTEREST	18,046,000
RESERVES – CAPITAL & OPERATIONS	<u><37,401,000></u>
TOTAL	<u>\$484,546,000</u>

AND, BE IT FURTHER RESOLVED that WASHINGTON TOWNSHIP HEALTH CARE DISTRICT shall, for the benefit of the communities served by the District, continue to financially support WASHINGTON TOWNSHIP HOSPITAL DEVELOPMENT CORPORATION in its operations to promote the charitable and community service mission of the District.

PASSED AND ADOPTED by the Board of Directors of WASHINGTON TOWNSHIP HEALTH CARE DISTRICT this 20th day of July, 2020, by the following vote:

AYES: Directors Wallace, Nicholson, Yee, Eapen, Stewart

NOES:

ABSENT:

MICHAEL WALLACE
President of the Washington Township
Health Care District Board of Directors

BERNARD STEWART
Secretary of the Washington Township
Health Care District Board of Directors



Washington Hospital
Healthcare System

Washington Hospital

Budget Estimate



DRAFT

FY 2020/2021

DIRECTORS AND OFFICERS

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
2000 Mowry Avenue
Fremont, California 94538
(510) 797-1111

BOARD OF DIRECTORS

MICHAEL J. WALLACE
President

WILLIAM F. NICHOLSON, M.D.
First Vice President

JACOB EAPEN, M.D.
Second Vice President

JEANNIE YEE
Treasurer

BERNARD STEWART, D.D.S.
Secretary

ADMINISTRATION

KIMBERLY HARTZ
Chief Executive Officer

MEDICAL EXECUTIVE COMMITTEE

PRASAD KILARU, M.D.
Chief of Staff

SHAKIR HYDER, M.D.
Chief of Staff – Elect

TIMOTHY TSOI, M.D.
Immediate Past Chief of Staff

KRANTHI ACHANTA, M.D.
Medical Staff Liaison Officer

AARON BARRY, M.D.
Chairperson
Department of Anesthesiology

KHALID BAIG, M.D.
Chairperson
Department of Family &
Community Medicine

KADEER HALIMI, M.D.
Chairperson
Department of Medicine

Chairperson
Department of OB/GYN

SARA DOBBS, M.D.
Chairperson
Department of Pediatrics

SUNIL UPENDER, M.D.
Chairperson
Department of Radiology

MARK SALEH, M.D.
Chairperson
Department of Surgery

BRIAN SMITH, M.D.
Chairperson
Pharmacy, Nutrition & Therapeutics
Committee

KHALID BAIG, M.D.
Chairperson
Quality & Resource Management
Committee

DESMOND ERASMUS, M.D.
Chairperson
Physicians Well-Being Committee

CARMEN AGCAOILI, M.D.
Chairperson
Critical Care Committee

JEANIE AHN, M.D.
Chairperson
Clinical Evaluation Committee

KADEER HALIMI, M.D.
Chairperson
Emergency Medicine Section

DAVID LEVIN, M.D.
Medical Director of Pathology

JAN HENDSORF
Chief Medical Information Officer

JOHN ROMANO
PPEC Liaison Officer

WASHINGTON HOSPITAL

DRAFT

TABLE OF CONTENTS

	<u>SECTION</u>
Mission Statement	
Budget Estimate	1
Narrative	2
Statistics.....	3
Volumes	
Performance Indicators	
Revenue.....	4
Patient Service Revenue	
Other Operating Revenue	
Expense Summary.....	5
Operating Expenses	
Non-Operating Income	6
Capital Budget.....	7

BUDGET

FY 2020/21

MISSION STATEMENT

M I S S I O N

S T A T E M E N T

As the local Health Care District, our mission is to meet the health care needs of the District residents through medical services, education and research.

