

July 22, 2022

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 **PERSONNEL, PENSION AND INVESTMENT COMMITTEE - COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **TUESDAY, JULY 26 2022, AT 12:00 P.M., IN THE CEO CONFERENCE ROOM, DOWNING RESOURCE CENTER, ROOMS 117, SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR VIA TELECONFERENCE (Visit svmh.com/virtualboardmeeting for Access Information).**

Please note: Pursuant to SVMHS Board Resolution No. 2022-10, Assembly Bill 361, and guidance from the Monterey County Health Department 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: Regina M. Gage, Chair; Richard Turner, Vice Chair; Pete Delgado, President/CEO; Augustine Lopez, CFO; Michelle Childs, Chief Human Resources Officer; Glenn Berry, MD, Medical Staff Member; Tony Redmond, Community Member

**PERSONNEL, PENSION AND INVESTMENTS COMMITTEE MEETING – JULY 2022
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, JULY 26, 2022
12:00 P.M. – CEO CONFERENCE ROOM, DRC ROOM 117
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
(Visit svmh.com/virtualboardmeeting for Access Information)**

Pursuant to SVMHS Board Resolution No. 2022-10, Assembly Bill 361, and guidance from the Monterey County Health Department 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.

AGENDA

1. Approval of Minutes from the Personnel, Pension and Investment Committee Meeting of June 21, 2022 (DELGADO)
 - Motion/Second
 - Action by Committee/Roll Call Vote
2. Actuary's Pension Valuation of SVMHS's Defined Benefit Pension Plan as of January 1, 2022 (LOPEZ/CLEVELAND).
3. Employee's Pension Plan Contribution - Consider Recommendation for Board Approval to Fund the Required Minimum Contribution to the Salinas Valley Memorial Healthcare District Employees' Pension Plan for Calendar Year 2022 (LOPEZ/CLEVELAND)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
4. Financial and Statistical Review (LOPEZ)
5. 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.
6. No Closed Session
7. Adjournment - The August 2022 Personnel, Pension and Investment Committee Meeting is scheduled for **Tuesday, August 23, 2022 at 12:00 p.m.**

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.

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.

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.

**MINUTES OF THE JUNE 2022
PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, JUNE 21, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR VIA TELECONFERENCE**

Pursuant to SVMHS Board Resolution No. 2022-08, Assembly Bill 361, and guidance from the Monterey County Health Department 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: In person: Glenn Berry, MD, Augustine Lopez, and Chair Regina Gage. Via Teleconference. Pete Delgado and Michelle Childs

Committee Members Absent: Tony Redmond and Richard Turner

Other Board Members Present, Constituting Committee of the Whole: Via Teleconference: Juan Cabrera

A quorum was present and the meeting was called to order at 12:00 p.m. by Director Gage, Committee Chair.

APPROVAL OF MINUTES FROM THE PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING OF APRIL 26, 2022

Personnel, Pension and Investment Committee Meeting of April 26, 2022

No public input received.

MOTION: Upon motion by Committee member Delgado, second by Committee member Berry, MD., the Personnel, Pension and Investment Committee meeting minutes of April 26, 2022 were approved.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF FINDINGS SUPPORTING RECRUITMENT OF PHYSICIANS TO COMMUNITY MEDICAL GROUPS AND PRACTICES AND APPROVAL OF RECRUITMENT INCENTIVES

In consultation with members of the SVMH medical staff, and in compliance with requirements of Stark Law, SVMHS executive management has identified the recruitment of physicians in certain medical specialties as a recruiting priority for the hospital's service area.

The Medical Staff Development Plan, completed by ECG Management Consultants in October 2019, identified the specialty of Pediatrics as a recommended priority for recruitment. Additionally, recruitment for the hospital-based specialty of Anesthesia is evaluated based on the needs of the hospital to ensure appropriate levels of coverage to meet patient care needs. Service line volumes and program coverage needs are the primary drivers of recruitment to this specialty.

To support physician recruitment to the District's service area, SVMHS collaborates with local medical groups and practices in the recruiting process through contributions to the costs of recruiting firms and associated recruitment expenses, and contributions to incentives paid to physicians that relocate to our community.

The background/situation/rationale and financial implications were included in the packet.

No public input received.

MOTION:

Upon motion by Committee member Delgado, second by Committee member Lopez, the Personnel, Pension and Investment Committee recommends the SVMHS Board of Directors approve the following.

- (i) The Board makes the following findings supporting the recruitment of the physicians in the specialties of anesthesia and pediatrics:
 - The assistance by SVMHS in the recruitment of physicians in the specialties of anesthesia and pediatrics by community medical groups and practices is in the best interest of the public health of the communities served by the District; and
 - The recruitment incentives requested by the community medical groups and practices and supported by SVMHS for these recruitments are necessary in order to attract and relocate appropriately qualified physicians to practice in the communities served by the District.
- (ii) Approve the recruitment support to community medical groups and practices and the recruitment incentives for the medical specialties of anesthesia and pediatrics to be set forth in Recruitment Agreements among SVMHS, the community medical groups and practices, and the physicians.

Ayes: Childs, Delgado, Lopez, and Chair Gage. Noes: None; Abstentions: Berry; Absent: Redmond and Turner; Motion Carried.

