

October 21, 2021

TO: Legal Counsel

News Media

Salinas Californian
El Sol
Monterey County Herald
Monterey County Weekly
KION-TV
KSBW-TV/ABC Central Coast
KSMS/Entravision-TV

The next regular meeting of the **FINANCE COMMITTEE – COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **MONDAY, OCTOBER 25, 2021, AT 12:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B & C AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR BY PHONE OR VIDEO (Visit svmh.com/virtualboardmeeting for Access Information).**

Please note: Pursuant to Executive Order N-25-20 issued by the Governor of the State of California in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado
President/Chief Executive Officer

Committee Members: Richard Turner – Chair; Juan Cabrera – Vice Chair; Pete Delgado – President/Chief Executive Officer; Augustine Lopez – Chief Financial Officer; Clement Miller – Chief Operating Officer; Harry Wardwell – Community Member; Michael Wilson – Community Member; and Tarun Bajaj, M.D. – Medical Staff Member

**FINANCE COMMITTEE MEETING – OCTOBER 2021
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, OCTOBER 25, 2021
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
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AGENDA

1. Approval of Minutes from the Finance Committee Meeting of September 27, 2021 (DELGADO)
 - Motion/Second
 - Action by Committee/Roll Call Vote
2. Review Balanced Scorecard – August 2021 (LOPEZ)
3. Financial and Statistical Review (LOPEZ)
4. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.
5. Closed Session

(See Attached Closed Session Sheet information)
6. Reconvene Open Session/Report on Closed Session
7. Consider Recommendation for Board Approval for Limited Partnership Interest Sale and Purchase Agreement of Vantage Surgery Center, L.P. by and between STM, LLC. and Salinas Valley Memorial Healthcare System (RADNER/HOFFMAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
8. Adjournment – The November 2021 Finance Committee Meeting is scheduled for **Monday, November 15, 2021, at 12:00 p.m.**

Notes: This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

The Committee packet is available at the Committee Meeting, at www.svmh.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

FINANCE COMMITTEE MEETING OF THE BOARD OF DIRECTORS – COMMITTEE OF THE WHOLE

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

- [] **LICENSE/PERMIT DETERMINATION**
(Government Code §54956.7)

Applicant(s): (Specify number of applicants)_____

- [] **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
(Government Code §54956.8)

Property: (Specify street address, or if no street address, the parcel number or other unique reference, of the real property under negotiation): _____

Agency negotiator: (Specify names of negotiators attending the closed session): _____

Negotiating parties: (Specify name of party (not agent): _____

Under negotiation: (Specify whether instruction to negotiator will concern price, terms of payment, or both): _____

- [] **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION**
(Government Code §54956.9(d)(1))

Name of case: (Specify by reference to claimant's name, names of parties, case or claim numbers): _____, or

Case name unspecified: (Specify whether disclosure would jeopardize service of process or existing settlement negotiations): _____

CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION
(Government Code §54956.9)

Significant exposure to litigation pursuant to Section 54956.9(d)(2) or (3) (Number of potential cases): _____

Additional information required pursuant to Section 54956.9(e): _____

Initiation of litigation pursuant to Section 54956.9(d)(4) (Number of potential cases): _____

LIABILITY CLAIMS
(Government Code §54956.95)

Claimant: (Specify name unless unspecified pursuant to Section 54961): _____

Agency claimed against: (Specify name): _____

THREAT TO PUBLIC SERVICES OR FACILITIES
(Government Code §54957)

Consultation with: (Specify name of law enforcement agency and title of officer): _____

PUBLIC EMPLOYEE APPOINTMENT
(Government Code §54957)

Title: (Specify description of position to be filled): _____

PUBLIC EMPLOYMENT
(Government Code §54957)

Title: (Specify description of position to be filled): _____

PUBLIC EMPLOYEE PERFORMANCE EVALUATION
(Government Code §54957)

Title: (Specify position title of employee being reviewed): _____

PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE
(Government Code §54957)

(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

CONFERENCE WITH LABOR NEGOTIATOR
(Government Code §54957.6)

Agency designated representative: (Specify name of designated representatives attending the closed session): _____

Employee organization: (Specify name of organization representing employee or employees in question): _____, or

Unrepresented employee: (Specify position title of unrepresented employee who is the subject of the negotiations): _____

CASE REVIEW/PLANNING
(Government Code §54957.8)

(No additional information is required to consider case review or planning.)

REPORT INVOLVING TRADE SECRET
(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): Trade Secrets/New Programs-Services

Estimated date of public disclosure: (Specify month and year): Not known

HEARINGS/REPORTS
(Government Code §37624.3 & Health and Safety Code §§1461, 32155)

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, or report of quality assurance committee):

CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW (Government Code §54956.86)

(No additional information is required to discuss a charge or complaint pursuant to Section 54956.86.)

ADJOURN TO OPEN SESSION

**MINUTES OF THE SEPTEMBER 2021 FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, SEPTEMBER 27, 2021
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
(Visit svmh.com/virtualboardmeeting for Access Information)**

Pursuant to Executive Order N-25-20 issued by the Governor of the State of California in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present: Richard Turner, Chair; Juan Cabrera, Vice Chair; Michael Wilson by teleconference, Pete Delgado, Harry Wardwell, Clement Miller, Augustine Lopez and Orlando Rodriguez, MD, in person.

Other Board Members Present, Constituting Committee of the Whole: Joel Hernandez Laguna, in person and Regina Gage by teleconference, constituting Committee of the Whole.

Also Present: Jeff Wardwell, Judi Melton, Natalie James, Scott Cleveland, Tiffany Arguelles, Nathan Constant, Ellen Gallagher Parsons, Denise Bustos, Rosalia Madrigal, Alan Edwards, in person; Michelle Childs, Audrey Parks, Renee Jaenicke, Allen Radner, MD, by teleconference.

A quorum was present and the meeting was called to order at 12:02 p.m. by Richard Turner, Committee Chair.

**APPROVAL OF MINUTES FROM THE FINANCE COMMITTEE MEETING OF
AUGUST 23, 2021**

Pete Delgado, President/Chief Executive Officer, recommended the Finance Committee approve the minutes of the Finance Committee Meeting of August 23, 2021. This information was included in the Committee packet.

No Public Comment.

MOTION: The Finance Committee approves the minutes of the Finance Committee Meeting of August 23, 2021, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

FINANCIAL AND STATISTICAL REVIEW

Augustine Lopez, Chief Financial Officer, provided a financial and statistical performance review for the month ending August 31, 2021. Information was included in the Committee packet.

Key highlights of the financial summary for August were: (1) consolidated income from operations was \$6.1 million with an operating margin of 10.3%, total normalizing items, net was \$1 million; (2) inpatient surgeries consistently above budget (3) Medicare Case Mix Index were higher than expected; (4) SVMH gross revenues were favorable to budget; (6) payor mix was unfavorable to budget; (7) total normalized net patient revenues were \$49.5 million, which was favorable to budget by \$3.8 million or 8.3%; (8) stronger than expected patient volumes in infusion therapy, cardiology, radiology and other outpatient services, (9) ER outpatient visits, total admissions, and inpatient surgeries were above budget; (10) outpatient observations cases, outpatient surgeries, average daily census and deliveries were below budget; (11) total acute average length of stay and Medicare traditional average length of length of stay CMI was favorable to budget; (12) worked FTEs were on target and paid FTEs were unfavorable to budget; (13) open positions are being evaluated for the need to replace and to the extent of possible, being filled by shifting staff between departments as attrition occurs in order to align

staffing to reduced volumes. (14) days cash on hand is 372 days; and (15) routine capital expenditures for the month of August totaled \$840,566.

Mr. Lopez commented on the favorable collections on older aged commercial accounts and the continued effective management on length of stay for all payors, despite higher acuity levels. There was a discussion among the Committee regarding cash collections on older aged commercial accounts and labor productivity.

The case mix index for all discharges (with and without COVID) based on discharges for September 2020 thru August 2021 was also reviewed. There were 46 COVID-19 admissions for the month of August. COVID-19 inpatient cases increased during August compared to prior month.

The number of cases for the month of August 2021 for Inpatient Surgery Cases, Outpatient Surgery Cases, ER Outpatient Visits, Outpatient Infusion Service Line and Cardiac Diagnostic Outpatient Center (CDOC) were also presented.

Mr. Delgado gave kudos for reducing the length of stay and flexing of labor and supply. Mr. Turner, Committee Chair, thanked Mr. Lopez for the report.

PUBLIC INPUT

None.

CLOSED SESSION

Richard Turner, Chair, announced that the item to be discussed in Closed Session is *Reports Involving Trade Secret – Trade Secrets/New Programs-Services Hearings/ Reports*. The meeting was recessed into Closed Session under the Closed Session protocol at 12:20 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 12:59 p.m. Richard Turner reported that in Closed Session, the Committee discussed: *Reports Involving Trade Secret – Trade Services/New Programs-Services*. No action was taken in the Closed Session.

Richard Turner, Committee Chair, shared that it has come to his attention that today is Dr. Orlando Rodriguez's last day as the medical staff member for the Finance Committee. Mr. Turner thanked him for his service.

Dr. Rodriguez, shared that Dr. Tarun Bajaj will be assuming this role of medical staff member for the Finance Committee next month.

ADJOURNMENT

There being no other business, the meeting was adjourned at 1:00 p.m. The October 2021 Finance Committee Meeting is scheduled for **Monday, October 25, 2021 at 12:00 p.m.**

Richard Turner
Chair, Finance Committee

/rm

SVMH
Balanced Scorecard









FY 2022 YTD August

Monthly Scorecard

Service (30%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %		FY 2021 Baseline	
I. Service								
Average of Inpatient HCAHPS Scores	72.4	78.8	75.6	75.1	0.7%		74.6	
Emergency Room Press Ganey Score (*)	60.6	58.2	59.4	64.8	-8.4%		61.4	
Average of Ambulatory HCAHPS Scores	88.0	91.3	89.7	91.6	-2.1%		91.1	

Notes / Assumptions:

- Source: Press Ganey
- Based on monthly **received date**
- Based on top box scores (highest response possible on the survey scale: Yes, Definitely Yes, Always)
- IP HCAHPS Score FY 2021 Baseline was 74.6. Rationale: Baseline = Threshold is based on FY 2021 Actuals. Target is +0.5 from baseline. Max is +1.0 from baseline.
- ER HCAHPS Score FY 2021 Baseline was 61.4. Rationale: Baseline = Threshold is based on FY 2021 Actuals. The Target at 64.8 is the midpoint between Threshold & Max. The Max Goal at 68.27 is the 50th percentile rank.
(* **Measurement period will be Quarter 4 for Fiscal Year 2022.**)
- Ambulatory HCAHPS Score FY 2021 Baseline was 91.1. Rationale: Baseline = Threshold is based on FY 2021 Actuals. Target is +0.5 from baseline. Max is +1.0 from baseline.

Monthly Scorecard

Quality & Safety Processes – ER (8%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
Emergency Room Efficiencies						
Median length of stay for non-admits (in minutes)	171.0	162.0	166.0	162.0	-2.5%	163.0
Median time from admit decision to time of admission to nursing unit (in minutes)	81.0	79.0	81.0	89.0	9.0%	90.0



Source: Meditech

ER - LOS for Non-Admits in Minutes: Data Criteria: Calculate the median LOS in minutes for ER Outpatients for each month & YTD for cases in ER (excludes inpatients and patients leaving against medical advice or left without being seen.) Rationale: Baseline = Threshold is based on FY 2021 Actuals. The Target is a 1 minute improvement from the Baseline, and the Max is a 2 minute improvement from the Baseline.

ER - Time to Admit in Minutes: Data Criteria: Calculate the median time for inpatients from admit decision to time of admission to nursing unit in minutes (includes observation cases). Rationale: Baseline = Threshold is based on FY 2021 Actuals. The Target is a 1 minute improvement from the Baseline, and the Max is a 2 minute improvement from the Baseline.

Monthly Scorecard

Quality & Safety Processes – OR (8%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
Operating Room Efficiencies						
Turnover Time (Wheels out / Wheels in) (in minutes)	28.2	27.5	27.8	29.5	5.7%	29.6
Percentage of 1st Case On Time Start Time	93.3%	97.7%	95.5%	89.0%	7.3%	91.6%



Turnover Time Measurement: Source is from the PICIS OR Nurse Record, calculate minutes elapsed between the wheels out & wheels in of the next case. Only cases where the time difference is less than or equal to 60 minutes will be included because breaks are often scheduled in a day. Due to MD availability, cases that exceed 60 threshold minutes will not count as a turnover. Excludes non-scheduled cases. Measurement applies to cases for the same physician and same room only. Data will be partitioned by actual date rather than previously scheduled date. **National benchmarks range from 25 to 38 minutes.** FY 2022 Goals are the same as prior year to continue high efficiency performance and strive to maintain sustainability at these levels. Planning to reduce minutes may cause patient safety risks and other concerns, especially considering the Covid-19 ongoing pandemic and the impact it has had in our hospital capacity as well as in our perioperative operations.

Percentage of 1st case On Time Start Time

- Source is from PICIS for 1st scheduled case of the day in each OR room where the scheduled time is between 07:00 AM and 08:59 AM
- Cases in which the patient is Wheeled In at least zero minutes prior to the case
- **National benchmark goals range from 70% to 80%**
- FY 2022 Goals are the same as prior year to continue high efficiency performance and strive to maintain sustainability.

Monthly Scorecard

Quality & Safety Processes – HAC & Hand Hygiene(4%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
Hospital Acquired Conditions						
CLABSI SIR (Standard Infection Ratio)			-	0.30		0.11
# of CLABSI EVENTS			-			1
CAUTI SIR (Standard Infection Ratio)			-	0.47		0.57
# of CAUTI EVENTS			-			5
CDI SIR (Standard Infection Ratio)			-	0.45		0.19
# of CDI EVENTS			-			4
Hospital Acquired Conditions Average			-	0.41		0.29
Hand Hygiene (Percentage of successful Hand Hygiene observations)	80.1%	79.7%	79.9%	75.0%	6.5%	78.0%

Hospital Acquired Conditions

- > Source: National Healthcare Safety Network (NHSN) & Medline Interface
- > Hospital Acquired Conditions will be measured **quarterly**
- > **Rationale for Targets:** The FY 2022 Target (0.41) is set to be an improvement from the prior year target (0.49)
- > Acronyms:
 1. CLABSI (Central Line Associated Bloodstream Infection)
 2. CAUTI (Catheter Associated Urinary Tract Infection)
 3. CDI (Clostridium Difficile Infection)

Hand Hygiene

- > Source: MyRounding Tool populated by SVMHS staff / leaders direct observations
- > Hand Hygiene will be measured **monthly**
- > **Rationale for Targets:** Improve Hand Hygiene performance and meet recommended metrics by Leapfrog and JC/CMS

Monthly Scorecard

Finance (20%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
IV. Finance						
Income from Operations (Normalized) (\$ in Millions)	\$7,939	\$8,298	\$97,420	\$68,853	41.5%	\$86,392
Operating Margin (Normalized)	16.3%	16.5%	16.4%	12.5%	31.2%	15.1%

- Target Methodology is based on SVMH's 100% of FY 2022 Board Approved Annual Operating Budget

Monthly Scorecard

Growth (10%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
V. Growth						
Increase % of patients adopting of EPIC MyChart to →	37.1%	37.6%	37.6%	40.0%	-6.0%	36.5%
Implement eConsult in a Number of Specialties	0	0	0	2	-100.0%	-
eConsult Patient Utilization	0	0	0	100	-100.0%	-



- **I. MyChart adoption for SVMC:** Source is the EPIC SVMC system. Increasing from 36.5% to 40% - this continues to be a significant focus as we expand functionality for patient engagement and develop MyChart as our digital front door for the clinic. Measurement will be based on 12 months ending June 30, 2022. Monthly reporting will be based on a rolling 12 month period.
- **II. & III. SVMC eConsult development (Number of Specialties & Patient Volume):** Source is the EPIC SVMC system. Increasing access to specialty services by providing a mechanism for our specialty care physicians to support primary care through electronic consults facilitated through Epic. Primary care MDs submit specified data to a specialist through Epic and receive a plan/recommendation for care that they can implement or the specialist will request to see the patient. The first specialty we are targeting is **Dermatology**, followed by **Orthopedics** and **Cardiology**. The functionality exists in Epic to support the workflows but it will require program and protocol development that we will begin in the next several weeks.