Within this scope, Washington Township Health Care District is committed to assuming the leadership role in improving and maintaining the health status of the residents by:

- ⊕ Identifying and assessing community health care needs.
- ⊕ Developing mechanisms to respond to the identified needs within the financial capabilities of the District.
- ⊕ Committing to a culture of patient safety and accountability.
- ⊕ Adopting identified best practices.
- ⊕ Providing access to high quality, cost-effective health services through an integrated delivery system.
- ⊕ Partnering with diverse medical staff, academic medical centers and other providers to meet the health care needs of the District residents.
- ⊕ Providing appropriate employee, professional and community educational resources to enhance patient care and health promotion throughout the District.

To support the fulfillment of the mission, the District's strategic vision is to be the regional medical center of Southern Alameda County offering services that span the full range of care within the available financial resources.



Washington Township Health Care District
Resolved by the Board of Directors
Washington Township Health Care District
April 22, 2020

**BUDGET
FY 2020/21**

ESTIMATE

**WASHINGTON HOSPITAL
BUDGET ESTIMATE**

(In thousands)

I.	<u>REVENUE</u>	\$484,547
A.	<u>Net Operating Revenue</u>	\$460,646
	Patient Service Revenue	\$2,028,817
	Less: Contractual Allowances and Provisions	1,574,059
	Net Patient Service Revenue	454,758
	Other Operating Revenue	5,888
B.	<u>Net Non-Operating Revenue</u>	\$23,901
	Investment Income	\$3,796
	Rental Income, Net of Amortization	2,788
	General Obligation Bond Property Tax Revenue	17,317
II.	<u>EXPENDITURES</u>	\$484,547
A.	<u>Operating Expenditures</u>	\$489,789
	Salaries, Wages & Benefits	\$284,004
	Supplies & Services	131,385
	Insurance	2,576
	Utilities	5,568
	Reserves - Depreciation	48,762
	Revenue Bond Debt Service	17,494
B.	<u>Non-Operating Expenditures</u>	(\$5,242)
	Plant & Equipment	\$14,112
	General Obligation Bond Debt Service	18,046
	Reserves - Capital & Operations	(37,400)

INCOME STATEMENT

(In thousands)	Budget Estimate FY 2020/21	Projected FY 2019/20*	Change	Percent Change
Patient Service Revenue				
Inpatient - Routine	\$369,863	\$371,315	(\$1,452)	-0.4%
Inpatient - Ancillary	917,391	961,238	(43,847)	-4.6%
Outpatient	741,563	650,371	91,192	14.0%
Total Patient Service Revenue	\$2,028,817	\$1,982,924	\$46,893	2.3%
Contractual Allowances				
	(\$1,532,501)	(\$1,496,100)	(\$36,401)	-2.4%
Provisions for Charity and Doubtful Accounts				
	(\$41,558)	(\$40,452)	(\$1,106)	-2.7%
Total Contractual Allowances and Provisions				
	(\$1,574,059)	(\$1,536,552)	(\$37,507)	-2.4%
Contractual Allowances as a % of Revenue	75.5%	75.4%		
Provision for Charity and Doubtful Accounts as a % of Revenue	2.0%	2.0%		
Net Patient Service Revenue	\$454,758	\$446,372	\$8,386	1.9%
Other Operating Revenue	\$5,888	\$6,955	(\$1,067)	-15.3%
Net Operating Revenue	\$460,646	\$453,327	\$7,319	1.6%
Operating Expenses				
Salaries	\$205,493	\$213,081	\$7,588	3.6%
Benefits	78,511	77,312	(1,199)	-1.6%
Professional Fees	31,237	28,671	(2,566)	-8.9%
Supplies	61,867	57,683	(4,184)	-7.3%
Purchased Services	26,135	22,473	(3,662)	-16.3%
Utilities	5,568	5,401	(167)	-3.1%
Insurance	2,576	1,895	(681)	-35.9%
Marketing & Advertising	1,380	1,537	157	10.2%
Software Licenses & Maintenance	6,818	6,244	(574)	-9.2%
Other Expenses	3,948	3,935	(13)	-0.3%
Depreciation	48,762	48,511	(251)	-0.5%
Total Operating Expenses	\$472,295	\$466,743	(\$5,552)	-1.2%
Loss from Operations	(\$11,649)	(\$13,416)	\$1,767	13.2%
Operating Margin	-2.5%	-3.0%		
Net Non-Operating Income & Expense				
Investment Income	\$3,796	\$3,882	(\$86)	-2.2%
General Obligation Bond Property Tax Revenue	17,317	17,026	291	1.7%
Interest Expense	(25,712)	(22,269)	(3,443)	-15.5%
Rental Income, Net	2,788	2,539	249	9.8%
Realized Gain/(Loss) on Investments	-	1,165	(1,165)	-100.0%
Unrealized Gain/(Loss) on Investments	-	2,953	(2,953)	-100.0%
Total Net Non-Operating Income & Expense	(\$1,811)	\$5,296	(\$7,107)	-134.2%
Net Loss	(\$13,460)	(\$8,120)	(\$5,340)	-65.8%
Net Margin	-2.9%	-1.8%		