CONSIDER RECOMMENDATION FOR COMMITTEE APPROVAL OF OVER/UNDER PENSION PAYMENT CORRECTION

Michelle Childs, Chief Human Resources Officer, reported an internal audit performed by Transamerica revealed that the SVMH reported incorrect hours for the following plan years: 2017, 2018, 2019, and 2020

Staff recommends the Personnel, Pension and Investment Committee approve a one-time reimbursement to the Plan of \$25,859.45 to cover the cost of the overpayments for the 5 impacted retirees and reimbursing the trust.

The background/situation/rationale and financial implications were included in the packet.

No public input received.

MOTION: Upon motion by Committee member Delgado and second by Committee member Lopez, the Personnel, Pension and Investment Committee recommends the SVMHS Board of Directors approve a one-time reimbursement to the Plan of \$25,859.45 to cover the cost of the overpayments for the 5 impacted retirees and reimbursing the trust.

Ayes: Berry, Childs, Delgado, Lopez, and Chair Gage. Noes: None; Abstentions: None; Absent: Redmond and Turner; Motion Carried.

Review Investment Performance for Quarter Ending March, 2022 of SVMHS'S 403(b) Plan, 457 Plan and Employee Pension Plan

Augustine Lopez, Chief Financial Officer, introduced Steven Kjar, Vice President and Frank Salb, Director of Investments, Lockton Retirement Services an offering of Creative Planning, who provided an

Economic and Market Update as of March 31, 2022 of SVMHS's 403(b) plan, 457 Deferred Compensation Plan, and the Employees' Defined Benefit Pension Plan. This information was included in the Committee packet. Mr. Kjar and Mr. Salb provided the following key highlights:

Market Commentary

An economic & Market update was presented including economic growth, employment, inflation components, interest rates, the stock market, annual returns and intra-year declines and recovery, value vs. growth performance including labor concerns, geopolitical risk, and bond market implications.

403(b) Plan and 457(b) Plan Review

Lockton reviewed the investment lineup, investment performance and plan assets in both the 403(b) and 457(b) Plans as of March 31, 2022. Total assets of the 403(b) plan were \$113,128,147.12; and total assets of the 457 Deferred Compensation Plan were \$17,801,289.56. No investments have been placed on watch at this time. Capital preservation objectives and options were reviewed.

Pension Plan Review

Lockton reviewed the investment lineup, investment performance and plan assets of the pension plan as of March 31, 2022. Total assets of the Employees Pension Plan were \$459,759,724.17. The Western Asset Core Plus Bond portfolio has been placed on watch at this time. The following was reviewed relative to plan benchmarks.

- a. One Year Performance
 - Actual: 2.22%
 - Benchmark: 3.20%
- b. Three Year Performance
 - Actual 8.90%
 - Benchmark 9.16%
- c. Five Year Performance
 - Actual 8.05%
 - Benchmark 7.87%
- d. Since Inception
 - Actual 9.35%

Performance information obtained from Trust Reports prepared by Transamerica. Performance is actual performance for time period listed and returns are net of investment management fees.

Committee Discussion: The bond market remains a diversifying asset for investment portfolios. Bonds are generally a less risky investment than stocks and, for the first time in many years, are starting to produce yields that may be attractive to investors.

The *great resignation* has contributed to inflation. With markets correcting and approaching bear market territory, inflation being an issue and concern about recession, will people reenter the employment market and will this reemployment have a positive impact on the economy? This is difficult to measure currently but, probably not. Economists and investors do not expect many people that retired during COVID to return to the labor force.

Bonds remain an investment that will provide diversification alternatives to investors. Long term, with rising interest rates, these investments will become an alternative that can produce return for investors and provide some risk mitigation to investors.

No public input received.

FINANCIAL AND STATISTICAL REVIEW

Augustine Lopez, CFO, provided a financial and statistical performance review for the month ending May 2022. This information was included in the Committee packet

Key highlights of the financial summary for May 2022 were: (1) Income from operations was negative \$1.4M with an operating margin of negative 2.7%, (2) Net income was negative \$2.6M with a net income margin of -4.9%; (3) Inpatient gross revenues were above budget; (4) Emergency Department gross revenues were above budget; (5) Outpatient gross revenues were above budget; (6) Payor mix was unfavorable to the budget; (7) Total normalized net patient revenues were favorable to the budget; (8) Outpatient surgeries were below budget and inpatient surgeries were above budget; (9) Average daily census and total admissions were above budget; (8) Total acute average length of stay (ALOS) Medicare traditional ALOS CMI adjusted was unfavorable; (9) Operating revenues met expenses; (10) Days cash on hand was 341; days of net accounts receivable is 55.

No public input received.

PUBLIC INPUT

No public input received.

CLOSED SESSION

Regina Gage, Chair, announced that the item to be discussed in Closed Session is *Conference with Labor Negotiator – Concerning National Union of Healthcare Workers, California Nurses Association, Local 39 and ESC Local 20*. The meeting was recessed into Closed Session under the Closed Session protocol at 1:03 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 1:10 p.m. Chair Regina Gage reported that in Closed Session, the Committee discussed: *Conference with Labor Negotiator – Concerning National Union of Healthcare Workers, California Nurses Association, Local 39 and ESC Local 20*. No action was taken in the Closed Session.