Monthly Scorecard

Community (5%)



Organizational Goals by Pillar	Jul-21	Aug-21	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
VI. Community						
Improve the patient experience and increase access to hospital services as measured by the number of hospital-based clinical departments that accommodate online appointment scheduling			0	2	-100.0%	-



Targeted Goals for online based scheduling:

- Creation/adaptation of technology tailored to the needs of the SVMHS department that is implementing online scheduling
- Successful implementation and launch of system
- Marketing campaign regarding the ability to schedule appointments online
- Ongoing monitoring of system
- Monthly reporting on usage rates, customer satisfaction, and other data collected by the system
- Source is based on management reporting of final results for each clinical department



Organizational Goals by Pillar		FY 2022 Act/Proj	TARGET	Var %		FY 2021 Baseline	
30%	I. Service						
	Average of Inpatient HCAHPS Scores	75.6	75.1	0.7%	☀️	74.6	☀️
	Emergency Room Press Ganey Score	59.4	64.8	-8.4%	☁️	61.4	☁️
	Average of Ambulatory HCAHPS Scores	89.7	91.6	-2.1%	☁️	91.1	☁️
15%	II. People						
	Annual Employee Indicator Survey	-	4.39		❓	4.36	❓
20%	III. Quality & Safety Processes						
	Emergency Room Efficiencies						
	Median length of stay for non-admits (in minutes)	166.0	162.0	-2.5%	☁️	163.0	☁️
	Median time from admit decision to time of admission to nursing unit (in minutes)	81.0	89.0	9.0%	☀️	90.0	☀️
	Operating Room Efficiencies						
	Turnover Time (Wheels out / Wheels in) (in minutes)	27.8	29.5	5.7%	☀️	29.6	☀️
	Percentage of 1st Case On Time Start Time	95.5%	89.0%	7.3%	☀️	91.6%	☀️
	Hospital Acquired Conditions Average						
	Hand Hygiene (Percentage of successful Hand Hygiene observations)	79.9%	75.0%	6.5%	☀️	78.0%	☀️
	20%	IV. Finance					
Income from Operations (Normalized) (\$ in Millions)		\$97,420	\$68,853	41.5%	☀️	\$86,392	☀️
Operating Margin (Normalized)		16.4%	12.5%	31.2%		15.1%	
10%	V. Growth						
	Increase % of patients adopting of EPIC MyChart to →	37.6%	40.0%	-6.0%	☁️	36.5%	☀️
	Implement eConsult in a Number of Specialties	0	2	-100.0%	☁️	-	
	eConsult Patient Utilization	0	100	-100.0%	☁️	-	
5%	VI. Community						
	Improve the patient experience and increase access to hospital services as measured by the number of hospital-based clinical departments that accommodate online appointment scheduling	0	2	-100.0%	☁️	-	

Questions / Comments?



Financial Performance Review

September 2021

Augustine Lopez
Chief Financial Officer



Consolidated Financial Summary

For the Month of September 2021

Profit/Loss Statement

\$ in Millions	For the Month of September 2021					
			Variance fav (unfav)			
	Actual	Budget	\$VAR	%VAR		
Operating Revenue	\$ 55.4	\$ 52.1	\$ 3.3	6.3%		
Operating Expense	\$ 52.5	\$ 50.8	\$ (1.7)	-3.3%		
Income from Operations*	\$ 2.9	\$ 1.3	\$ 1.6	123.1%		
<i>Operating Margin %</i>	5.1%	2.6%	2.5%	96.15%		
Non Operating Income**	\$ 0.6	\$ 1.1	\$ (0.5)	-45.5%		
Net Income	\$ 3.5	\$ 2.4	\$ 1.1	45.8%		
<i>Net Income Margin %</i>	6.1%	4.7%	1.4%	29.8%		

*** Income from Operations includes:**

\$0.5M AB113 Intergovernmental Transfer Payment (FY 19-20)

\$0.5M Total Normalizing Items, Net

**Unfavorable variance in non-operating income is predominantly due to lower than expected returns on investments

Consolidated Financial Summary

For the Month of September 2021 - Normalized Profit/Loss Statement

\$ in Millions	For the Month of September 2021					
			Variance fav (unfav)			
	Actual	Budget	\$VAR	%VAR		
Operating Revenue	\$ 54.9	\$ 52.1	\$ 2.8	5.4%		
Operating Expense	\$ 52.5	\$ 50.8	\$ (1.7)	-3.3%		
Income from Operations	\$ 2.4	\$ 1.3	\$ 1.1	84.6%		
<i>Operating Margin %</i>	4.2%	2.6%	1.6%	61.5%		
Non Operating Income	\$ 0.6	\$ 1.1	\$ (0.5)	-45.5%		
Net Income	\$ 3.0	\$ 2.4	\$ 0.6	25.0%		
<i>Net Income Margin %</i>	5.3%	4.7%	0.6%	12.8%		

Consolidated Financial Summary

Year-to-Date September 2021

Profit/Loss Statement

\$ in Millions	FY 2021 YTD September			
			Variance fav (unfav)	
	Actual	Budget	\$VAR	%VAR
Operating Revenue	\$ 170.8	\$ 158.7	\$ 12.1	7.6%
Operating Expense	\$ 157.4	\$ 155.1	\$ (2.3)	-1.5%
Income from Operations*	\$ 13.4	\$ 3.6	\$ 9.8	272.2%
<i>Operating Margin %</i>	7.9%	2.3%	5.6%	243.5%
Non Operating Income	\$ 3.1	\$ 3.3	\$ (0.2)	-6.1%
Net Income**	\$ 16.5	\$ 6.9	\$ 9.6	139.1%
<i>Net Income Margin %</i>	9.7%	4.3%	5.4%	125.6%

*** Income from Operations includes:**

\$0.5M AB113 Intergovernmental Transfer Payment (FY 19-20)

\$0.5M Total Normalizing Items, Net

**Unfavorable variance in non-operating income is predominantly due to lower than expected returns on investments

Consolidated Financial Summary

Year-to-Date September 2021 - Normalized

Profit/Loss Statement

\$ in Millions	FY 2021 YTD September				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 170.2	\$ 158.7	\$ 11.5	7.2%	
Operating Expense	\$ 157.4	\$ 155.1	\$ (2.3)	-1.5%	
Income from Operations	\$ 12.8	\$ 3.6	\$ 9.2	255.6%	
<i>Operating Margin %</i>	7.6%	2.3%	5.3%	230.4%	
Non Operating Income	\$ 3.1	\$ 3.3	\$ (0.2)	-6.1%	
Net Income	\$ 15.9	\$ 6.9	\$ 9.0	130.4%	
<i>Net Income Margin %</i>	9.4%	4.3%	5.1%	118.6%	

Favorable results due to:

- Higher than expected **Medicare Case Mix Index** (1.9)
- Favorable collections on older aged commercial accounts
- Continued effective management on **length of stay** for all payors, despite higher acuity levels
- Stronger than expected **outpatient volumes** in infusion therapy, cardiology, radiology, and various other ancillary services (CT Scan, MRI, Cath Lab, Mammography)
- Cost Savings Initiative: **Overall effective management of labor productivity** on a departmental unit of service basis

SVMH Financial Highlights September 2021

Gross
Revenues
were
favorable

- **Gross Revenues** were **6% favorable** to budget
- **IP gross revenues** were **1% unfavorable** to budget
 - **ED gross revenues** were **43% above** budget
 - **OP gross revenues** were **6% favorable** to budget in the following areas:
 - Infusion Therapy
 - Other OP Pharmacy
 - Cardiology
 - Radiology
 - Other OP Services

- **Commercial: 1% above** budget
- **Medicaid: 9% above** budget
- **Medicare: 9% above** budget

Payor Mix -
unfavorable
to
budget

Total Normalized
Net Patient
Revenues were
\$46.0M, which was
favorable to
budget by \$1.4M
or 3.1%

COVID Inpatient Discharge Cases Payor Mix Analysis October 2020 thru September 2021

Payor	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	July 21	Aug 21	Sep 21
Medicare	21	36	105	150	50	9	2	2	1	1	10	11
Medi-Cal	22	28	62	84	23	12	1	2	8	3	19	11
Commercial	10	27	48	53	13	5	5	2	1	9	14	10
Other	2	2	7	2	3	1	1			1	3	1
Grand Total	55	93	222	289	89	27	9	6	10	14	46	33

COVID Inpatient cases decreased during September compared to prior month.

Note: COVID Criteria is based on any DX U07.1 diagnosis code

Financial Summary – September 2021



1) Strong Outpatient business:

- Stronger than expected patient volumes in Infusion Therapy, Cardiology, Radiology, and Other Outpatient Services

2) ER Outpatient visits were above budget by 49% (1,385 visits)

3) Total admissions were 6 admits above budget

- ER admissions were 7% below budget (43 admits)
- ER admissions (including OB ED) were 80% of total acute admissions

4) Total Acute ALOS was 4% favorable at 4.0 vs 4.2 days budgeted

5) Deliveries were 9% (13 deliveries) above budget at 153



6) Lower than expected Inpatient business:

- Average daily census was at 111, 3% below budget of 115

7) Inpatient Surgeries were 6% (7 cases) below budget at 126

8) Outpatient Surgeries were 21% (63 cases) below budget

9) OP Observation cases were 20% (30 cases) above budget at 180

10) Medicare Traditional ALOS CMI adjusted 1% unfavorable at 2.5 days with a Case Mix Index of 1.9

CMI – All Discharges (with & without COVID)

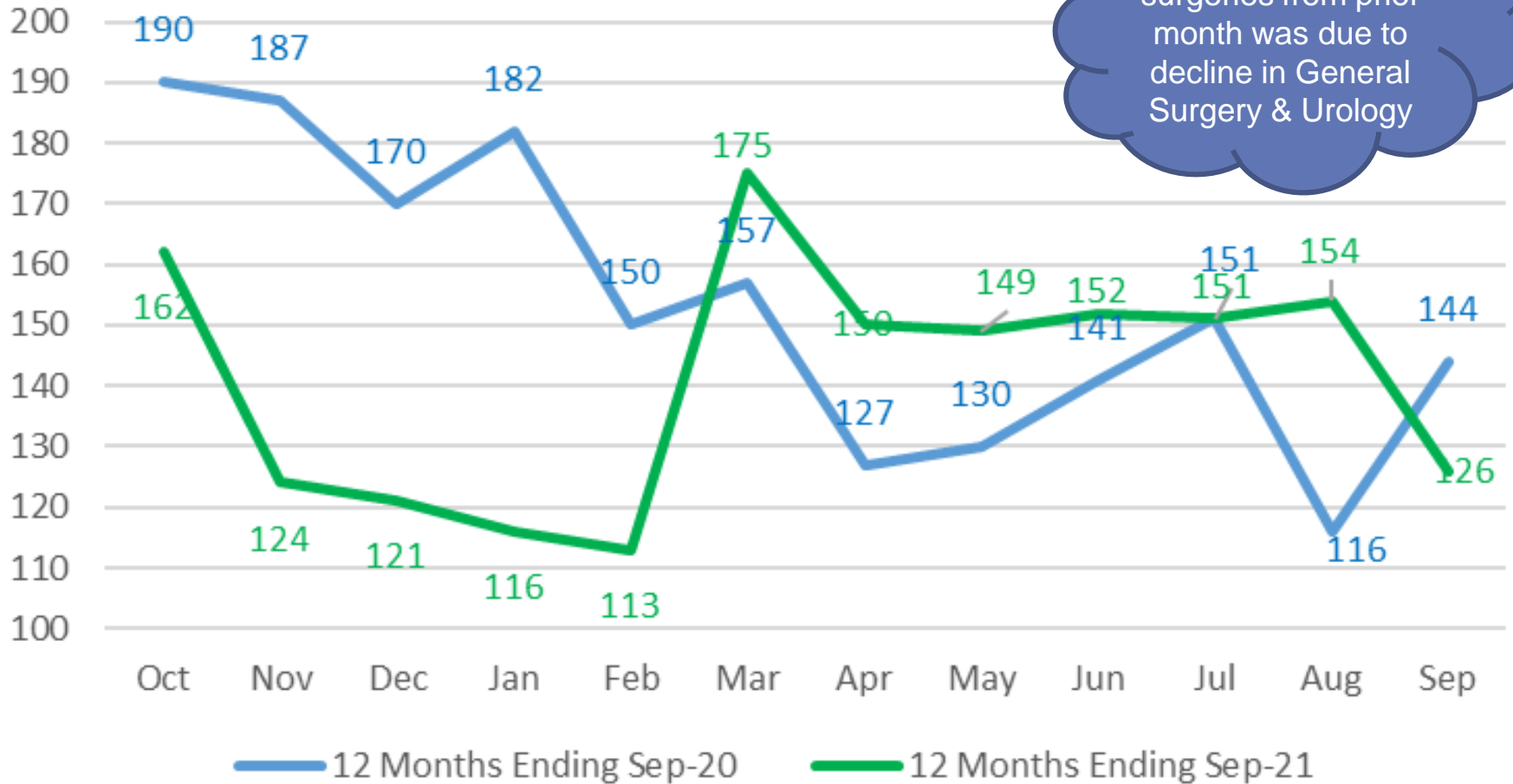
Based on Discharges

October 2020 thru September 2021

All Payors Month	All Discharges				COVID Discharges Only				Discharges Excluding COVID			
	All Payor CMI	Discharges	ADC	ALOS	All Payor CMI	Discharges	ADC	ALOS	All Payor CMI	Discharges	ADC	ALOS
10/31/2020	1.64	864	115	4.1	2.39	55	13	7.5	1.59	809	102	3.9
11/30/2020	1.76	784	110	4.2	2.32	93	18	5.7	1.68	691	92	4.0
12/31/2020	1.76	853	121	4.4	2.15	222	45	6.2	1.62	631	77	3.8
1/31/2021	1.81	890	139	4.8	2.33	289	65	7.0	1.56	601	74	3.8
2/28/2021	1.77	767	119	4.4	2.36	89	27	8.4	1.70	678	92	3.8
3/31/2021	1.74	875	116	4.1	3.11	27	11	12.8	1.69	848	105	3.8
4/30/2021	1.59	824	104	3.8	1.92	9	1	3.7	1.59	815	103	3.8
5/31/2021	1.70	816	100	3.8	2.19	7	1	5.1	1.69	809	99	3.8
6/30/2021	1.64	826	100	3.6	2.04	10	2	5.9	1.63	816	98	3.6
7/31/2021	1.66	892	108	3.8	2.04	14	2	3.4	1.65	878	107	3.8
8/31/2021	1.67	867	107	3.8	2.12	46	8	5.4	1.64	821	99	3.7
9/30/2021	1.59	843	109	3.9	2.88	33	13	11.5	1.54	810	96	3.6
Total	1.69	10,101	112	4.1	2.32	894	17	7.0	1.63	9,207	95	3.8