* HHS Stimulus Funds of \$28.7 million are not included in this projection.

BUDGET FY 2020/21

NARRATIVE



Washington Hospital Healthcare System

2000 Mowry Avenue, Fremont, California 94538-1716 | 510.797.1111
www.whhs.com

DATE: July 16, 2020

TO: BOARD OF DIRECTORS

FROM: Kimberly Hartz, Chief Executive Officer

SUBJECT: Proposed FY 2020/2021 Budget Estimate for the Washington Township Health Care District

The Budget Estimate for Fiscal Year 2020/2021 will be presented to the Board of Directors at the July 20, 2020 meeting. Upon approval by the Board of Directors, the Budget will constitute authority for the Chief Executive Officer to meet the financial obligations of the Healthcare System within available funds, in accordance with the District's Mission Statement, applicable laws, regulations, procedures and precedents pertaining to the District.

The FY 2020/2021 Budget for Washington Township Health Care District provides for net operating revenue in the amount of \$460,646,000 and total operating expenses of \$472,295,000. This year, total depreciation is budgeted at \$48,762,000. We are projecting an operating loss of \$11,649,000. Our Capital spending requests are budgeted at \$14,112,000.

These projections are based on having to budget during a period of great uncertainty given the COVID-19 pandemic along with our current understanding of the extremely unstable state of the healthcare industry: locally, statewide and nationally. We all realize that in mid-March 2020, the world changed for California hospitals, including Washington Hospital Healthcare System. As COVID-19 infections began spreading across California, Governor Gavin Newsom declared a State of Emergency due to the pandemic. On March 17, 2020 Alameda County issued a "shelter in place" order. Washington Hospital, along with the other hospitals in the County, cancelled all elective and non-urgent services. These actions had significant and immediate impacts on hospital patient volumes and revenue. Additionally, operating expenses increased substantially due to COVID-19 surge preparations including implementation of new care protocols, procurement of suddenly expensive and hard-to-find personal protective equipment (PPE), acquisition of testing equipment and other medical equipment, additional staffing, and facility improvements to accommodate additional patients. These actions were necessary to address the unprecedented public health emergency, and the impacts on Washington Hospital have been extensive and costly.

Experts warn that the recovery pace for hospitals will be slow and that "normal" hospital volume will not come back quickly. It may be some time before we establish what a new "normal" will look like. We will continue to experience surges in COVID-19 cases until a vaccine can be developed, and patients will delay care due to anxiety about accessing health care services. Therefore, the overall volume assumptions underlying this budget are based on returning to no more than 90% of normal by the end of the year. There are some services, such as Obstetrics, where the impact of COVID-19, we feel, will be less.