ADJOURNMENT

There being no other business, the meeting was adjourned at 1:11 p.m. The July 2022 Personnel, Pension and Investment Committee Meeting is scheduled for **Tuesday, July 26, 2022, at 12:00 p.m.**

Regina M. Gage, Chair
Personnel, Pension and Investment Committee
/kmh

Financial Performance Review

June 2022

Augustine Lopez
Chief Financial Officer



Consolidated Financial Summary

For the Month of June 2022

Profit/Loss Statement

\$ in Millions	For the Month of June 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 62.1	\$ 53.0	\$ 9.1	17.2%	
Operating Expense	\$ 58.9	\$ 51.9	\$ (7.0)	-13.5%	
Income from Operations*	\$ 3.2	\$ 1.1	\$ 2.1	190.9%	
<i>Operating Margin %</i>	5.2%	2.1%	3.1%	147.62%	
Non Operating Income**	\$ 1.4	\$ 1.1	\$ 0.3	27.3%	
Net Income	\$ 4.6	\$ 2.2	\$ 2.4	109.1%	
<i>Net Income Margin %</i>	7.4%	4.1%	3.3%	80.5%	

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

\$1.6M AB915 OP Medi-Cal Supplement payment

<\$1.1M> Reserve for FY 2021 & 2022 Medi-Cal Cost Reports

\$0.2M Medicare Settlements for audited cost reports 2016-2018

\$0.7M Total for month of June

Consolidated Financial Summary

For the Month of June 2022 - Normalized

Profit/Loss Statement

\$ in Millions	For the Month of June 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 61.4	\$ 53.0	\$ 8.4	15.8%	
Operating Expense	\$ 58.9	\$ 51.9	\$ (7.0)	-13.5%	
Income from Operations	\$ 2.5	\$ 1.1	\$ 1.4	127.3%	
<i>Operating Margin %</i>	4.1%	2.1%	2.0%	95.2%	
Non Operating Income	\$ 1.4	\$ 1.1	\$ 0.3	27.3%	
Net Income	\$ 3.9	\$ 2.2	\$ 1.7	77.3%	
<i>Net Income Margin %</i>	6.4%	4.1%	2.3%	56.1%	

*** Operating Performance highlights:**

- Very strong Outpatient and ER activity for the month, OP gross revenues were \$20M (23%) above budget
- IP Admissions were above budget by 2% and IP Gross Revenues were above budget by \$5M (5%)
- IP Surgeries were 39% above budget

With the higher than expected volumes, the gain from operations is due to:

- Strong Revenue performance
- Better than expected average collection % and collections from Commercial AR greater than 180 days
- Contract labor utilization was \$1.7M coupled with higher usage of OT, which was needed to provide coverage for nursing and ancillary support for OR, ER, inpatient and outpatient services

Consolidated Financial Summary

Year-to-Date June 2022

Profit/Loss Statement

\$ in Millions	FY 2022 YTD June				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 698.5	\$ 633.8	\$ 64.7	10.2%	
Operating Expense	\$ 645.8	\$ 619.8	\$ (26.0)	-4.2%	
Income from Operations*	\$ 52.7	\$ 14.0	\$ 38.7	276.4%	
<i>Operating Margin %</i>	7.5%	2.2%	5.3%	240.9%	
Non Operating Income**	\$ (3.8)	\$ 13.0	\$ (16.8)	-129.2%	
Net Income	\$ 48.9	\$ 27.0	\$ 21.9	81.1%	
<i>Net Income Margin %</i>	7.0%	4.3%	2.7%	62.8%	

*** Income from operations includes:**

\$1.9M AB 113 Intergovernmental Transfer Payment (FY 2021)

\$0.5M AB113 Intergovernmental Transfer Payment (FY 2020)

\$3.9M Hospital Quality Assurance Fee (CY 2021)

<\$3.0M> Medi-Cal Cost Report Final Settlement reserve (FYs 2018-2022)

\$1.6M AB 915 OP Medi-Cal supplemental payment

\$4.9M Total Normalizing Items, Net

****Non-operating income includes:**

\$1.1 M Doctors on Duty Forgiven Paycheck Protection Program Loan

\$2.0 M Gain on sale of a Vantage Eye Surgery Center

Consolidated Financial Summary

Year-to-Date June 2022 - Normalized

Profit/Loss Statement

\$ in Millions	FY 2022 YTD June				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 693.6	\$ 633.8	\$ 59.8	9.4%	
Operating Expense	\$ 647.1	\$ 619.8	\$ (27.3)	-4.4%	
Income from Operations	\$ 46.5	\$ 14.0	\$ 32.5	232.1%	
<i>Operating Margin %</i>	6.7%	2.2%	4.5%	204.5%	
Non Operating Income	\$ (6.0)	\$ 13.0	\$ (19.0)	-146.2%	
Net Income	\$ 40.5	\$ 27.0	\$ 13.5	50.0%	
<i>Net Income Margin %</i>	5.9%	4.3%	1.6%	37.2%	

SVMH Financial Highlights June 2022

Gross Revenues were favorable

- **Gross Revenues** were 13% favorable to budget
- **IP gross revenues** were 5% favorable to budget
- **ED gross revenues** were 40% above budget
- **OP gross revenues** were 18% favorable to budget in the following areas:

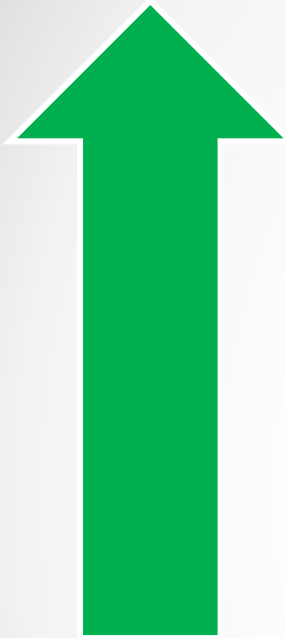
- Infusion Therapy
- Surgery
- Cardiology
- Radiology
- Lab
- Other OP Services