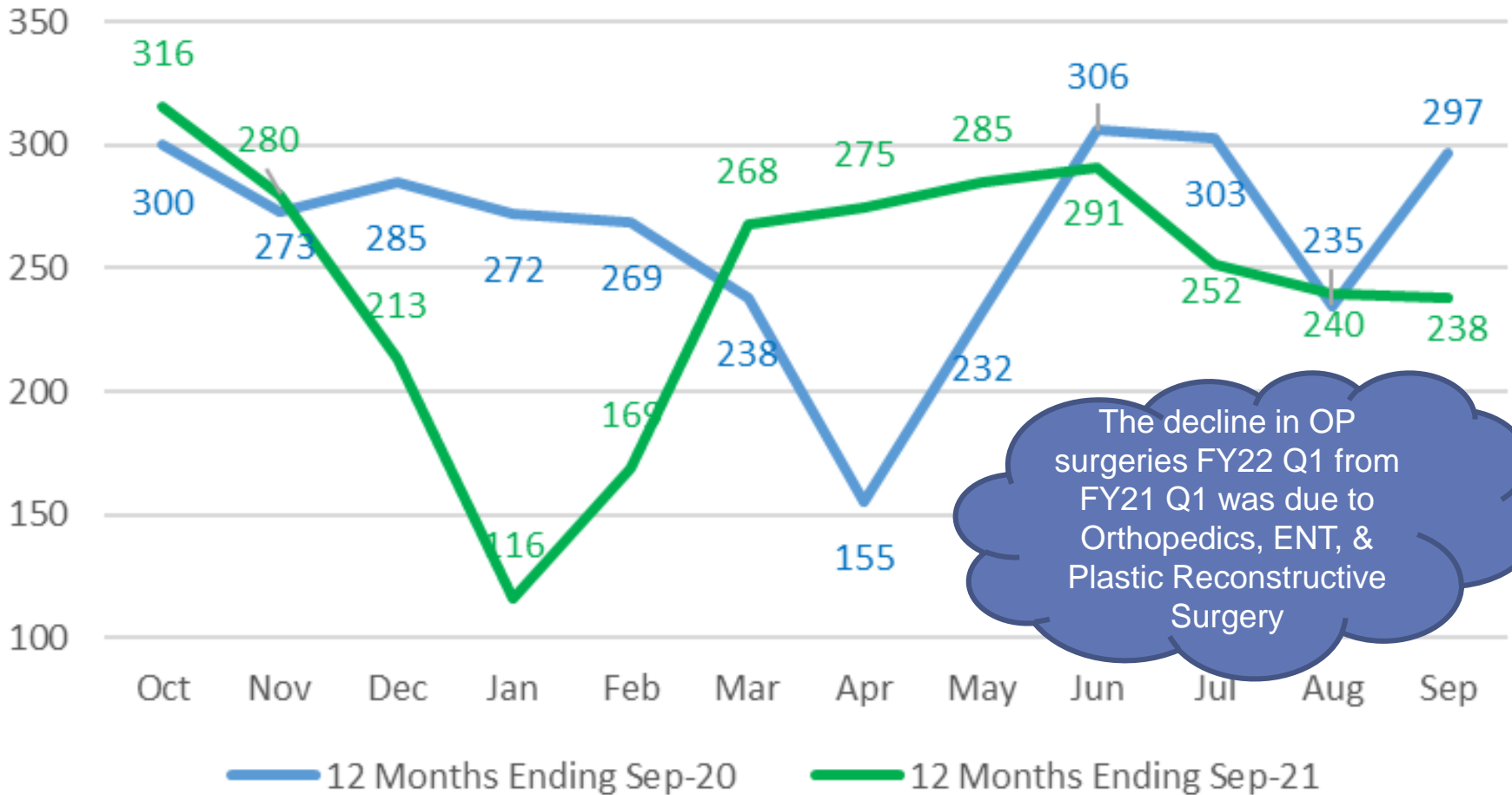
IP Surgery Cases – September 2021

IP Surgery Cases



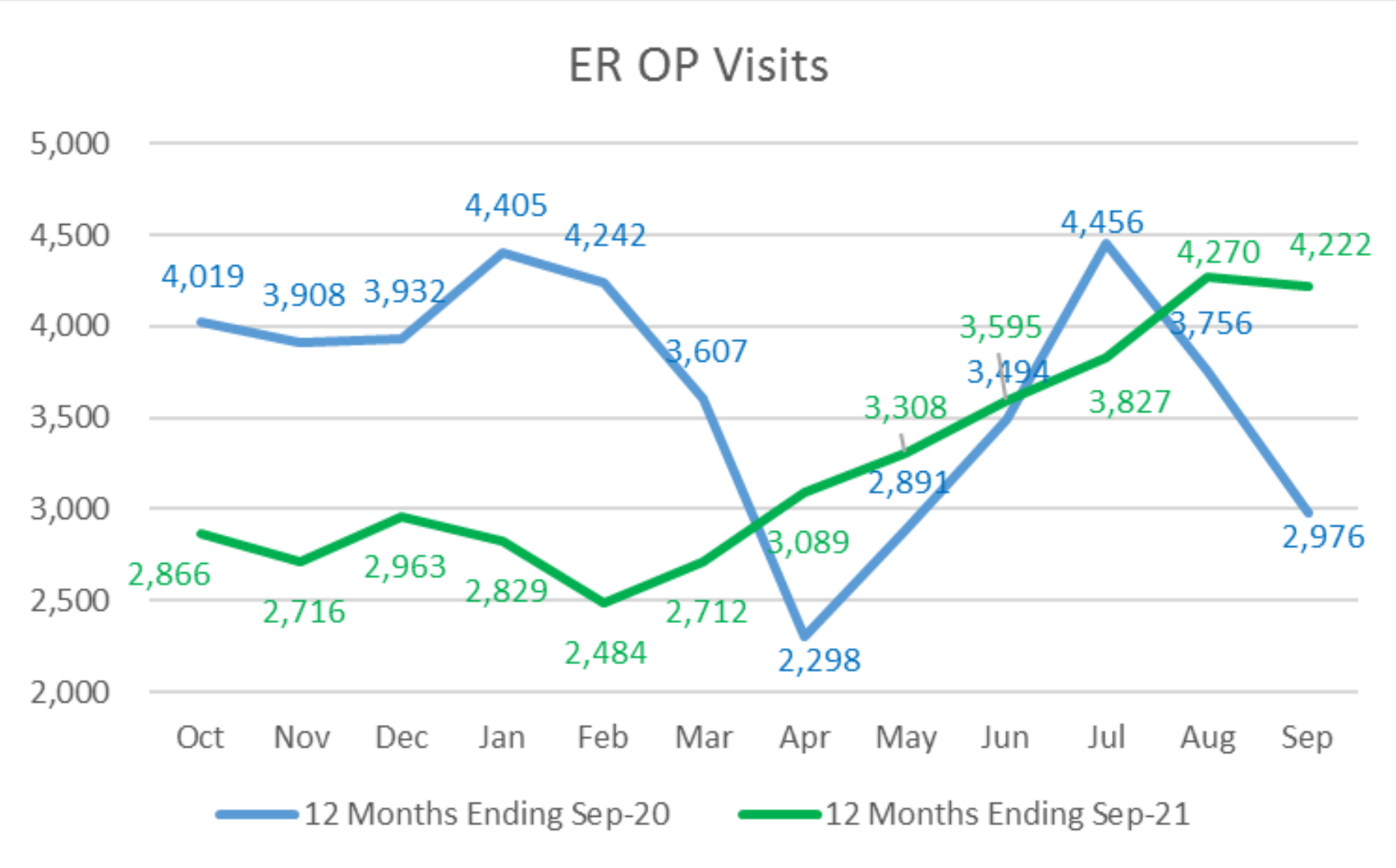
OP Surgery Cases – September 2021

OP Surgery Cases



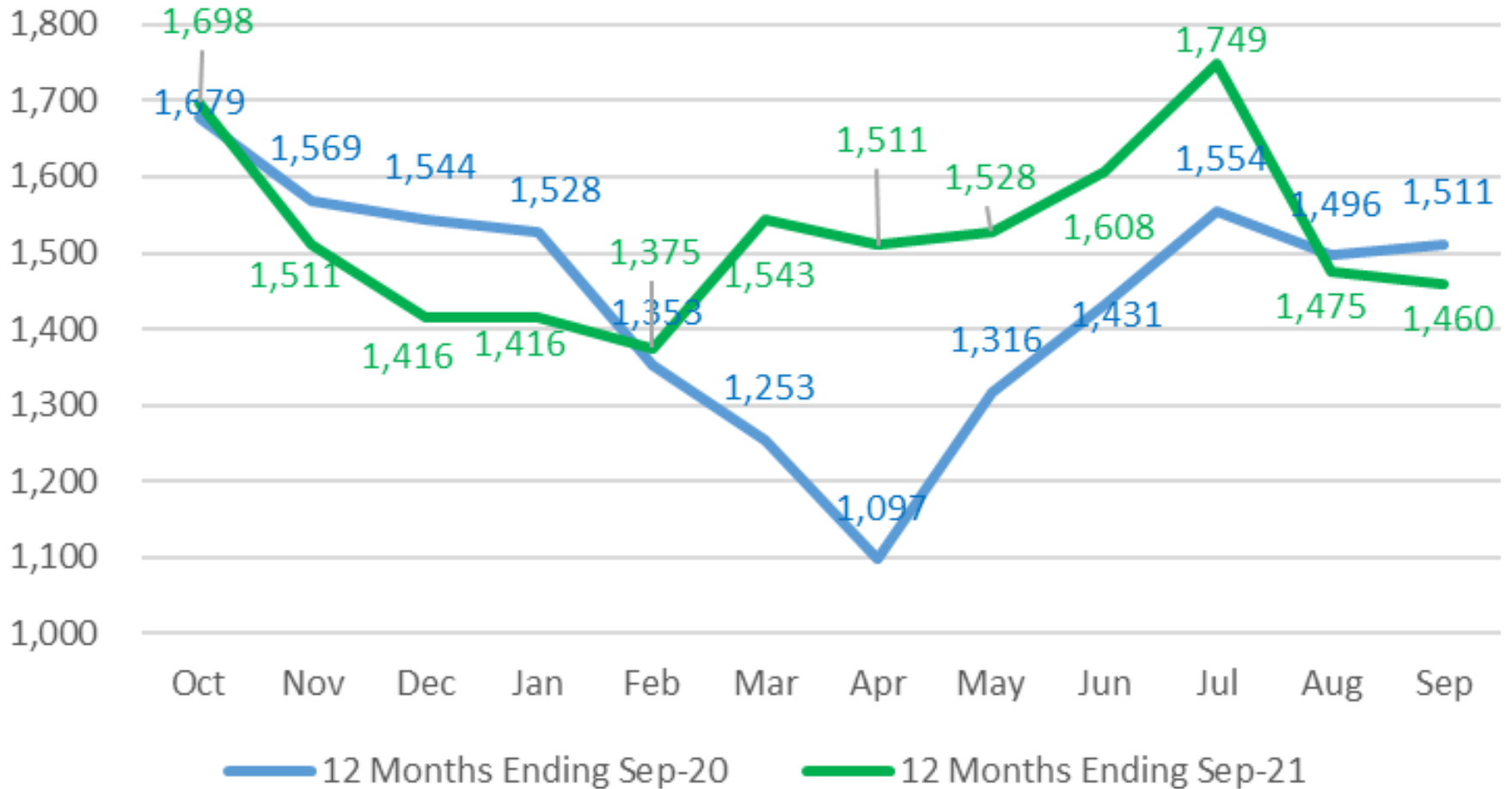
The decline in OP surgeries FY22 Q1 from FY21 Q1 was due to Orthopedics, ENT, & Plastic Reconstructive Surgery