Kimberly Hartz, Chief Executive Officer

Washington Township Health Care District • Washington Hospital • Institute for Joint Restoration and Research • Sandy Amos RN Infusion Center
Taylor McAdam Bell Neuroscience Institute • UCSF - Washington Cancer Center • Washington Center for Wound Healing & Hyperbaric Medicine
Washington Maternal Child Education • Washington on Wheels • Washington Outpatient Diabetes Program • Washington Outpatient Imaging Center
Washington Outpatient Rehabilitation Center • Washington Outpatient Surgery Center • Washington Prenatal Diagnostic Center
Washington Radiation Oncology Center • Washington Special Care Nursery • Washington Sports Medicine • Washington Township Medical Foundation
Washington Urgent Care • Washington Wellness Center • Washington Women's Center



The budget is also built on the following priorities: managing the COVID-19 situation along with maintaining day to day operations, managing our financial resources and health, and the continued implementation of our Strategic Map initiatives necessary for building the future of the Health Care District. Additionally, the assumptions underlying this budget provide the necessary resources to sustain, and to continue to improve, our clinical excellence, and supports our important institutional commitment to the Patient First Ethic.

Our budget assumptions directly depend on how the COVID-19 situation progresses throughout the year and on many other external economic conditions. The effect of the pandemic on the economy in the long term is impossible to determine at this point. Unemployment levels could continue to increase if an effective vaccine is not developed and if they do, we are likely to see an increase in the uninsured and underinsured. It should also be noted that Congress did recognize the financial strain hospitals were facing and passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement Act, which together provided \$175 billion in emergency funding for hospitals and other health care organizations. On April 10, the Department of Health and Human Services began disbursing this funding. Washington Hospital Healthcare System did receive funding through the CARES Act Provider Relief Fund program which will help to offset the shortfall in net patient revenue that was experienced. This funding has also helped to ensure that our balance sheet is in a position of financial strength in such areas as Days Cash on Hand as we go into FY2020-21. It is uncertain if additional funding will be available in subsequent legislation.

Washington Hospital Healthcare System has experienced some of the most unprecedented medical and economic challenges in its history. Despite this, we have worked diligently to develop a spending plan for our Health Care District during a time of great chaos, economic and regulatory uncertainty. We recognize that we must continue to move forward with our strategic initiatives and at the same time work on a plan to address the long-term financial health of Washington Hospital Healthcare System. We also acknowledge that the situation that we are facing continues to evolve, and as we gain a better understanding of the future, we may be required to amend our budget estimate during the course of this fiscal year.



KIMBERLY HARTZ
Chief Executive Officer

please see attachments

PLANS AND PRIORITIES

The Strategic Map for FY 2020/2021 is a starting point for developing our Budget. The major activities of the Strategic Map are:

- Develop and Implement Growth Strategies and Marketing Strategies for Targeted Services Lines
 - Cardiac Services
 - Oncology
 - Maternal Child Health
 - Neurosciences
 - Orthopedics
- Expand and Strengthen Physician Alignment
- Continue to Develop Behavioral Health Services for the Community
- Begin Implementation of the Third Phase of the Facilities Master Plan
- Continue to Enhance the Patient Experience
- Strengthen and Expand Strategic Alliances and Partnerships

These priorities have been included in the FY 2020/2021 budget.

SERVICE VOLUMES

Admissions for FY 2020/2021 are budgeted with a 1.3% decrease as compared to FY 2019/2020, primarily driven by the uncertainty created by the COVID-19 pandemic and the continued shift in Joint Replacement cases from inpatient to outpatient. A decrease in patient days of 3.1% is projected in the budget for FY 2020/2021. The decrease in patient days is directly related to the decrease in admissions.

Outpatient visits are expected to increase 4% compared to FY 2019/2020 due to continued growth in the Infusion center and our OB product line.

These changes are reflected in revenues, reimbursement and expenses in this Budget.

PATIENT SERVICE REVENUES

The slight contractual write-off percentage increase is related to a market based adjustment offset by improvements in some of our commercial payor contracts. .