- **Commercial:** 12% below budget
- **Medicaid:** 6% above budget
- **Medicare:** 7% above budget

Payor Mix – unfavorable to budget

Total Normalized Net Patient Revenues were \$52.8M, which was favorable to budget by \$7.9M or 17.6%

Financial Summary – June 2022



1) Higher than expected Inpatient business:

- Average daily census was at 117, 2% above budget of 115

2) Total admissions were 13% (105 admits) above budget

- ER admissions were 15% above budget (91 admits)

3) ER Outpatient visits were above budget by 63% at 4,615

4) Higher than expected Outpatient business:

- Predominantly due to higher than budgeted volumes in Infusion Therapy, Cardiology, Radiology, and Other Outpatient Services

5) Inpatient Surgeries cases were 39% (52 cases) above budget predominately in Cardiovascular Surgery, Orthopedic and ENT Surgery

6) Medicare Traditional ALOS CMI adjusted 10% favorable at 2.2 days with a Case Mix Index of 1.7



7) OP Observation cases were 10% (15 cases) higher than budget at 165

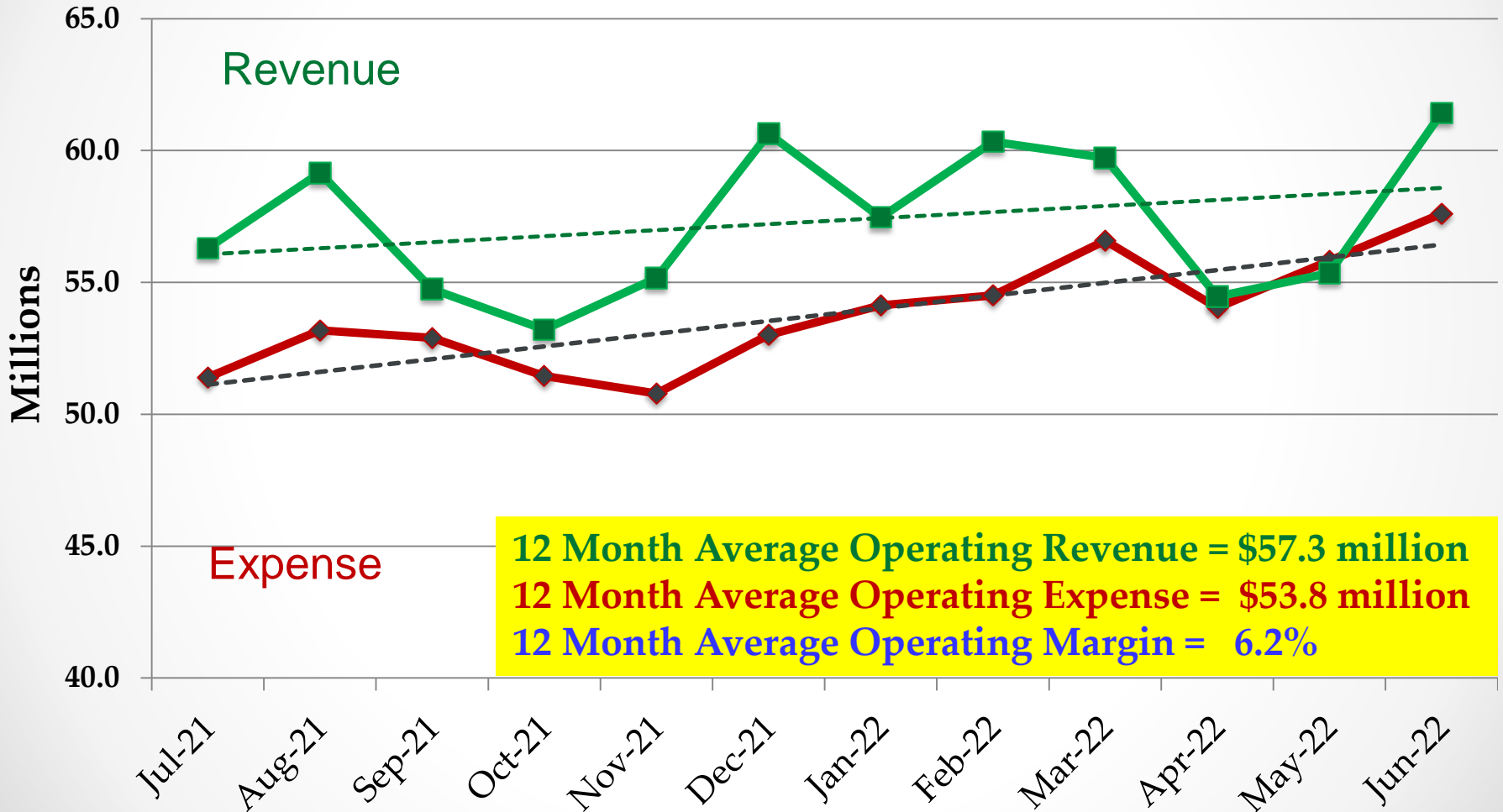
8) Outpatient Surgeries were 3% (8 cases) below budget