ER OP Visits – September 2021

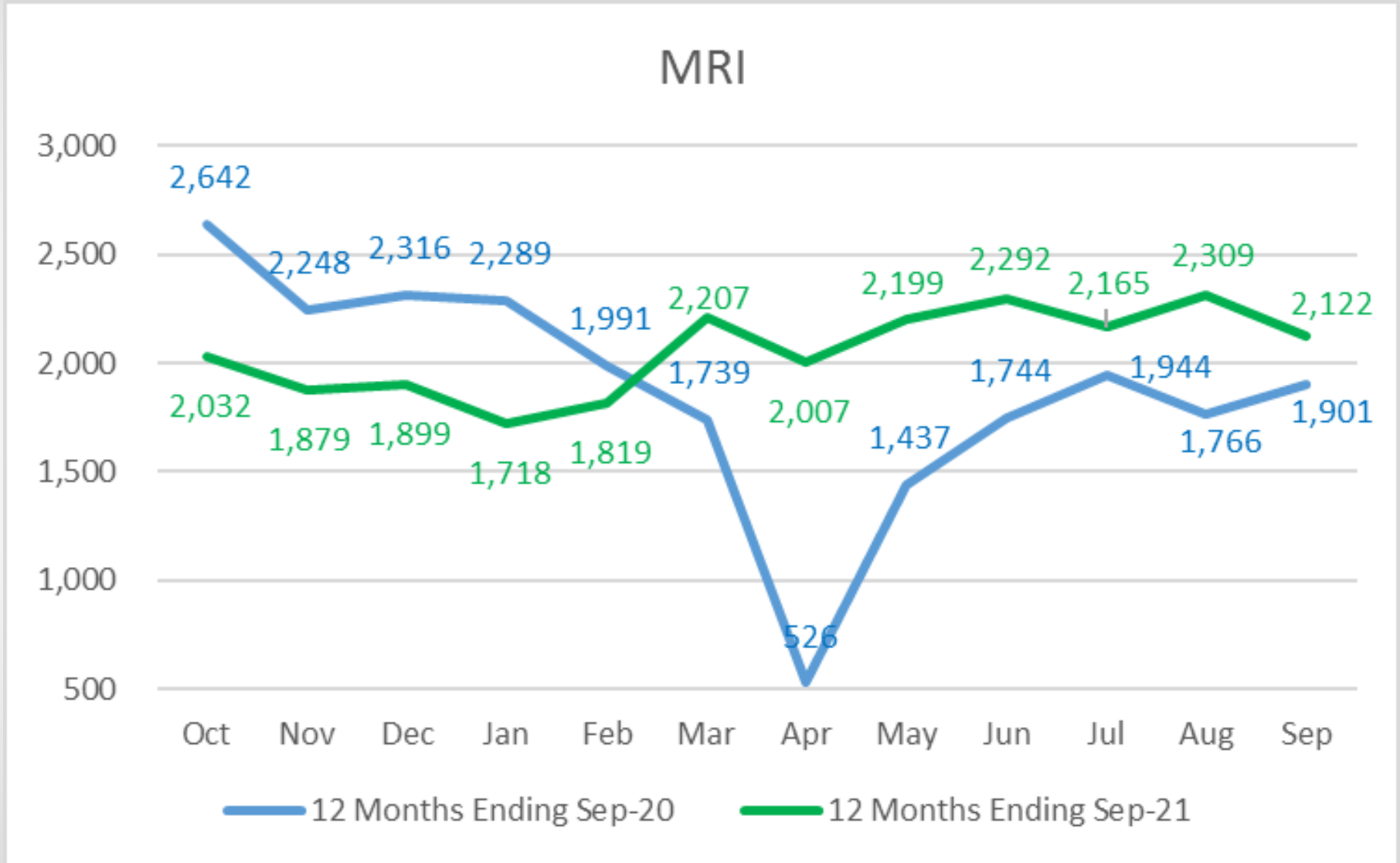


CT Scan Cases – September 2021

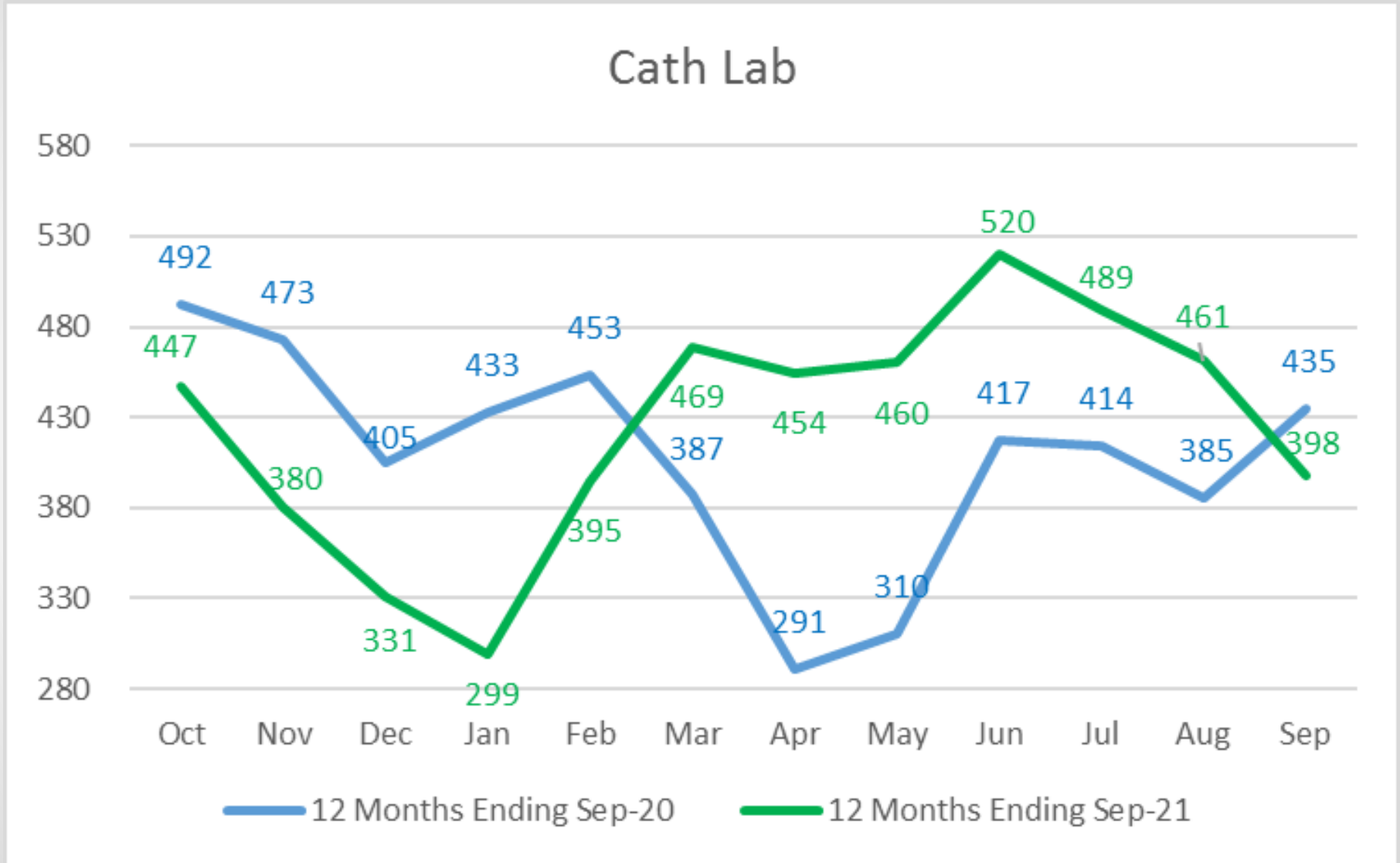
CT Scan



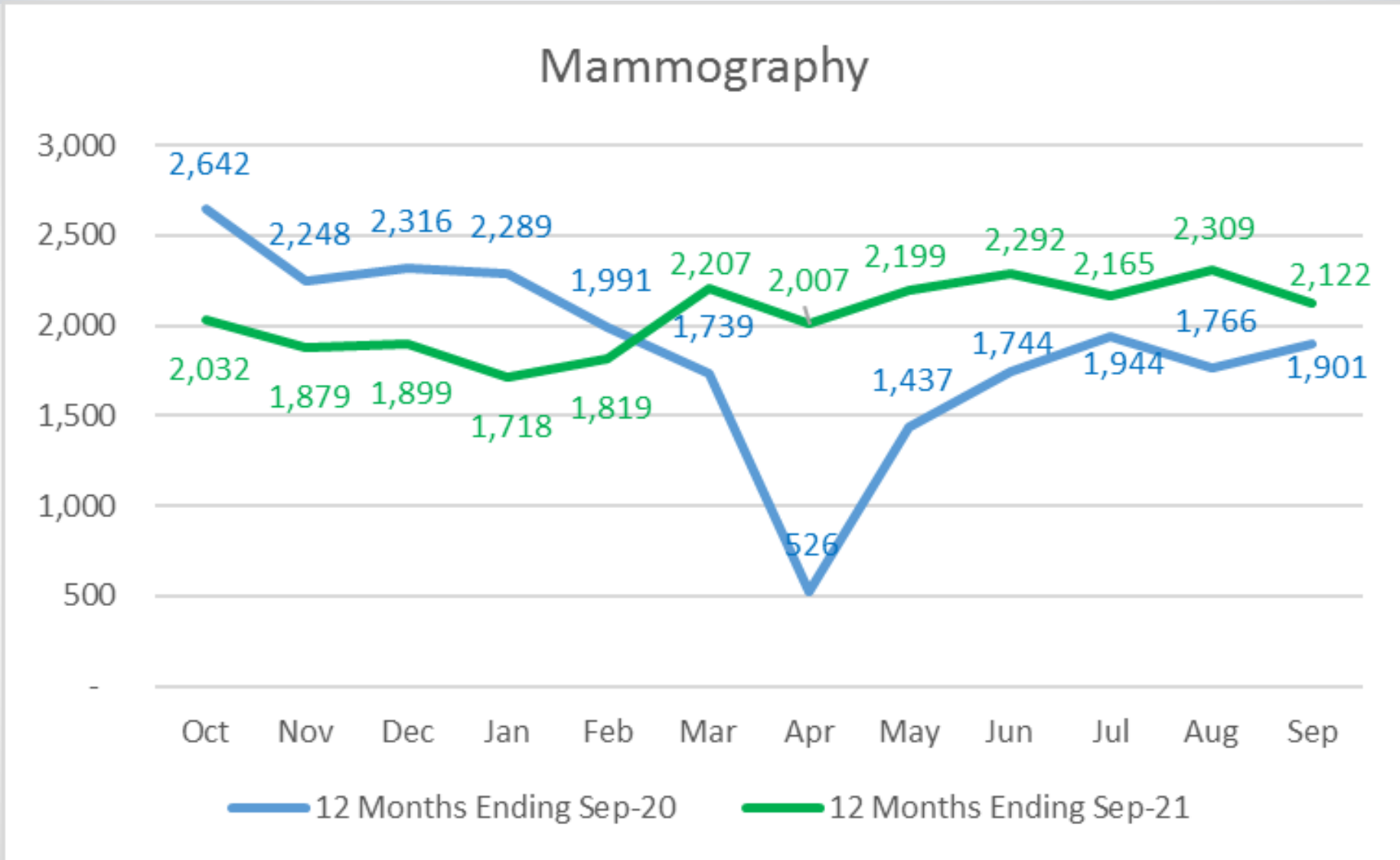
MRI – September 2021



Cath Lab – September 2021

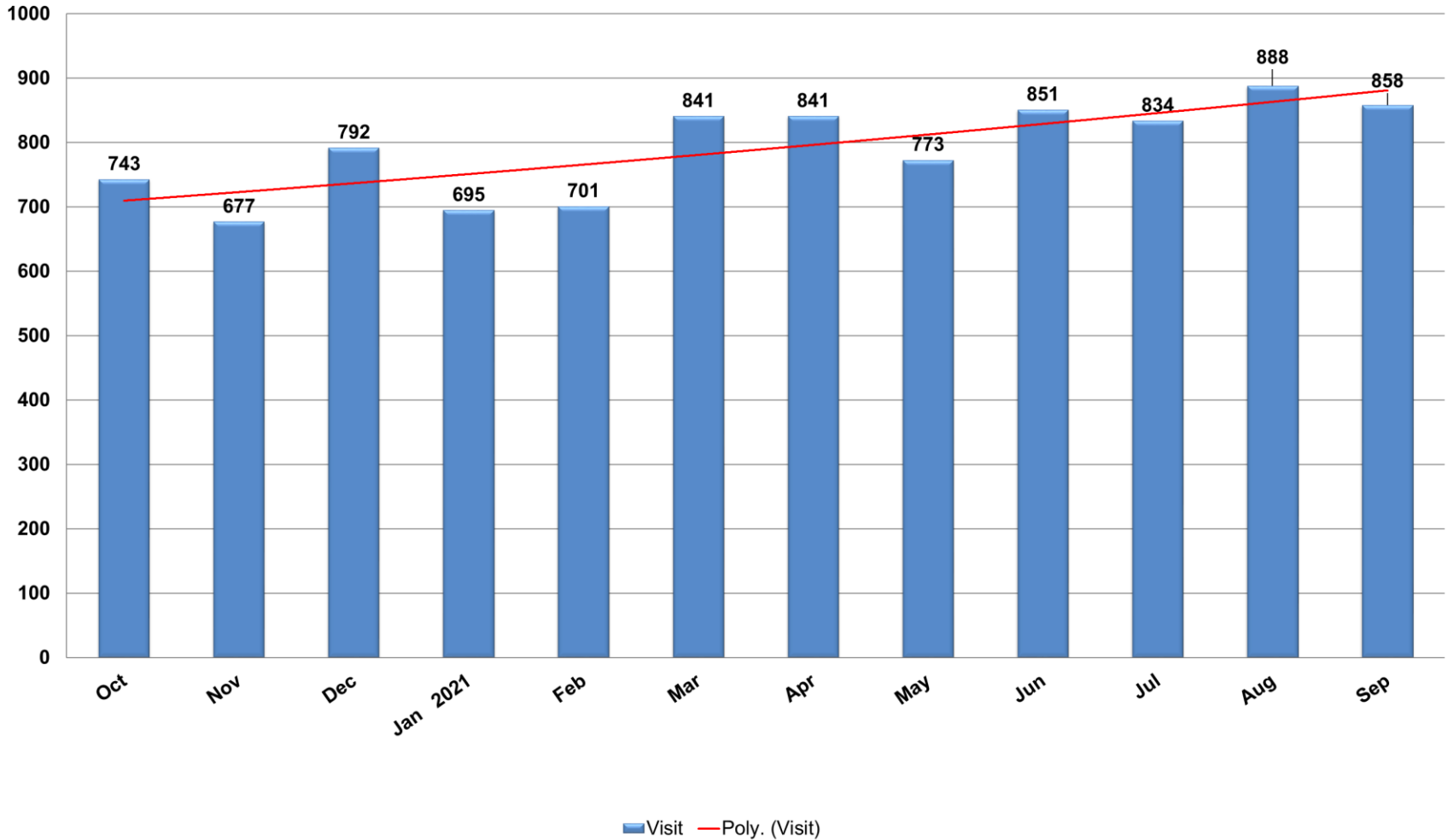


Mammography – September 2021



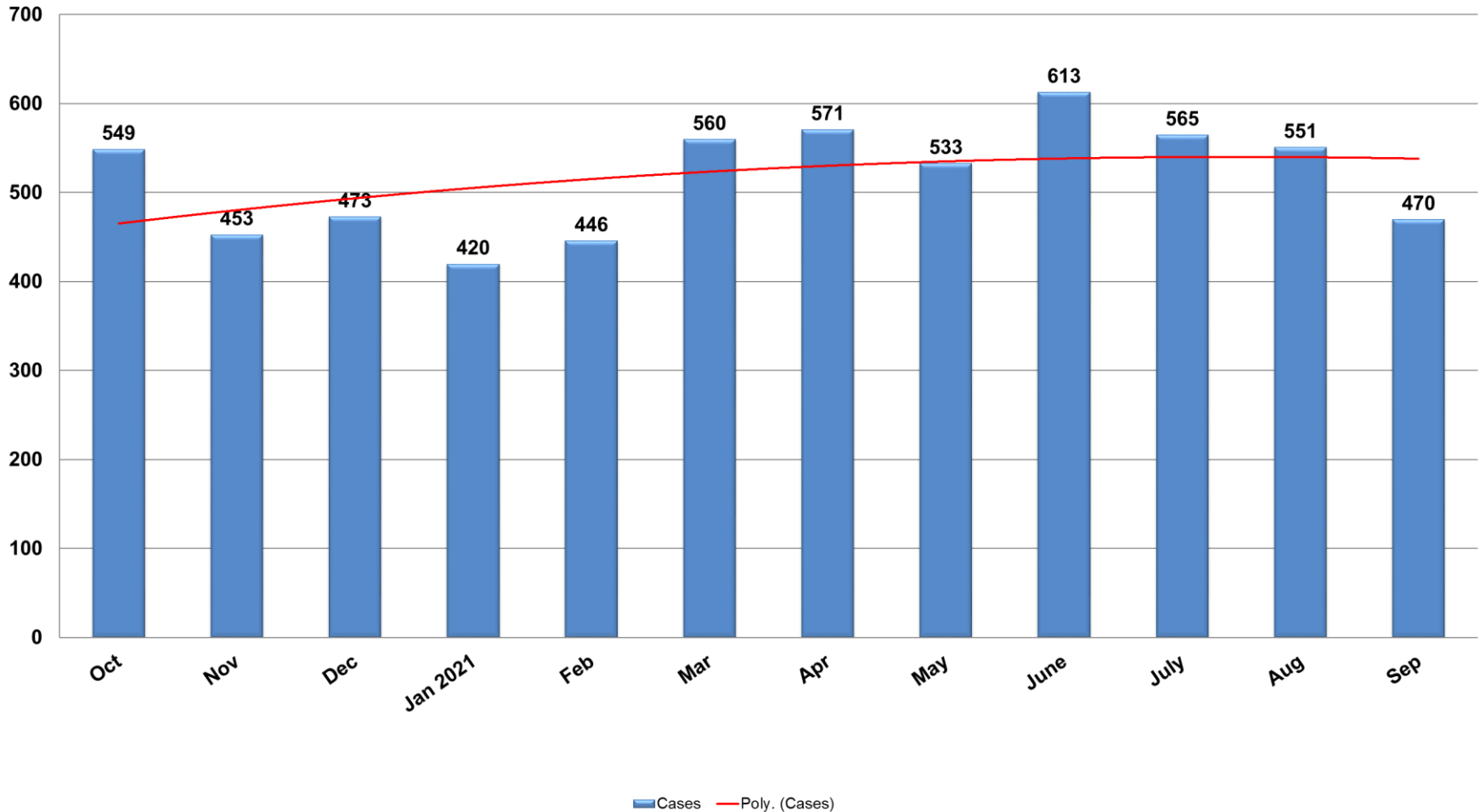
OP Infusion Service Line

OP Infusion - Rolling 12 Month Trend
(Includes Botox)
Oct 2020 thru Sep 2021



Cardiac Diagnostic O/P Center (CDOC)