OTHER OPERATING REVENUES

The decrease reflects a reduction in the funding we will receive from the 2020 Medi-Cal waiver PRIME program which was extended to December 2020.

OPERATING EXPENDITURES

Significant factors influencing the overall 1.2% increase in operating expenditures for the budget year 2020/2021 are as follows:

- Increases in labor costs of 3.6% largely due to contractual obligations offset by a reduction in volume.
- Professional fees are expected to increase 8.9% due to anticipated growth in our Oncology program and Prenatal Diagnostic Clinic. Additionally, we are expecting higher costs in our Hospitalist backstops which relate to the reduction in anticipated volume.
- Supplies are expected to increase 7.3% due to increased volume in our infusion center, joint replacement volume and the impact of inflation.
- Purchased Services are expected to increase 16.3% as several pieces of equipment purchased for the Morris Hyman Critical Care Pavilion are coming off of warranty. Additionally this is a District election year.
- Utilities are expected to increase 3.1% due to inflation.
- Marketing & Advertising is expected to decrease 10.2% as the relationship with KGO Bay Area Healthier Together has ended.
- Depreciation is increasing .5% relating to anticipated capital spending during the year.

NON-OPERATING INCOME

- Investment income is projected to decrease slightly compared to FY 2019/2020.
- Rental income is estimated to increase 9.8% in anticipation of contracted rent increases and a higher occupancy rate.
- As part of the District's continuing budget policy, realized and unrealized gains or losses on the investment portfolio are not budgeted due to the unpredictability of market performance.
- General Obligation Bond Property Tax Revenue of \$17.3 million provides for the net debt service requirements on our General Obligation Bonds for the budget year.

BUDGET FY 2020/21

STATISTICS

VOLUMES

	Budget Estimate FY 2020/21	Projected FY 2019/20	Change	Percent Change
Admissions	10,475	10,615	(140)	-1.3%
Patient Days	51,569	53,231	(1,662)	-3.1%
Average Daily Census (ADC)	141	145	(4)	-2.8%
Outpatient Observation Days	2,062	2,082	(20)	-1.0%
Overall Average Length of Stay	4.92	4.95	(0.03)	-0.6%
Deliveries	1,624	1,530	94	6.1%
Surgical Cases	4,471	4,183	288	6.9%
Joint Replacement Cases (a)	1,922	1,672	250	15.0%
Cardiac Surgical Cases (a)	129	114	15	13.2%
Neuro-Surgical Cases (a)	250	258	(8)	-3.1%
General Surgical Cases (a)	2,170	2,139	31	1.4%
Cath Lab Procedures	4,316	4,528	(212)	-4.7%
Cardiac Procedures (b)	1,470	1,433	37	2.6%
Peripheral Vascular Procedures (b)	1,902	2,078	(176)	-8.5%
Neuro-Radiology Procedures (b)	67	65	2	3.1%
Non-Vascular Procedures (b)	877	952	(75)	-7.9%
Emergency Room Visits	48,454	47,773	681	1.4%
Rapid Screening and Treatment Unit	24,985	4,313	20,672	479.3%
Outpatient Visits	86,321	82,963	3,358	4.0%

(a) Included in Surgical Cases

(b) Included in Cath Lab Procedures

PERFORMANCE INDICATORS

	Budget Estimate FY 2020/21	Projected FY 2019/20	Percent Change
<u>Productivity</u>			
Total Productive FTEs	1,248.8	1,291.0	-3.3%
Non-Productive FTEs	176.5	184.9	-4.5%
Total Paid FTEs	1,425.3	1,475.9	-3.4%
Total Productive Hours/Adj. Patient Days	32.1	34.0	-5.6%
Paid FTEs/Adjusted Occupied Bed	6.4	6.8	-5.9%
Productive FTEs/Adjusted Occupied Bed	5.6	6.0	-6.7%
<u>Financial Indicators</u>			
Contractual Allowances as a % of Revenue	75.5%	75.4%	
Provision for Charity & Doubtful Accounts as a % of Revenue	2.0%	2.0%	
Supplies/Net Patient Revenue %	13.6%	12.9%	
Operating Margin	-2.5%	-3.0%	