9) Deliveries were 21% (29 deliveries) below budget at 111



SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: Jun 21 to June 22



SVMHS Key Financial Indicators

Statistic	YTD	SVMHS		S&P A+ Rated		YTD	
	Jun-22	Target	+/-	Hospitals	+/-	Jun-21	+/-
Operating Margin*	6.7%	9.0%	Red	4.0%	Green	5.3%	Green
Total Margin*	5.9%	10.8%	Red	6.6%	Green	7.5%	Red
EBITDA Margin**	10.7%	13.4%	Red	13.6%	Red	9.6%	Green
Days of Cash*	343	305	Green	249	Green	373	Red
Days of Accounts Payable*	50	45	Green	-		47	Green
Days of Net Accounts Receivable*	50	45	Red	49	Red	45	Red
Supply Expense as % NPR	12.8%	15.0%	Green	-		12.6%	Green
SWB Expense as % NPR	51.2%	53.0%	Green	53.7%	Green	52.5%	Green
Operating Expense per APD*	6,370	4,992	Red	-		6,241	Yellow

*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)

QUESTIONS / COMMENTS

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
June 30, 2022

	<u>Month of June,</u>		<u>Twelve months ended June 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 53,474,614	\$ 54,359,716	\$ 590,852,248	\$ 572,018,532
Other operating revenue	520,340	1,647,683	14,029,235	14,591,668
Total operating revenue	<u>53,994,954</u>	<u>56,007,399</u>	<u>604,881,483</u>	<u>586,610,200</u>
Total operating expenses	47,894,131	40,540,947	516,280,437	489,729,350
Total non-operating income	<u>(1,634,827)</u>	<u>(2,834,056)</u>	<u>(40,311,522)</u>	<u>(30,576,180)</u>
Operating and non-operating income	<u>\$ 4,465,996</u>	<u>\$ 12,632,397</u>	<u>\$ 48,289,524</u>	<u>\$ 66,304,670</u>

SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
June 30, 2022

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 401,493,408	\$ 425,957,331
Assets whose use is limited or restricted by board	148,632,659	143,257,278
Capital assets	239,012,844	244,922,431
Other assets	229,652,149	186,298,457
Deferred pension outflows	<u>50,119,236</u>	<u>50,119,236</u>
	<u>\$ 1,068,910,296</u>	<u>\$ 1,050,554,733</u>
LIABILITIES AND EQUITY:		
Current liabilities	112,948,685	142,058,540
Long term liabilities	13,732,408	14,556,513
	83,585,120	83,585,120
Net assets	<u>858,644,083</u>	<u>810,354,560</u>
	<u>\$ 1,068,910,296</u>	<u>\$ 1,050,554,733</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
June 30, 2022**

	<u>Month of June,</u>		<u>Twelve months ended June 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,760	1,585	21,148	20,286
Medi-Cal	1,094	914	11,883	12,355
Commercial insurance	624	695	8,784	8,727
Other patient	46	41	1,256	1,391
Total patient days	<u>3,524</u>	<u>3,235</u>	<u>43,071</u>	<u>42,759</u>
Gross revenue:				
Medicare	\$ 98,016,904	\$ 96,958,945	\$ 1,123,537,736	\$ 1,026,341,867
Medi-Cal	64,194,517	54,054,685	685,828,756	637,505,906
Commercial insurance	50,125,392	50,490,984	593,689,626	568,462,088
Other patient	<u>5,833,628</u>	<u>6,160,119</u>	<u>94,823,167</u>	<u>98,523,566</u>
Gross revenue	<u>218,170,441</u>	<u>207,664,733</u>	<u>2,497,879,285</u>	<u>2,330,833,427</u>
Deductions from revenue:				
Administrative adjustment	(27,209)	131,169	3,260,698	3,502,174
Charity care	554,068	1,193,690	9,592,563	12,808,167
Contractual adjustments:				
Medicare outpatient	30,594,787	30,778,098	334,139,787	306,057,790
Medicare inpatient	40,421,682	42,557,050	491,843,427	454,865,294
Medi-Cal traditional outpatient	3,463,809	2,989,944	36,040,421	26,518,159
Medi-Cal traditional inpatient	(51,505)	2,969,748	65,974,080	76,857,735
Medi-Cal managed care outpatient	24,305,549	22,008,757	266,077,183	225,041,589
Medi-Cal managed care inpatient	25,071,160	17,889,988	236,204,606	219,174,385
Commercial insurance outpatient	18,989,754	17,821,126	201,941,543	193,298,540
Commercial insurance inpatient	17,984,711	12,781,064	208,330,469	189,338,065
Uncollectible accounts expense	4,036,087	4,080,441	45,609,276	43,303,645
Other payors	<u>(647,066)</u>	<u>(1,896,060)</u>	<u>8,012,984</u>	<u>8,049,353</u>
Deductions from revenue	<u>164,695,827</u>	<u>153,305,016</u>	<u>1,907,027,037</u>	<u>1,758,814,896</u>
Net patient revenue	<u>\$ 53,474,614</u>	<u>\$ 54,359,716</u>	<u>\$ 590,852,248</u>	<u>\$ 572,018,532</u>
Gross billed charges by patient type:				
Inpatient	\$ 110,969,167	\$ 103,538,117	\$ 1,330,183,319	\$ 1,267,196,564
Outpatient	78,830,953	77,192,336	846,494,183	802,358,510
Emergency room	<u>28,370,321</u>	<u>26,934,280</u>	<u>321,201,783</u>	<u>261,278,353</u>
Total	<u>\$ 218,170,441</u>	<u>\$ 207,664,733</u>	<u>\$ 2,497,879,285</u>	<u>\$ 2,330,833,427</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
June 30, 2022**