CDOC Cases - Rolling 12 Month Trend
Oct 2020 thru Sep 2021

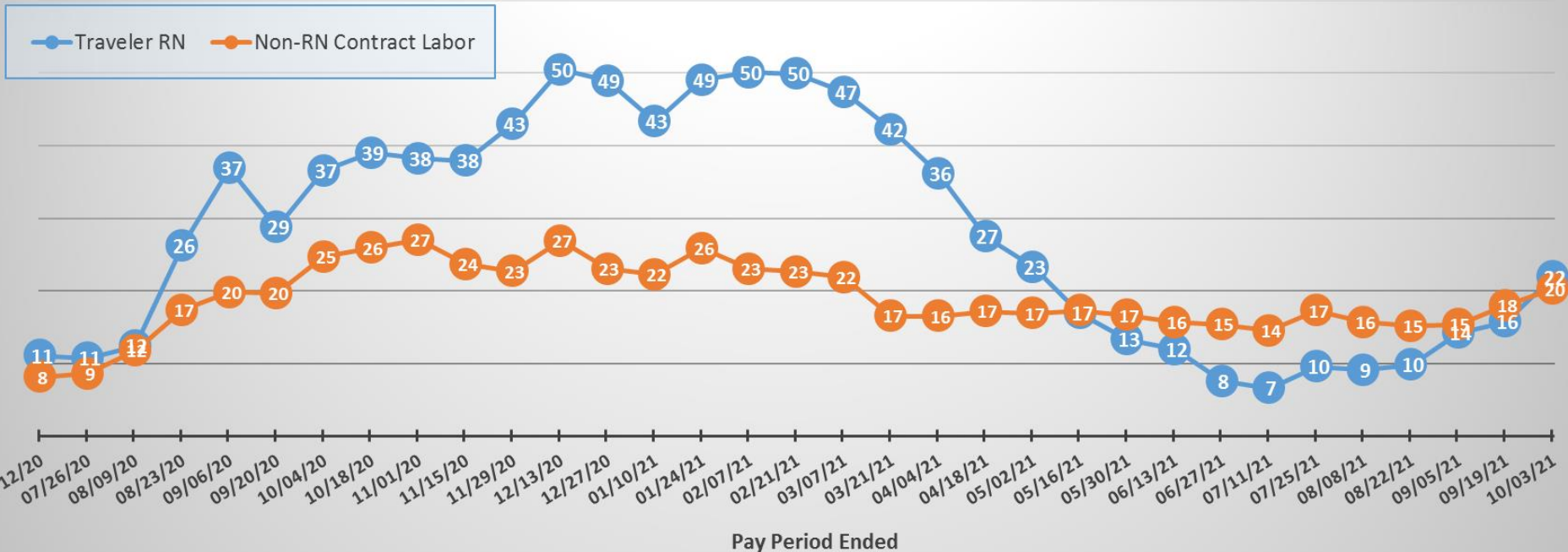


Labor Productivity – September 2021

- 1. Worked FTEs:** During the month of September, Worked FTEs on a PAADC basis were 3% favorable at 6.49 with a target of 6.69. *When reviewed on a unit by unit level, the variance was 46.3 FTEs positive with the variance for salaries, wages and benefits valued at \$648k favorable. 10.2 FTEs of this was driven by the Emergency Room which has seen recent volume increases while the staffing levels have been more difficult to rebound timely.*
 - 2. Paid FTEs:** On a PAADC basis Paid FTEs were 1.7% favorable to budget at **7.74 actual vs. 7.87 budget**). As vacation use has come down from the peak in July, sick leave usage has increased to offset some of the reduction. In the May/June timeframe we averaged approximately 65 FTEs of sick time per pay period, in September this stood at approximately 81 FTEs (stable from August). Even with the increase in PTO use, the total Paid FTEs stood at 1,680 in September which is down from 1,705 in April/May.
- ✓ *Open positions are being evaluated for the need to replace, and to the extent possible, being filled by shifting staff between departments as attrition occurs in order to align staffing to reduced volumes. This includes efforts to retrain staff to fill vacant positions.*

Contract Labor FTE By Pay Period

Contract Labor - FTE By Pay Period

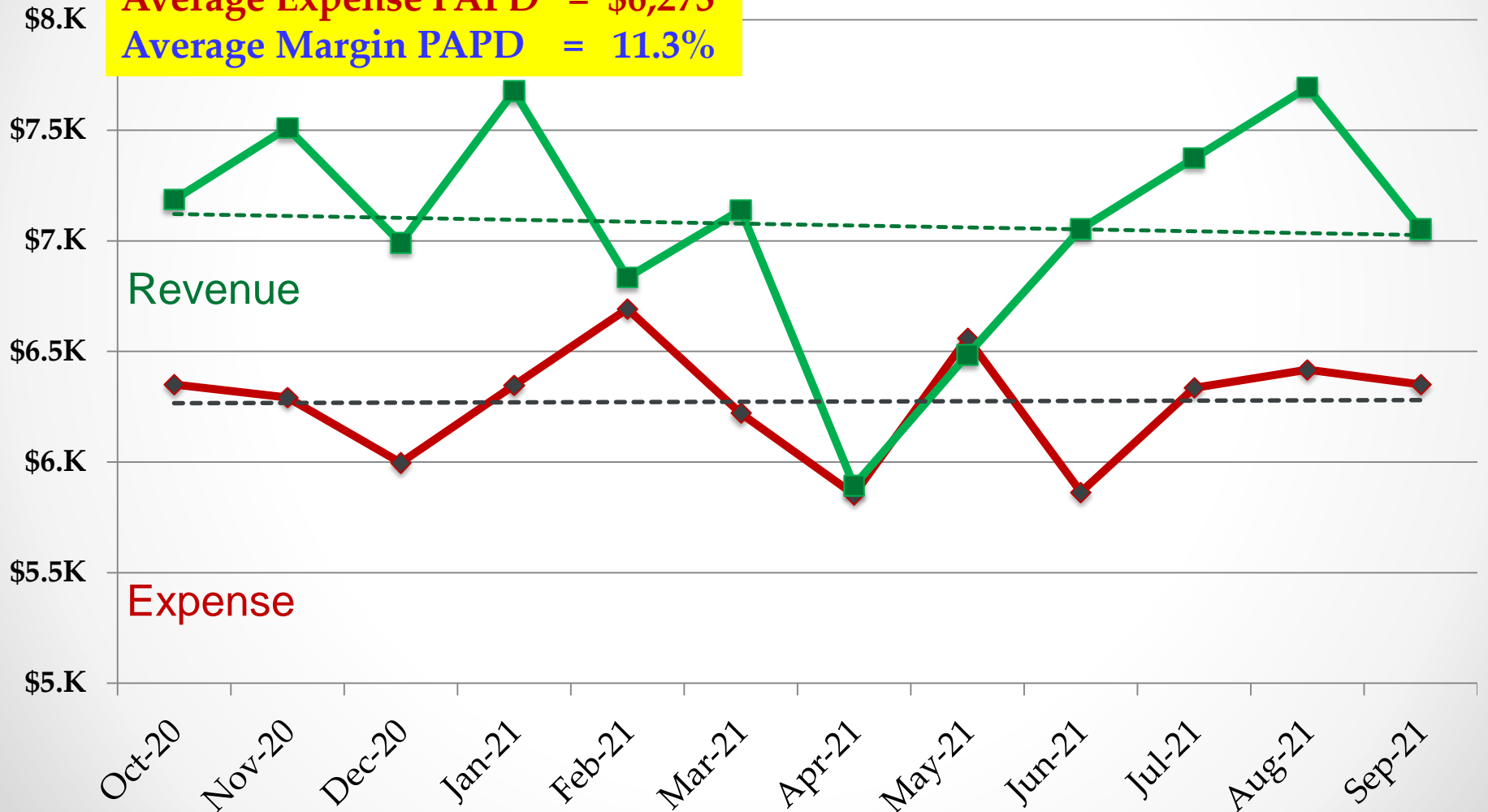


Nursing contract labor FTE has been reduced significantly since the beginning of March. Non-RN contract labor has also declined significantly. However, there has been an increase over the last few pay periods as contract staffing has been increased to offset the loss of staff from the Covid vaccine mandate coupled with the increase in leave of absences.

SVMH Revenues & Expenses Per Adjusted Patient Day (Normalized)

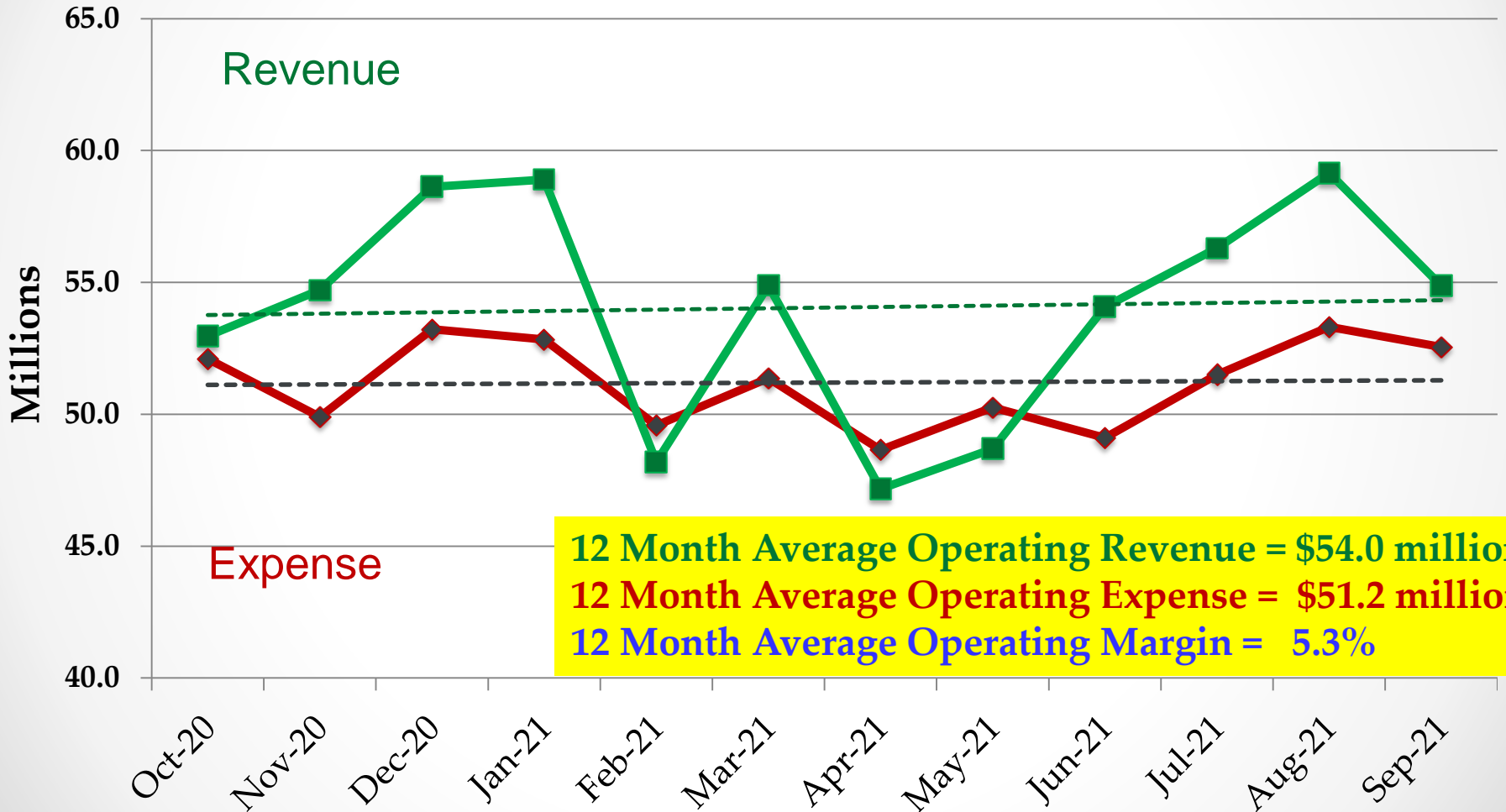
Rolling 12 Months: October 20 to September 21

Average Revenue PAPD = \$7,074
Average Expense PAPD = \$6,273
Average Margin PAPD = 11.3%



SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: October 20 to September 21



12 Month Average Operating Revenue = \$54.0 million
 12 Month Average Operating Expense = \$51.2 million
 12 Month Average Operating Margin = 5.3%

SVMHS Key Financial Indicators

	YTD	SVMHS		S&P A+ Rated		YTD	
Statistic	Sep-21	Target	+/-	Hospitals	+/-	Sep-20	+/-
Operating Margin*	7.6%	9.0%	Red	4.0%	Green	9.0%	Red
Total Margin*	9.4%	10.8%	Red	6.6%	Green	11.7%	Red
EBITDA Margin**	11.6%	13.4%	Red	13.6%	Red	13.1%	Red
Days of Cash*	374	305	Green	249	Green	344	Green
Days of Accounts Payable*	43	45	Yellow	-		46	Red
Days of Net Accounts Receivable***	47	45	Yellow	49	Green	50	Green
Supply Expense as % NPR	12.7%	15.0%	Green	-		12.9%	Green
SWB Expense as % NPR	53.0%	53.0%	Green	53.7%	Green	53.2%	Green
Operating Expense per APD*	6,369	4,992	Red	-		6,120	Red

*These metrics have been adjusted for normalizing items

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

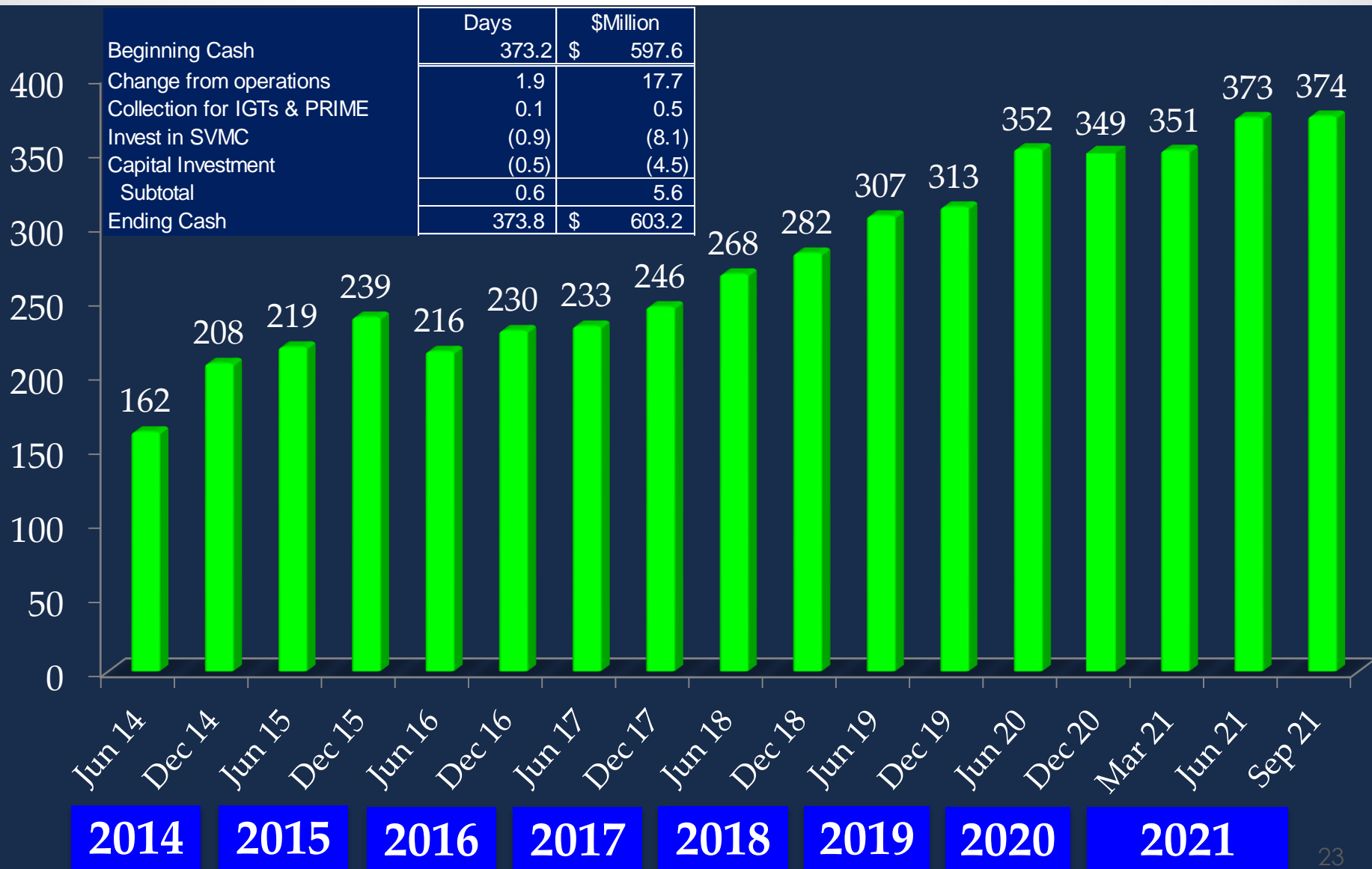
***Metric based on 90 days average net revenue (consistent with industry standard)