BUDGET

FY 2020/21

REVENUE

PATIENT SERVICE REVENUE

<i>(In thousands)</i>	Budget Estimate FY 2020/21	Projected FY 2019/20
Patient Service Revenue:		
Inpatient - Routine	\$369,863	\$371,315
Inpatient - Ancillary	917,391	961,238
Outpatient	741,563	650,371
Total Patient Service Revenue	\$2,028,817	\$1,982,924
Contractual Allowances and Provisions:		
Medicare/Medi-Cal Allowances	(\$904,721)	(\$896,332)
HMO/PPO & Other Allowances	(627,780)	(599,768)
Provision for Charity and Doubtful Accounts	(41,558)	(40,452)
Total Contractual Allowances and Provisions	(\$1,574,059)	(\$1,536,552)
Total Net Patient Service Revenue	\$454,758	\$446,372
Total Net Patient Service Revenue as a Percent of Patient Service Revenue	22.4%	22.5%

OTHER OPERATING REVENUE

<i>(In thousands)</i>	Budget Estimate FY 2020/21	Projected FY 2019/20	Percent Change
Cafeteria	\$722	\$662	9.1%
Health Education	161	131	22.9%
Outside Services	612	547	11.9%
PRIME Project Funding	1,500	2,750	-45.5%
Other Revenue	2,893	2,865	1.0%
Total Other Operating Revenue	\$5,888	\$6,955	-15.3%

BUDGET FY 2020/21

EXPENSE SUMMARY

OPERATING EXPENSES

<i>(In thousands)</i>	Budget Estimate FY 2020/21	Projected FY 2019/20	Percent Change
Salaries	\$205,493	\$213,081	3.6%
Benefits	78,511	77,312	-1.6%
Professional Fees	31,237	28,671	-8.9%
Supplies	61,867	57,683	-7.3%
Purchased Services	26,135	22,473	-16.3%
Utilities	5,568	5,401	-3.1%
Insurance	2,576	1,895	-35.9%
Marketing & Advertising	1,380	1,537	10.2%
Software Licenses & Maintenance	6,818	6,244	-9.2%
Other Expenses	3,948	3,935	-0.3%
Depreciation	48,762	48,511	-0.5%
Total Operating Expenses	\$472,295	\$466,743	-1.2%

BUDGET FY 2020/21

**NON-OPERATING
INCOME**

NET NON-OPERATING INCOME & EXPENSE

<i>(In thousands)</i>	Budget Estimate FY 2020/21	Projected FY 2019/20	Percent Change
Investment Income	\$3,796	\$3,882	-2.2%
GO Bond Property Tax Revenue	17,317	17,026	1.7%
Interest Expense	(25,712)	(22,269)	-15.5%
Rental Income, Net	2,788	2,539	9.8%
Subtotal	(\$1,811)	\$1,178	-253.7%
Realized Gain/(Loss) on Investments *	-	1,165	-100.0%
Unrealized Gain/(Loss) on Investments *	-	2,953	-100.0%
Total Net Non-Operating Income & Expense	(\$1,811)	\$5,296	-134.2%

* Washington Hospital does not budget for gains or losses on investments.

BUDGET

FY 2020/21

CAPITAL BUDGET

CAPITAL BUDGET

<i>(In thousands)</i>	Division	Budget Estimate FY 2020/21
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Equipment

System Operations & Support	\$1,422
Information Systems	841
Ambulatory Care Services	42
Patient Care Services	83
Rehab and Education Services	8
Total Equipment	\$2,396

Projects

CJR Build Out	\$4,004
Warm Springs	3,650
Routine Facilities Projects	1,575
FOC - Cardiology Build Out	1,314
Information Systems Projects	1,173
Total Projects	\$11,716
Total Capital Budget	\$14,112