	<u>Month of June,</u>		<u>Twelve months ended June 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 53,474,614	\$ 54,359,716	\$ 590,852,248	\$ 572,018,532
Other operating revenue	520,340	1,647,683	14,029,235	14,591,668
Total operating revenue	<u>53,994,954</u>	<u>56,007,399</u>	<u>604,881,483</u>	<u>586,610,200</u>
Operating expenses:				
Salaries and wages	15,676,788	14,921,572	186,822,026	187,996,067
Compensated absences	2,864,379	2,772,270	33,035,342	32,115,725
Employee benefits	9,948,690	2,523,465	85,360,307	81,793,600
Supplies, food, and linen	6,624,510	5,500,561	76,326,187	72,933,249
Purchased department functions	3,895,742	3,161,164	41,900,412	38,824,093
Medical fees	2,797,519	1,348,122	22,907,667	16,404,867
Other fees	2,560,084	7,063,665	30,152,160	23,298,658
Depreciation	1,683,203	1,819,756	22,245,023	21,553,608
All other expense	1,843,216	1,430,372	17,531,313	14,809,483
Total operating expenses	<u>47,894,131</u>	<u>40,540,947</u>	<u>516,280,437</u>	<u>489,729,350</u>
Income from operations	<u>6,100,823</u>	<u>15,466,452</u>	<u>88,601,046</u>	<u>96,880,850</u>
Non-operating income:				
Donations	166,667	(461,834)	2,075,873	2,168,234
Property taxes	333,333	1,345,713	4,000,000	5,012,380
Investment income	(1,501,313)	(2,492,234)	(13,230,496)	630,140
Taxes and licenses	0	0	0	(29,074)
Income from subsidiaries	(633,514)	(1,225,701)	(33,156,899)	(38,357,860)
Total non-operating income	<u>(1,634,827)</u>	<u>(2,834,056)</u>	<u>(40,311,522)</u>	<u>(30,576,180)</u>
Operating and non-operating income	4,465,996	12,632,397	48,289,524	66,304,670
Net assets to begin	<u>854,178,087</u>	<u>797,722,163</u>	<u>810,354,559</u>	<u>744,049,890</u>
Net assets to end	<u>\$ 858,644,083</u>	<u>\$ 810,354,560</u>	<u>\$ 858,644,083</u>	<u>\$ 810,354,560</u>
Net income excluding non-recurring items	\$ 4,465,996	\$ 8,977,682	\$ 41,997,148	\$ 49,801,337
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>3,654,715</u>	<u>6,292,376</u>	<u>16,503,333</u>
Operating and non-operating income	<u>\$ 4,465,996</u>	<u>\$ 12,632,397</u>	<u>\$ 48,289,524</u>	<u>\$ 66,304,670</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
June 30, 2022**

	Month of June,		Twelve months ended June 30,	
	current year	prior year	current year	prior year
Detail of other operating income:				
Dietary revenue	\$ 189,840	\$ 115,947	\$ 1,732,370	\$ 1,594,105
Discounts and scrap sale	2,023	2,553	1,336,587	1,008,907
Sale of products and services	50,799	74,720	765,270	407,924
Clinical trial fees	1,210	760	28,910	110,186
Stimulus Funds	0	0	0	0
Rental income	147,618	127,771	1,968,789	1,951,216
Other	128,850	1,325,932	8,197,309	9,519,330
Total	\$ 520,340	\$ 1,647,683	\$ 14,029,235	\$ 14,591,668
Detail of investment income:				
Bank and payor interest	\$ 115,550	\$ 108,124	\$ 1,082,877	\$ 1,356,658
Income from investments	(1,621,863)	(2,201,203)	(16,028,118)	(3,263,480)
Gain or loss on property and equipment	5,000	(399,155)	1,714,745	2,536,962
Total	\$ (1,501,313)	\$ (2,492,234)	\$ (13,230,496)	\$ 630,140
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (131,133)	\$ (127,156)	\$ (2,151,282)	\$ (2,217,968)
Neurological Clinic	4,171	16,697	(605,081)	(901,611)
Palliative Care Clinic	(72,968)	(115,554)	(936,112)	(958,593)
Surgery Clinic	(115,366)	(143,671)	(1,512,574)	(1,912,642)
Infectious Disease Clinic	(11,739)	(46,387)	(299,230)	(345,123)
Endocrinology Clinic	(55,536)	(103,767)	(1,429,937)	(2,041,873)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(379,483)	(407,719)	(5,002,447)	(5,475,112)
OB/GYN Clinic	(292,507)	(376,121)	(3,938,510)	(4,356,003)
PrimeCare Medical Group	133,769	374,026	(5,433,042)	(8,780,451)
Oncology Clinic	(411,630)	(228,112)	(2,988,678)	(3,229,355)
Cardiac Surgery	(125,038)	(247,572)	(2,402,980)	(1,986,974)
Sleep Center	(18,315)	(54,494)	(385,208)	(671,425)
Rheumatology	(42,640)	(64,634)	(653,901)	(664,505)
Precision Ortho MDs	(35,986)	(385,407)	(3,278,409)	(2,982,597)
Precision Ortho-MRI	285	0	95	(1,492)
Precision Ortho-PT	(408)	(60,543)	(532,215)	(601,575)
Vaccine Clinic	3,071	0	(55,342)	0
Dermatology	(3,376)	(23,483)	(191,828)	(352,388)
Hospitalists	0	0	0	0
Behavioral Health	(37,592)	(85,874)	(722,529)	(908,171)
Pediatric Diabetes	(33,928)	(37,913)	(506,008)	(417,061)
Neurosurgery	(30,429)	(31,010)	(276,825)	(327,469)
Multi-Specialty-RR	24,350	8,738	113,614	51,672
Radiology	26,641	(204,672)	(2,523,185)	(2,399,939)
Salinas Family Practice	(64,644)	(22,332)	(1,133,531)	(197,523)
Urology	127,272	0	(112,863)	0
Total SVMC	(1,543,159)	(2,366,960)	(36,958,008)	(41,678,178)
Doctors on Duty	634,517	139,520	713,332	962,374
Assisted Living	0	0	0	(65,904)
Salinas Valley Imaging	0	0	0	(19,974)
Vantage Surgery Center	0	11,521	222,007	263,422
LPCH NICU JV	0	878,504	0	878,504
Central Coast Health Connect	0	(96,947)	0	(96,947)
Monterey Peninsula Surgery Center	215,600	140,927	2,455,237	1,309,363
Aspire/CHI/Coastal	(28,581)	5,170	(303,850)	(835,904)
Apex	0	(9,538)	103,759	98,751
21st Century Oncology	35,766	28,933	155,750	(35,543)
Monterey Bay Endoscopy Center	52,344	43,170	454,875	862,176
Total	\$ (633,514)	\$ (1,225,701)	\$ (33,156,899)	\$ (38,357,860)