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

Salinas Valley Memorial Healthcare System

Days Cash on Hand = 374 Days (\$603M)

September 2021



ASSETS WHOSE USE IS LIMITED

	<u>September-21</u>		<u>YTD</u>	
Beginning balance	\$	145,675,896	\$	143,257,278
Investment income or (loss)		(350,842)		67,776
Transfer		1,000,000		3,000,000
Ending balance	\$	146,325,055	\$	146,325,055

ROUTINE CAPITAL EXPENDITURES Through September 2021

Fiscal Month	2021-22 Approved Budget *	Total Purchased Expenditures	Remaining	Project	Amount
July	1,558,333	764,068	794,265		
August	1,558,333	840,566	1,512,033	Lab Analyzer Replacement	941,802
September	1,558,333	2,259,376	810,990	Nurse Call Replacement System	243,394
October	1,558,333		2,369,323	Heart Center Air Handler Replacement	233,602
November	1,558,333		3,927,657	Other CIP	71,356
December	1,558,333		5,485,990	Total Improvements	1,490,154
January	1,558,333		7,044,323		
February	1,558,333		8,602,657	Cisco Integrated Phones & Network Equipment	395,018
March	1,558,333		10,160,990	EKG Cart Replacements	134,183
April	1,558,333		11,719,323	IT Asset Management System	127,378
May	1,558,333		13,277,657	Other Equipment	112,643
June	1,558,333		14,835,990	Total Equipment	769,221
YTD TOTAL	18,700,000	3,864,010	14,835,990	Grand Total	2,259,376

QUESTIONS / COMMENTS

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
September 30, 2021

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 46,436,862	\$ 46,378,344	\$ 144,483,708	\$ 143,341,703
Other operating revenue	1,205,071	1,656,129	3,363,575	3,293,585
Total operating revenue	<u>47,641,933</u>	<u>48,034,473</u>	<u>147,847,283</u>	<u>146,635,288</u>
Total operating expenses	41,378,395	40,286,080	124,347,136	123,093,356
Total non-operating income	<u>(2,461,912)</u>	<u>(2,596,661)</u>	<u>(6,174,739)</u>	<u>(5,411,815)</u>
Operating and non-operating income	<u>\$ 3,801,626</u>	<u>\$ 5,151,733</u>	<u>\$ 17,325,408</u>	<u>\$ 18,130,117</u>

SALINAS VALLEY MEMORIAL HOSPITAL
 BALANCE SHEETS
 September 30, 2021

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 424,014,663	\$ 392,241,426
Assets whose use is limited or restricted by board	146,325,055	133,860,457
Capital assets	242,425,825	260,050,464
Other assets	191,823,760	194,473,865
Deferred pension outflows	<u>50,119,236</u>	<u>83,379,890</u>
	<u>\$ 1,054,708,539</u>	<u>\$ 1,064,006,102</u>
LIABILITIES AND EQUITY:		
Current liabilities	128,886,938	158,947,921
Long term liabilities	14,556,513	14,780,831
	83,585,120	126,340,336
Net assets	<u>827,679,968</u>	<u>763,937,014</u>
	<u>\$ 1,054,708,539</u>	<u>\$ 1,064,006,102</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
September 30, 2021**

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,553	1,557	4,695	4,610
Medi-Cal	964	1,040	2,928	3,252
Commercial insurance	749	659	2,191	2,387
Other patient	71	125	344	397
Total patient days	<u>3,337</u>	<u>3,381</u>	<u>10,158</u>	<u>10,646</u>
Gross revenue:				
Medicare	\$ 86,871,070	\$ 77,942,165	\$ 268,703,634	\$ 231,199,550
Medi-Cal	57,526,189	55,195,715	171,807,998	159,997,561
Commercial insurance	50,189,204	46,571,611	149,083,669	147,725,624
Other patient	<u>7,129,690</u>	<u>8,620,170</u>	<u>25,025,799</u>	<u>26,283,794</u>
Gross revenue	<u>201,716,153</u>	<u>188,329,661</u>	<u>614,621,100</u>	<u>565,206,529</u>
Deductions from revenue:				
Administrative adjustment	483,877	363,742	978,289	1,023,789
Charity care	1,012,772	481,549	3,690,676	3,222,169
Contractual adjustments:				
Medicare outpatient	28,727,528	25,451,667	85,379,289	76,170,558
Medicare inpatient	37,096,830	32,666,647	110,214,968	99,213,567
Medi-Cal traditional outpatient	2,559,562	2,363,435	7,468,468	5,720,459
Medi-Cal traditional inpatient	5,239,091	8,649,553	17,042,211	24,116,960
Medi-Cal managed care outpatient	21,787,415	18,414,464	67,909,539	55,194,675
Medi-Cal managed care inpatient	20,196,240	17,779,825	62,124,937	53,363,171
Commercial insurance outpatient	18,125,359	15,996,665	50,910,833	47,339,295
Commercial insurance inpatient	16,266,947	14,563,240	50,902,363	42,856,038
Uncollectible accounts expense	3,745,228	3,566,969	11,514,735	10,846,901
Other payors	<u>38,442</u>	<u>1,653,559</u>	<u>2,001,084</u>	<u>2,797,244</u>
Deductions from revenue	<u>155,279,291</u>	<u>141,951,316</u>	<u>470,137,392</u>	<u>421,864,826</u>
Net patient revenue	<u>\$ 46,436,862</u>	<u>\$ 46,378,344</u>	<u>\$ 144,483,708</u>	<u>\$ 143,341,703</u>
Gross billed charges by patient type:				
Inpatient	\$ 103,333,462	\$ 98,901,983	\$ 319,805,534	\$ 299,175,329
Outpatient	69,968,237	68,930,077	211,266,196	202,355,311
Emergency room	<u>28,414,454</u>	<u>20,497,601</u>	<u>83,549,370</u>	<u>63,675,889</u>
Total	<u>\$ 201,716,153</u>	<u>\$ 188,329,661</u>	<u>\$ 614,621,100</u>	<u>\$ 565,206,529</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
September 30, 2021**

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 46,436,862	\$ 46,378,344	\$ 144,483,708	\$ 143,341,703
Other operating revenue	<u>1,205,071</u>	<u>1,656,129</u>	<u>3,363,575</u>	<u>3,293,585</u>
Total operating revenue	<u>47,641,933</u>	<u>48,034,473</u>	<u>147,847,283</u>	<u>146,635,288</u>
Operating expenses:				
Salaries and wages	15,631,010	15,142,093	46,891,772	47,061,421
Compensated absences	2,539,271	2,392,993	7,626,195	7,547,911
Employee benefits	7,225,821	8,020,587	22,522,425	23,523,354
Supplies, food, and linen	6,428,334	5,913,898	18,432,733	18,658,679
Purchased department functions	3,343,930	2,743,503	9,605,691	9,186,562
Medical fees	1,752,026	1,558,982	5,806,657	4,562,404
Other fees	1,157,831	1,341,157	3,506,671	3,636,462
Depreciation	1,771,773	1,789,195	5,339,875	5,321,660
All other expense	<u>1,528,399</u>	<u>1,383,672</u>	<u>4,615,117</u>	<u>3,594,903</u>
Total operating expenses	<u>41,378,395</u>	<u>40,286,080</u>	<u>124,347,136</u>	<u>123,093,356</u>
Income from operations	<u>6,263,538</u>	<u>7,748,393</u>	<u>23,500,147</u>	<u>23,541,932</u>
Non-operating income:				
Donations	166,667	166,667	500,000	500,000
Property taxes	333,333	333,333	1,000,000	1,000,000
Investment income	(1,113,460)	(75,294)	(761,168)	723,684
Taxes and licenses	0	0	0	0
Income from subsidiaries	<u>(1,848,452)</u>	<u>(3,021,367)</u>	<u>(6,913,571)</u>	<u>(7,635,499)</u>
Total non-operating income	<u>(2,461,912)</u>	<u>(2,596,661)</u>	<u>(6,174,739)</u>	<u>(5,411,815)</u>
Operating and non-operating income	3,801,626	5,151,733	17,325,408	18,130,117
Net assets to begin	<u>823,878,342</u>	<u>758,785,281</u>	<u>810,354,560</u>	<u>745,806,898</u>
Net assets to end	<u>\$ 827,679,968</u>	<u>\$ 763,937,014</u>	<u>\$ 827,679,968</u>	<u>\$ 763,937,015</u>
Net income excluding non-recurring items	\$ 3,319,848	\$ 4,731,259	\$ 16,843,630	\$ 17,709,643
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>481,778</u>	<u>420,474</u>	<u>481,778</u>	<u>420,474</u>
Operating and non-operating income	<u>\$ 3,801,626</u>	<u>\$ 5,151,733</u>	<u>\$ 17,325,408</u>	<u>\$ 18,130,117</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
September 30, 2021**

	<u>Month of September,</u>		<u>Three months ended September 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	\$ 131,930	\$ 127,560	\$ 400,005	\$ 389,717
Discounts and scrap sale	9,926	5,715	282,403	31,310
Sale of products and services	301,593	9,931	367,279	126,387
Clinical trial fees	13,902	2,574	20,878	41,978
Stimulus Funds	0	0	0	0
Rental income	162,287	157,031	482,900	471,094
Other	585,433	1,353,318	1,810,110	2,233,099
	<u>\$ 1,205,071</u>	<u>\$ 1,656,129</u>	<u>\$ 3,363,575</u>	<u>\$ 3,293,585</u>
Detail of investment income:				
Bank and payor interest	\$ 83,555	\$ 142,996	\$ 288,497	\$ 494,242
Income from investments	(1,157,911)	(218,290)	(1,075,291)	229,442
Gain or loss on property and equipment	(39,103)	0	25,625	0
	<u>\$ (1,113,460)</u>	<u>\$ (75,294)</u>	<u>\$ (761,168)</u>	<u>\$ 723,684</u>
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (236,294)	\$ (115,710)	\$ (634,102)	\$ (552,154)
Neurological Clinic	(60,225)	(41,706)	(153,947)	(138,270)
Palliative Care Clinic	(115,080)	(89,640)	(261,612)	(225,408)
Surgery Clinic	(126,421)	(159,809)	(323,871)	(392,307)
Infectious Disease Clinic	(35,349)	(41,813)	(77,275)	(83,459)
Endocrinology Clinic	(162,124)	(165,585)	(376,988)	(471,107)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(436,319)	(289,875)	(1,212,929)	(1,227,553)
OB/GYN Clinic	(280,964)	(451,699)	(985,532)	(757,653)
PrimeCare Medical Group	(589,867)	(855,611)	(1,289,277)	(1,768,174)
Oncology Clinic	18,195	(55,601)	(749,999)	(680,971)
Cardiac Surgery	(154,577)	(177,065)	(490,435)	(494,347)
Sleep Center	(21,034)	(55,667)	(77,558)	(132,625)
Rheumatology	(63,727)	(67,262)	(151,517)	(120,914)
Precision Ortho MDs	(329,004)	(267,752)	(858,020)	(864,216)
Precision Ortho-MRI	0	2,518	0	(25,322)
Precision Ortho-PT	(91,765)	7,856	(162,887)	35,116
Dermatology	(25,859)	(18,055)	(72,361)	(56,569)
Hospitalists	0	0	0	0
Behavioral Health	(93,405)	(65,625)	(219,127)	(204,587)
Pediatric Diabetes	(57,500)	(35,143)	(140,260)	(125,789)
Neurosurgery	(22,080)	(24,912)	(52,548)	(70,372)
Multi-Specialty-RR	14,090	(12,241)	17,710	(45,603)
Radiology	(354,198)	155,824	(904,826)	(160,192)
Salinas Family Practice	(56,680)	0	(268,912)	0
Total SVMC	(3,280,187)	(2,824,573)	(9,446,273)	(8,562,476)
Doctors on Duty	1,501,560	(246,912)	1,305,473	409,714
Assisted Living	0	(18,143)	0	(28,299)
Salinas Valley Imaging	0	0	0	(19,974)
Vantage Surgery Center	24,430	6,102	69,882	56,813
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	(267,495)	29,110	861,709	258,491
Aspire/CHI/Coastal	(13,536)	1,818	(59,966)	(214,776)
Apex	84,917	30,846	116,858	37,895
21st Century Oncology	48,852	(26,963)	120,468	(94,989)
Monterey Bay Endoscopy Center	53,008	27,349	118,277	522,102
	<u>\$ (1,848,452)</u>	<u>\$ (3,021,367)</u>	<u>\$ (6,913,571)</u>	<u>\$ (7,635,499)</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
September 30, 2021**

	Current year	Prior year
A S S E T S		
Current assets:		
Cash and cash equivalents	\$ 328,765,711	\$ 298,103,836
Patient accounts receivable, net of estimated uncollectibles of \$20,170,208	77,199,158	76,708,161
Supplies inventory at cost	8,063,643	8,508,199
Other current assets	9,986,151	8,921,231
Total current assets	424,014,663	392,241,426
Assets whose use is limited or restricted by board	146,325,055	133,860,457
Capital assets:		
Land and construction in process	35,488,799	45,320,316
Other capital assets, net of depreciation	206,937,026	214,730,148
Total capital assets	242,425,825	260,050,464
Other assets:		
Investment in Securities	148,482,228	148,527,822
Investment in SVMC	14,345,201	18,332,243
Investment in Aspire/CHI/Coastal	3,641,741	3,840,412
Investment in other affiliates	22,910,262	21,965,640
Net pension asset	2,444,328	1,807,748
Total other assets	191,823,760	194,473,865
Deferred pension outflows	50,119,236	83,379,890
	\$ 1,054,708,539	\$ 1,064,006,102
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 54,879,986	\$ 55,103,771
Due to third party payers	56,596,240	86,331,288
Current portion of self-insurance liability	17,410,712	17,512,862
Total current liabilities	128,886,938	158,947,921
Long term portion of workers comp liability	14,556,513	14,780,831
Total liabilities	143,443,451	173,728,752
Pension liability	83,585,120	126,340,336
Net assets:		
Invested in capital assets, net of related debt	242,425,825	260,050,464
Unrestricted	585,254,143	503,886,550
Total net assets	827,679,968	763,937,014
	\$ 1,054,708,539	\$ 1,064,006,102