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
June 30, 2022**

	Current year	Prior year
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 292,615,970	\$ 340,058,708
Patient accounts receivable, net of estimated uncollectibles of \$29,007,275	83,765,858	70,975,794
Supplies inventory at cost	7,960,823	8,616,495
Other current assets	17,150,757	6,306,335
Total current assets	401,493,408	425,957,331
Assets whose use is limited or restricted by board	148,632,659	143,257,278
Capital assets:		
Land and construction in process	36,458,903	33,482,774
Other capital assets, net of depreciation	202,553,941	211,439,657
Total capital assets	239,012,844	244,922,431
Other assets:		
Investment in Securities	141,269,337	145,963,160
Investment in SVMC	12,836,308	15,148,978
Investment in Aspire/CHI/Coastal	1,683,517	3,814,849
Investment in other affiliates	21,838,569	20,839,297
Net pension asset	52,024,418	532,173
Total other assets	229,652,149	186,298,457
Deferred pension outflows	50,119,236	50,119,236
	\$ 1,068,910,296	\$ 1,050,554,733
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,197,719	\$ 61,333,208
Due to third party payers	34,111,122	63,747,156
Current portion of self-insurance liability	17,639,844	16,978,176
Total current liabilities	112,948,685	142,058,540
Long term portion of workers comp liability	13,732,408	14,556,513
Total liabilities	126,681,093	156,615,053
Pension liability	83,585,120	83,585,120
Net assets:		
Invested in capital assets, net of related debt	239,012,844	244,922,431
Unrestricted	619,631,239	565,432,129
Total net assets	858,644,083	810,354,560
	\$ 1,068,910,296	\$ 1,050,554,733

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
June 30, 2022

	Month of June,				Twelve months ended June 30,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 218,170,441	\$ 193,000,467	25,169,974	13.04%	\$ 2,497,879,285	\$ 2,332,185,515	165,693,770	7.10%
Deductions from revenue	164,695,827	148,121,190	16,574,637	11.19%	1,907,027,037	1,790,772,621	116,254,416	6.49%
Net patient revenue	53,474,614	44,879,278	8,595,336	19.15%	590,852,248	541,412,894	49,439,354	9.13%
Other operating revenue	520,340	944,363	(424,023)	-44.90%	14,029,235	10,198,951	3,830,284	37.56%
Total operating revenue	53,994,954	45,823,641	8,171,313	17.83%	604,881,483	551,611,845	53,269,638	9.66%
Operating expenses:								
Salaries and wages	15,676,788	15,789,447	(112,659)	-0.71%	186,822,026	187,192,967	(370,941)	-0.20%
Compensated absences	2,864,379	2,195,613	668,766	30.46%	33,035,342	30,724,067	2,311,275	7.52%
Employee benefits	9,948,690	7,165,503	2,783,187	38.84%	85,360,307	85,414,503	(54,196)	-0.06%
Supplies, food, and linen	6,624,510	5,845,248	779,262	13.33%	76,326,187	70,427,041	5,899,146	8.38%
Purchased department functions	3,895,742	3,093,373	802,369	25.94%	41,900,412	36,929,115	4,971,297	13.46%
Medical fees	2,797,519	1,830,070	967,449	52.86%	22,907,667	21,929,387	978,280	4.46%
Other fees	2,560,084	902,640	1,657,444	183.62%	30,152,160	11,060,230	19,091,930	172.62%
Depreciation	1,683,203	1,868,901	(185,698)	-9.94%	22,245,023	21,933,270	311,753	1.42%
All other expense	1,843,216	1,415,875	427,341	30.18%	17,531,313	17,148,183	383,130	2.23%
Total operating expenses	47,894,131	40,106,670	7,787,461	19.42%	516,280,437	482,758,762	33,521,675	6.94%
Income from operations	6,100,823	5,716,971	383,852	6.71%	88,601,046	68,853,083	19,747,963	28.68%
Non-operating income:								
Donations	166,667	166,667	0	0.00%	2,075,873	2,000,000	75,873	3.79%
Property taxes	333,333	333,333	(0)	0.00%	4,000,000	4,000,000	0	0.00%
Investment income	(1,501,313)	(63,302)	(1,438,012)	2271.68%	(13,230,496)	(759,619)	(12,470,877)	1641.73%
Income from subsidiaries	(633,514)	(4,138,300)	3,504,786	-84.69%	(33,156,899)	(49,023,377)	15,866,478	-32.37%
Total non-operating income	(1,634,827)	(3,701,602)	2,066,775	-55.83%	(40,311,522)	(43,782,996)	3,471,474	-7.93%
Operating and non-operating income	\$ 4,465,996	\$ 2,015,370	2,450,626	121.60%	\$ 48,289,524	\$ 25,070,087	23,219,437	92.62%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of June and twelve months to date