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
September 30, 2021

	Month of September,				Three months ended September 30,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 201,716,153	\$ 190,270,606	11,445,547	6.02%	\$ 614,621,100	\$ 583,527,257	31,093,843	5.33%
Deductions from revenue	155,279,291	145,677,751	9,601,540	6.59%	470,137,392	447,620,058	22,517,334	5.03%
Net patient revenue	46,436,862	44,592,855	1,844,007	4.14%	144,483,708	135,907,199	8,576,509	6.31%
Other operating revenue	1,205,071	783,804	421,267	53.75%	3,363,575	2,341,919	1,021,656	43.62%
Total operating revenue	47,641,933	45,376,659	2,265,274	4.99%	147,847,283	138,249,119	9,598,164	6.94%
Operating expenses:								
Salaries and wages	15,631,010	15,253,945	377,065	2.47%	46,891,772	46,747,684	144,088	0.31%
Compensated absences	2,539,271	2,663,215	(123,944)	-4.65%	7,626,195	7,954,326	(328,131)	-4.13%
Employee benefits	7,225,821	7,015,025	210,796	3.00%	22,522,425	21,684,004	838,421	3.87%
Supplies, food, and linen	6,428,334	5,749,083	679,251	11.81%	18,432,733	17,626,082	806,651	4.58%
Purchased department functions	3,343,930	3,091,764	252,166	8.16%	9,605,691	9,043,941	561,750	6.21%
Medical fees	1,752,026	1,823,779	(71,753)	-3.93%	5,806,657	5,483,919	322,738	5.89%
Other fees	1,157,831	927,598	230,233	24.82%	3,506,671	2,783,979	722,692	25.96%
Depreciation	1,771,773	1,774,937	(3,164)	-0.18%	5,339,875	5,340,313	(438)	-0.01%
All other expense	1,528,399	1,417,419	110,980	7.83%	4,615,117	4,329,155	285,962	6.61%
Total operating expenses	41,378,395	39,716,765	1,661,630	4.18%	124,347,136	120,993,403	3,353,733	2.77%
Income from operations	6,263,538	5,659,893	603,645	10.67%	23,500,147	17,255,715	6,244,432	36.19%
Non-operating income:								
Donations	166,667	166,667	0	0.00%	500,000	500,000	(0)	0.00%
Property taxes	333,333	333,333	(0)	0.00%	1,000,000	1,000,000	0	0.00%
Investment income	(1,113,460)	(63,302)	(1,050,158)	1658.98%	(761,168)	(189,905)	(571,264)	300.82%
Income from subsidiaries	(1,848,452)	(3,825,656)	1,977,204	-51.68%	(6,913,571)	(12,209,494)	5,295,923	-43.38%
Total non-operating income	(2,461,912)	(3,388,958)	927,046	-27.35%	(6,174,739)	(10,899,398)	4,724,659	-43.35%
Operating and non-operating income	\$ 3,801,626	\$ 2,270,935	1,530,691	67.40%	\$ 17,325,408	\$ 6,356,317	10,969,091	172.57%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>NEWBORN STATISTICS</u>					
Medi-Cal Admissions	55	49	156	140	(16)
Other Admissions	104	106	322	293	(29)
Total Admissions	159	155	478	433	(45)
Medi-Cal Patient Days	82	68	233	206	(27)
Other Patient Days	179	165	512	486	(26)
Total Patient Days of Care	261	233	745	692	(53)
Average Daily Census	8.7	7.8	8.1	7.5	(0.6)
Medi-Cal Average Days	1.7	1.4	1.6	1.5	(0.1)
Other Average Days	1.4	1.6	1.6	1.7	0.1
Total Average Days Stay	1.8	1.6	1.6	1.6	0.1
<u>ADULTS & PEDIATRICS</u>					
Medicare Admissions	283	286	938	916	(22)
Medi-Cal Admissions	294	225	718	728	10
Other Admissions	402	302	894	901	7
Total Admissions	979	813	2,550	2,545	(5)
Medicare Patient Days	1,320	1,356	4,059	4,021	(38)
Medi-Cal Patient Days	1,069	980	3,359	3,036	(323)
Other Patient Days	935	1,002	2,834	3,096	262
Total Patient Days of Care	3,324	3,338	10,252	10,153	(99)
Average Daily Census	110.8	111.3	111.4	110.4	(1.1)
Medicare Average Length of Stay	4.6	4.7	4.3	4.2	(0.1)
Medi-Cal Average Length of Stay	3.7	3.3	3.9	3.2	(0.6)
Other Average Length of Stay	2.4	2.5	2.3	2.7	0.4
Total Average Length of Stay	3.5	3.4	3.4	3.3	(0.0)
Deaths	25	28	89	79	(10)
Total Patient Days	3,585	3,571	10,997	10,845	(152)
Medi-Cal Administrative Days	3	28	95	74	(21)
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	3	28	95	74	(21)
Percent Non-Acute	0.08%	0.78%	0.86%	0.68%	-0.18%

SALINAS VALLEY MEMORIAL HOSPITAL

PATIENT STATISTICAL REPORT

For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	240	275	707	753	46
Heart Center	349	323	1,016	961	(55)
Monitored Beds	898	755	2,636	2,387	(249)
Single Room Maternity/Obstetrics	383	407	1,171	1,109	(62)
Med/Surg - Cardiovascular	658	462	1,997	1,777	(220)
Med/Surg - Oncology	73	259	431	816	385
Med/Surg - Rehab	356	388	1,167	1,223	56
Pediatrics	55	69	191	276	85
Nursery	261	233	745	692	(53)
Neonatal Intensive Care	58	94	395	253	(142)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	61.54%	70.51%	59.11%	62.96%	
Heart Center	77.56%	71.78%	73.62%	69.64%	
Monitored Beds	110.86%	93.21%	106.12%	96.10%	
Single Room Maternity/Obstetrics	34.50%	36.67%	34.40%	32.58%	
Med/Surg - Cardiovascular	48.74%	34.22%	48.24%	42.92%	
Med/Surg - Oncology	18.72%	66.41%	36.04%	68.23%	
Med/Surg - Rehab	45.64%	49.74%	48.79%	51.13%	
Med/Surg - Observation Care Unit	0.00%	60.00%	0.00%	38.24%	
Pediatrics	10.19%	12.78%	11.53%	16.67%	
Nursery	52.73%	47.07%	24.54%	22.79%	
Neonatal Intensive Care	17.58%	28.48%	39.03%	25.00%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	151	152	471	426	(45)
C-Section deliveries	50	49	146	134	(12)
Percent of C-section deliveries	33.11%	32.24%	31.00%	31.46%	0.46%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	19,233	16,545	73,944	60,973	(12,971)
Out-Patient Operating Minutes	29,081	24,649	64,536	74,597	10,061
Total	48,314	41,194	138,480	135,570	(2,910)
Open Heart Surgeries	14	10	41	37	(4)
In-Patient Cases	148	121	480	419	(61)
Out-Patient Cases	293	243	766	742	(24)
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	14	36	61	126	65
High Risk	508	411	1,492	1,293	(199)
More Than One Resource	2,103	2,602	6,475	7,874	1,399
One Resource	1,112	1,897	5,483	5,262	(221)
No Resources	30	97	144	325	181
Total	<u>3,767</u>	<u>5,043</u>	<u>13,655</u>	<u>14,880</u>	<u>1,225</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
CENTRAL SUPPLY					
In-patient requisitions	12,939	15,171	38,684	47,054	8,370
Out-patient requisitions	10,937	9,449	31,262	28,266	-2,996
Emergency room requisitions	1,586	1,512	4,857	4,822	-35
Interdepartmental requisitions	<u>6,318</u>	<u>6,044</u>	<u>20,183</u>	<u>17,871</u>	<u>-2,312</u>
Total requisitions	<u>31,780</u>	<u>32,176</u>	<u>94,986</u>	<u>98,013</u>	<u>3,027</u>
LABORATORY					
In-patient procedures	32,889	31,975	101,039	99,103	-1,936
Out-patient procedures	10,565	11,282	31,267	34,030	2,763
Emergency room procedures	8,440	11,352	25,146	33,757	8,611
Total patient procedures	<u>51,894</u>	<u>54,609</u>	<u>157,452</u>	<u>166,890</u>	<u>9,438</u>
BLOOD BANK					
Units processed	<u>304</u>	<u>237</u>	<u>812</u>	<u>876</u>	<u>64</u>
ELECTROCARDIOLOGY					
In-patient procedures	928	841	2,740	2,806	66
Out-patient procedures	397	379	1,219	1,206	-13
Emergency room procedures	<u>819</u>	<u>981</u>	<u>2,457</u>	<u>3,035</u>	<u>578</u>
Total procedures	<u>2,144</u>	<u>2,201</u>	<u>6,416</u>	<u>7,047</u>	<u>631</u>
CATH LAB					
In-patient procedures	97	75	228	271	43
Out-patient procedures	98	93	256	292	36
Emergency room procedures	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>-1</u>
Total procedures	<u>196</u>	<u>168</u>	<u>485</u>	<u>563</u>	<u>78</u>
ECHO-CARDIOLOGY					
In-patient studies	305	282	863	967	104
Out-patient studies	176	215	537	695	158
Emergency room studies	<u>4</u>	<u>2</u>	<u>8</u>	<u>4</u>	<u>-4</u>
Total studies	<u>485</u>	<u>499</u>	<u>1,408</u>	<u>1,666</u>	<u>258</u>
NEURODIAGNOSTIC					
In-patient procedures	169	167	528	471	-57
Out-patient procedures	19	29	84	69	-15
Emergency room procedures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total procedures	<u>188</u>	<u>196</u>	<u>612</u>	<u>540</u>	<u>-72</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Sep and three months to date

	Month of Sep		Three months to date		Variance
	2020	2021	2020-21	2021-22	
SLEEP CENTER					
In-patient procedures	0	0	0	0	0
Out-patient procedures	209	163	539	537	-2
Emergency room procedures	0	0	0	0	0
Total procedures	209	163	539	537	-2
RADIOLOGY					
In-patient procedures	1,187	1,205	3,783	3,665	-118
Out-patient procedures	673	422	2,107	1,307	-800
Emergency room procedures	1,043	1,217	3,279	3,755	476
Total patient procedures	2,903	2,844	9,169	8,727	-442
MAGNETIC RESONANCE IMAGING					
In-patient procedures	138	94	368	366	-2
Out-patient procedures	131	123	420	365	-55
Emergency room procedures	15	10	36	21	-15
Total procedures	284	227	824	752	-72
MAMMOGRAPHY CENTER					
In-patient procedures	2,969	3,383	8,841	10,563	1,722
Out-patient procedures	2,961	3,360	8,806	10,479	1,673
Emergency room procedures	0	1	0	7	7
Total procedures	5,930	6,744	17,647	21,049	3,402
NUCLEAR MEDICINE					
In-patient procedures	11	12	38	39	1
Out-patient procedures	82	68	220	237	17
Emergency room procedures	1	1	2	3	1
Total procedures	94	81	260	279	19
PHARMACY					
In-patient prescriptions	80,143	82,183	244,967	250,963	5,996
Out-patient prescriptions	15,339	16,428	46,500	47,144	644
Emergency room prescriptions	5,185	7,342	15,360	21,146	5,786
Total prescriptions	100,667	105,953	306,827	319,253	12,426
RESPIRATORY THERAPY					
In-patient treatments	16,762	21,494	53,538	57,853	4,315
Out-patient treatments	466	1,135	1,370	3,247	1,877
Emergency room treatments	103	292	287	726	439
Total patient treatments	17,331	22,921	55,195	61,826	6,631
PHYSICAL THERAPY					
In-patient treatments	2,278	2,328	6,918	6,836	-82
Out-patient treatments	367	298	873	972	99
Emergency room treatments	0	0	0	0	0
Total treatments	2,645	2,626	7,791	7,808	17

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
OCCUPATIONAL THERAPY					
In-patient procedures	1,299	1,453	3,706	4,753	1,047
Out-patient procedures	123	134	350	458	108
Emergency room procedures	0	0	0	0	0
Total procedures	<u>1,422</u>	<u>1,587</u>	<u>4,056</u>	<u>5,211</u>	<u>1,155</u>
SPEECH THERAPY					
In-patient treatments	371	383	1,155	1,288	133
Out-patient treatments	23	24	69	91	22
Emergency room treatments	0	0	0	0	0
Total treatments	<u>394</u>	<u>407</u>	<u>1,224</u>	<u>1,379</u>	<u>155</u>
CARDIAC REHABILITATION					
In-patient treatments	0	0	0	0	0
Out-patient treatments	322	714	1,138	1,977	839
Emergency room treatments	0	0	0	0	0
Total treatments	<u>322</u>	<u>714</u>	<u>1,138</u>	<u>1,977</u>	<u>839</u>
CRITICAL DECISION UNIT					
Observation hours	<u>300</u>	<u>307</u>	<u>746</u>	<u>806</u>	<u>60</u>
ENDOSCOPY					
In-patient procedures	89	108	287	304	17
Out-patient procedures	26	31	91	104	13
Emergency room procedures	0	0	0	0	0
Total procedures	<u>115</u>	<u>139</u>	<u>378</u>	<u>408</u>	<u>30</u>
C.T. SCAN					
In-patient procedures	520	472	1,588	1,673	85
Out-patient procedures	511	365	1,609	1,207	-402
Emergency room procedures	484	623	1,371	1,805	434
Total procedures	<u>1,515</u>	<u>1,460</u>	<u>4,568</u>	<u>4,685</u>	<u>117</u>
DIETARY					
Routine patient diets	16,047	16,883	48,611	51,828	3,217
Meals to personnel	21,105	21,687	63,671	65,444	1,773
Total diets and meals	<u>37,152</u>	<u>38,570</u>	<u>112,282</u>	<u>117,272</u>	<u>4,990</u>
LAUNDRY AND LINEN					
Total pounds laundered	<u>94,239</u>	<u>97,891</u>	<u>309,667</u>	<u>293,124</u>	<u>-16,543</u>

PUBLIC INPUT

CLOSED SESSION

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

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

Board Paper: Finance Committee

Agenda Item: Consider recommendation for Board approval for Limited Partnership Interest Sale and Purchase Agreement of Vantage Surgery Center, L.P. by and between STM, LLC. and Salinas Valley Memorial Healthcare System

Executive Sponsors: Allen Radner, MD, Chief Medical Officer, **SVMHS**, Chief Executive Officer, **SVMC**
Clint Hoffman, Chief Administrative Officer, Physician Integration & Business Development, **SVMHS**, Chief Operating Officer, **SVMC**

Date: **October 8, 2021**

Executive Summary

Vantage Surgery Center, L.P. (Vantage) is a state of the art, Medicare approved, surgical eye care center in Salinas that offers a wide range of services including cataract surgery, corneal transplantation, glaucoma filtration procedures, diabetic ocular surgery, retinal detachment repair, cosmetic and reconstructive eyelid surgery and surgical procedures for the care of all other ocular conditions. All of the surgery performed in the center are same day outpatient surgery, with patients returning to their homes for recovery shortly after their procedure.

SVMHS has been an owner of an interest in Vantage since July of 2002. When the partnership was established between STM, LLC (STM) and SVMHS, SVMHS negotiated a term that did not allow dilution of the initial twenty percent (20%) interest in the center. In 2017 SVMHS sold STM, LLC half of its interest in Vantage in order to support STM in pursuing physician recruitment and retention and currently holds a ten percent (10%) interest. STM owns the remaining ninety percent (90%) interest in the center.

STM and the physician owners have been in discussions regarding a sale of their interest in Vantage and their medical practice to a national firm that specializes in ophthalmology practice administration. Their desire in pursuing this transaction is to stabilize the medical group and leverage additional resources available through the scale of a national partner. In order for them to proceed with their transaction, STM is required to purchase the remaining interest in Vantage from SVMHS.

Timeline/Review Process to Date

Closing, sale, and transfer of the Vantage limited partnership interest shall take place on October 31, 2021.

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

This transaction is aligned with our most recent strategic plan, specifically with the Finance Pillar initiative for financial stewardship.

Pillar/Goal Alignment:

Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications

- (1) The purchase price for the Vantage limited partnership interest paid by STM to SVMHS will be Two Million Four Hundred Eighty-One Thousand Five Hundred Eighty Dollars (\$2,481,580.00).
- (2) Payment of purchase price shall be made within thirty (30) days of closing and shall be secured through a promissory note as reflected in the attached Purchase Agreement.
- (3) There are no other quality, safety or regulatory implications anticipated.

Recommendation

SVMHS Administration requests that the Board Finance Committee consider a recommendation to the Board for approval of the Limited Partnership Interest Sale and Purchase Agreement of Vantage Surgery Center, L.P. by and between STM, LLC. and Salinas Valley Memorial Healthcare System

Attachments

Vantage Surgery Center, L.P. Limited Partnership Interest Sale and Purchase Agreement

LIMITED PARTNERSHIP INTEREST SALE AND PURCHASE AGREEMENT

VANTAGE SURGERY CENTER, L.P.

This Limited Partnership Interest Sale and Purchase Agreement (“Agreement”) is effective **October 1, 2021** (“Effective Date”), by and between **STM, LLC**, a California limited liability company (“STM”), and **Salinas Valley Memorial Healthcare System**, a California local health care district (“SVMHS”), for the sale and purchase of a Limited Partnership Interest in **Vantage Surgery Center, L.P.**, a California limited partnership (“Vantage”).

Recitals

- A. As of the Effective Date of this Agreement, STM owns an eighty percent (80%) Limited Partnership Interest in Vantage, and SVMHS owns a ten percent (10%) Limited Partnership Interest in Vantage. STM also owns a ten percent (10%) interest in Vantage as the general partner of Vantage.
- B. SVMHS desires to sell to STM, and STM desires to purchase from SVMHS, upon and subject to the terms and conditions contained in this Agreement, SVMHS’s remaining ten percent (10%) Limited Partnership Interest in Vantage, resulting in SVMHS no longer owning any Limited Partnership Interest in Vantage, and STM owning one hundred percent (100%) of the Limited Partnership Interest in Vantage.

The parties agree as follows:

1. PURCHASE AND SALE OF VANTAGE LIMITED PARTNERSHIP INTEREST

- 1.1 **Purchase and Sale of Vantage Limited Partnership Interest.** Subject to the terms and conditions of this Agreement, at the Closing, SVMHS shall sell and convey to STM and STM shall purchase and acquire from SVMHS, SVMHS’s remaining ten percent (10%) Limited Partnership Interest in Vantage (“Vantage Limited Partnership Interest”). The Vantage Limited Partnership Interest shall be transferred to STM free and clear of any and all liens, security interests, claims, encumbrances, and/or any other rights of third parties, except for restrictions on transfer under federal and state securities laws, and as otherwise set forth in the Vantage Limited Partnership Agreement, as amended.
- 1.2 **Closing.** The closing of the purchase, sale, and transfer of the Vantage Limited Partnership Interest (“Closing”) shall take place on **October 31, 2021**, or a date that is as soon as practicable after the conditions set forth in Section 4 have been satisfied or waived (“Closing Date”). The Closing shall be effective at 12:00 p.m. Pacific Time on the Closing Date (“Effective Time”).
- 1.3 **Purchase Price.** In consideration for the Vantage Limited Partnership Interest, STM shall pay to SVMHS the purchase price for the Vantage Limited Partnership Interest in the amount of **Two Million Four Hundred Eighty-One Thousand Five Hundred Eighty Dollars (\$2,481,580.00)** (“Purchase Price”), payable in full within thirty (30) days from the Closing Date pursuant to a promissory note from STM to SVMHS.
- 1.4 **Final Partnership Distribution from Vantage.** Based on the final financial statements for Vantage at the close of the month of October, STM and SVMHS agree that any amount of cash greater than the amount of one hundred fifty thousand dollars (\$150,000.00), shall be distributed to STM and SVMHS in proportion to each party’s limited partnership interest in Vantage prior to the Closing within thirty (30) days after the Closing Date.

2. REPRESENTATIONS AND WARRANTIES BY SELLER

- 2.1 **SVMHS.** SVMHS represents and warrants to STM that SVMHS is a California local health care district duly organized, validly existing and in good standing under the laws of the State of California. SVMHS has all requisite power and authority to: (i) execute and deliver this Agreement, (ii) sell and transfer the Vantage Limited Partnership Interest to STM, and (iii) consummate the transactions contemplated by this Agreement.
- 2.2 **No Claims.** SVMHS represents and warrants to STM that there is no claim or litigation against SVMHS’s Limited Partnership Interest in Vantage, filed or initiated or, to the best of SVMHS’s knowledge, threatened at law or in equity. SVMHS has good and valid rights, title, and interests to the Vantage Limited Partnership Interest being sold and transferred by it to STM under this Agreement.

- 2.3 Authorization. SVMHS has full power and authority to enter into this Agreement and perform its obligations under this Agreement and carry out the transactions contemplated by this Agreement. The performance by SVMHS of this Agreement and the consummation of the transactions contemplated hereby are contingent upon authorization and approval by the Board of Directors of SVMHS, which is a condition of closing.

3. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

- 3.1 STM. STM represents and warrants to SVMHS that STM is a California limited liability company duly formed and validly existing and in good standing under the laws of the State of California. STM has full power and authority to conduct its business as now conducted. STM has all requisite power and authority to: (i) execute and deliver this Agreement; (ii) purchase the Vantage Limited Partnership Interest from SVMHS; and (iii) consummate the transaction contemplated by this Agreement.
- 3.2 Authorization. STM has full power and authority to enter into this Agreement and perform its obligations under this Agreement and carry out the transactions contemplated by this Agreement. The execution, delivery and performance by SVMHS of this Agreement and the consummation of the transactions contemplated hereby have been approved by STM.

4. CONDITIONS

- 4.1 Mutual Conditions. The obligations of each party to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions (unless waived in writing).
- 4.1.1 Litigation. No temporary restraining order, preliminary or permanent injunction or other order issued by any court or other government agency of competent jurisdiction preventing, making illegal, or imposing material limitations or conditions on the completion of the transactions described in this Agreement shall be threatened or in effect.
- 4.1.2 Consents. All consents, approvals, and/or authorizations required for consummation of the transaction described in this Agreement shall have been obtained by the parties.
- 4.2 Conditions to Closing. In order to complete this transaction, the following shall occur prior to or at Closing (unless waived in writing): (i) the SVMHS Board of Directors shall have approved this transaction and this Agreement; (ii) SVMHS shall have received from STM a Promissory Note for the full amount of the Purchase Price payable in full within thirty (30) days following the Closing Date, substantially in the form attached to this Agreement as Exhibit A; and (iii) such other documents shall have been executed as SVMHS and STM, or their respective legal counsel may reasonably request.
- 4.3 Restrictions Extinguished. Upon the closing, restrictions on SVMHS regarding construction, operation, and/or ownership of a facility or business in direct or indirect competition with Vantage, if any, are fully extinguished and of no force or effect as of the Closing Date.

5. TERMINATION

- 5.1 Termination of Agreement. This Agreement may be terminated prior to or at the Closing as follows:
- 5.1.1 By mutual written consent of Seller and SVMHS;
- 5.1.2 By SVMHS if there shall have been a material breach of any provision of this Agreement has been committed by STM and such material breach is incapable of being cured or, if capable of being cured, shall not have been cured within five (5) days following receipt of notice of such breach; or
- 5.1.3 By STM if there shall have been a material breach of any provision of this Agreement has been committed by SVMHS and is incapable of being cured or, if capable of being cured, shall not have been cured within five (5) days following receipt by SVMHS of notice of such breach.
- 5.2 Effect of Termination. In the event that this Agreement is validly terminated, this Agreement shall become void and of no effect and each of the parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to the parties.

6. GENERAL PROVISIONS

- 6.1 **Responsibility for Own Acts.** Each party shall be responsible for its own acts and omissions and not for any acts or omissions of the other party.
- 6.2 **Expenses.** All fees and expenses incurred by STM related to this Agreement, including legal fees and expenses, shall be the responsibility of STM, and all fees and expenses incurred by SVMHS related to this Agreement, including legal fees and expenses, shall be the responsibility of SVMHS.
- 6.3 **Assignment/Parties in Interest.** Neither party may assign, transfer or otherwise dispose of any of its respective rights under this Agreement without the prior written consent of the other party. All the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective heirs, successors, assigns and legal or personal representatives of the parties to this Agreement.
- 6.4 **Referrals.** Nothing in this Agreement shall be interpreted or construed to induce the referral of patients by or between SVMHS and STM, or the use of any services provided by any of the parties to this Agreement.
- 6.5 **Severability.** The invalidity of any term or terms of this Agreement shall not affect any other term of this Agreement, which shall remain in full force and effect.
- 6.6 **Notices.** All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed (registered or certified mail, postage prepaid, return receipt requested, by overnight courier service or by facsimile or electronic mail) as follows:
- | | |
|---|---|
| SVMHS: Salinas Valley Memorial Healthcare System
Attention: Office of the President/CEO
450 East Romie Lane
Salinas, CA 93901 | STM: STM, LLC
Attention: Asit S. Pruthi, M.D.
622 Abbott Street
Salinas, CA 93901 |
|---|---|
- 6.7 **Construction.** The parties acknowledge that they have independently negotiated this Agreement and have relied upon their own counsel as to matters of law and application. The parties expressly agree that there shall be no presumption as a result of either party having prepared in whole or in part any provisions of this Agreement.
- 6.8 **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflict of laws rules. Venue shall be in Monterey County, California.
- 6.9 **Attorneys' Fees.** The prevailing party in any arbitration or litigation concerning this Agreement is entitled to reimbursement of its court costs and attorneys' fees by the non-prevailing party, including such costs and fees as may be incurred in arbitration.
- 6.10 **Arbitration.** All disputes arising under or in connection with this Agreement shall be submitted to arbitration. There shall be one (1) arbitrator who shall be experienced in mediation and arbitration and knowledgeable regarding health care integrated delivery systems and the applicable legal and regulatory standards. The arbitrator shall be chosen by the mutual consent of the parties. If the parties are unable to agree on an arbitrator within thirty (30) calendar days after a determination to arbitrate is made, they shall request that an arbitrator be selected by the American Health Lawyers Association Dispute Resolution Panel.
- 6.11 **Entire Agreement/Amendments/Waiver.** This Agreement contains the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, warranties, or covenants other than those set forth in this Agreement. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter. This Agreement may be amended only by a written instrument duly executed by all parties. Any condition to a party's obligations under this Agreement may be waived but only by a written instrument signed by the party entitled to the benefits thereof. The failure or delay of any party at any time or times to require performance of any provision or to exercise its rights with respect to any provision hereof, shall in no manner operate as a waiver of or affect such party's right at a later time to enforce the same.

SIGNATURES ON FOLLOWING PAGE

The parties have duly executed this Limited Partnership Interest Sale and Purchase Agreement as of the Effective Date first set forth above.

STM
STM, LLC
A California Limited Liability Company

SVMHS
Salinas Valley Memorial Healthcare System
A Local Health Care District

By: _____
Asit S. Pruthi, M.D., President

By: _____
Pete Delgado, President/CEO

Date: _____

Date: _____

EXHIBIT A

PROMISSORY NOTE

(PAYMENT OF PURCHASE PRICE FOR MEMBERSHIP INTEREST)

\$2,481,580.00

October 31, 2021

FOR VALUE RECEIVED, the receipt of which is hereby acknowledged, **STM, LLC**, a California limited liability company (“Maker”) hereby promises to pay to the order of **Salinas Valley Memorial Healthcare System** (“Holder”), at the place designated by Holder, the principal sum of **Two Million Four Hundred Eighty-One Thousand Five Hundred Eighty Dollars (\$2,481,580.00)**, payable in full in lawful money of the United States of America within thirty (30) days from the date of this Promissory Note. The full amount of Principal shall be immediately due and payable to Holder on **November 30, 2021**.

This Promissory Note is secured by Holder’s membership interest in **Vantage Surgery Center, L.P.**, a California limited partnership. In no event shall any payment of interest or any other sum payable under this Promissory Note exceed the maximum amount permitted by applicable law. If it is established that any payment exceeding lawful limits has been received, Holder will refund such excess or, at its option, credit the excess amount to the principal due under Promissory Note, but such payments shall not affect the obligation to make the full payment as and when required pursuant to the terms of this Promissory Note.

Maker agrees to pay, to the extent permitted by law, all costs and expenses incurred by Holder in connection with the collection and enforcement of this Promissory Note, including but not limited to, expenses and reasonable attorney’s fees to the extent permitted by applicable law, irrespective of whether any suit or security foreclosure or court proceeding has been commenced. Maker and all endorsers and all persons liable or to become liable on this Promissory Note, and each of them, hereby waive diligence, demands, presentation for payment, notice of nonpayment, protest and notice of protest, and specifically consent to and waive notice of any renewals or extensions of this Promissory Note, or any modifications or release of security for this Promissory Note, whether made to or in favor of Maker or any other person or persons, and further agrees that any such action by Holder shall not affect the liability of Maker or any person liable or to become liable on this Promissory Note.

No delay or omission by Holder in exercising any remedy, right or option under this Promissory Note shall operate as a waiver of such remedy, right or option. In any event, a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The invalidity of any one or more covenants, clauses, sentences or paragraphs of this Promissory Note shall not affect the remaining portions hereof, and this Promissory Note shall be construed as if such invalid covenants, clauses, sentences or paragraphs, if any, had not been included.

This Promissory Note is to be construed in all respects and enforced according to the laws of the State of California. This Promissory Note may not be amended or modified except by a written agreement duly executed by Maker and Holder. This Promissory Note and the obligations created hereby shall bind Maker and, to the extent applicable, Maker’s respective successors and assigns, and the benefits hereof shall inure to Holder and its successors and assigns. This Promissory Note may be assigned by Holder in its sole discretion.

Any notice to Maker under this Promissory Note shall be in writing and shall be deemed to have been given upon (i) receipt, if hand delivered, (ii) transmission, if delivered by facsimile transmission, (iii) the next business day, if delivered by express overnight delivery service, or (iv) the third business day following the day of deposit of such notice in U.S. certified mail, return receipt requested to the following address:

STM, LLC
Attention: Asit S. Pruthi, M.D.
622 Abbott Street
Salinas, CA 93901

Maker has executed and delivered this Promissory Note effective as the date first set forth above.

MAKER: _____
Patricia Mayer, MD

Date: _____

*ADJOURNMENT – THE NOVEMBER 2021
FINANCE COMMITTEE MEETING
IS SCHEDULED FOR MONDAY,
NOVEMBER 15, 2021, AT 12:00 P.M.*