	<u>Month of June</u>		<u>Twelve months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>NEWBORN STATISTICS</u>					
Medi-Cal Admissions	41	33	511	464	(47)
Other Admissions	102	80	1,138	1,132	(6)
Total Admissions	143	113	1,649	1,596	(53)
Medi-Cal Patient Days	65	61	784	732	(52)
Other Patient Days	162	132	1,843	1,853	10
Total Patient Days of Care	227	193	2,627	2,585	(42)
Average Daily Census	7.6	6.4	7.2	7.1	(0.1)
Medi-Cal Average Days	1.6	2.1	1.6	1.6	0.1
Other Average Days	0.7	1.7	1.6	1.6	0.0
Total Average Days Stay	1.5	1.8	1.6	1.6	0.0
<u>ADULTS & PEDIATRICS</u>					
Medicare Admissions	334	378	3,844	4,270	426
Medi-Cal Admissions	265	252	2,789	2,889	100
Other Admissions	398	287	3,325	3,624	299
Total Admissions	997	917	9,958	10,783	825
Medicare Patient Days	1,417	1,466	17,524	18,158	634
Medi-Cal Patient Days	933	1,129	12,770	12,254	(516)
Other Patient Days	765	1,426	10,917	14,915	3,998
Total Patient Days of Care	3,115	4,021	41,211	45,327	4,116
Average Daily Census	103.8	134.0	112.9	124.2	11.3
Medicare Average Length of Stay	4.2	3.8	4.5	4.2	(0.3)
Medi-Cal Average Length of Stay	3.5	4.1	3.8	3.5	(0.3)
Other Average Length of Stay	2.1	4.1	2.5	3.2	0.7
Total Average Length of Stay	3.2	4.0	3.5	3.7	0.1
Deaths	19	19	432	327	(105)
Total Patient Days	3,342	4,214	43,838	47,912	4,074
Medi-Cal Administrative Days	2	0	178	212	34
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	2	0	178	212	34
Percent Non-Acute	0.06%	0.00%	0.41%	0.44%	0.04%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of June and twelve months to date

	<u>Month of June</u>		<u>Twelve months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	276	248	3,166	3,282	116
Heart Center	329	421	4,076	3,790	(286)
Monitored Beds	292	592	8,700	8,820	120
Single Room Maternity/Obstetrics	362	355	4,181	4,294	113
Med/Surg - Cardiovascular	762	877	8,857	9,000	143
Med/Surg - Oncology	281	282	2,218	3,109	891
Med/Surg - Rehab	386	585	5,064	5,767	703
Pediatrics	92	146	1,129	1,302	173
Nursery	227	193	2,627	2,585	(42)
Neonatal Intensive Care	126	114	1,530	1,386	(144)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	70.77%	63.59%	66.72%	69.17%	
Heart Center	73.11%	93.56%	74.45%	69.22%	
Monitored Beds	36.05%	73.09%	88.28%	89.50%	
Single Room Maternity/Obstetrics	32.61%	31.98%	30.96%	31.80%	
Med/Surg - Cardiovascular	56.44%	64.96%	53.92%	54.79%	
Med/Surg - Oncology	72.05%	72.31%	46.74%	65.52%	
Med/Surg - Rehab	49.49%	75.00%	53.36%	60.77%	
Med/Surg - Observation Care Unit	0.00%	78.63%	0.00%	73.76%	
Pediatrics	17.04%	27.04%	17.18%	19.82%	
Nursery	45.86%	38.99%	21.81%	21.46%	
Neonatal Intensive Care	38.18%	34.55%	38.11%	34.52%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of June and twelve months to date

	<u>Month of June</u>		<u>Twelve months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	159	110	1,628	1,522	(106)
C-Section deliveries	47	36	512	495	(17)
Percent of C-section deliveries	29.56%	32.73%	31.45%	32.52%	1.07%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	22,559	24,790	243,618	238,995	(4,623)
Out-Patient Operating Minutes	30,077	27,278	285,341	304,315	18,974
Total	52,636	52,068	528,959	543,310	14,351
Open Heart Surgeries	16	15	147	146	(1)
In-Patient Cases	152	184	1,720	1,762	42
Out-Patient Cases	291	294	3,001	3,082	81
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	27	21	381	376	(5)
High Risk	496	515	5,899	5,729	(170)
More Than One Resource	2,503	2,964	26,240	31,743	5,503
One Resource	1,298	1,970	14,534	20,310	5,776
No Resources	93	83	510	1,006	496
Total	<u>4,417</u>	<u>5,553</u>	<u>47,564</u>	<u>59,164</u>	<u>11,600</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of June and twelve months to date

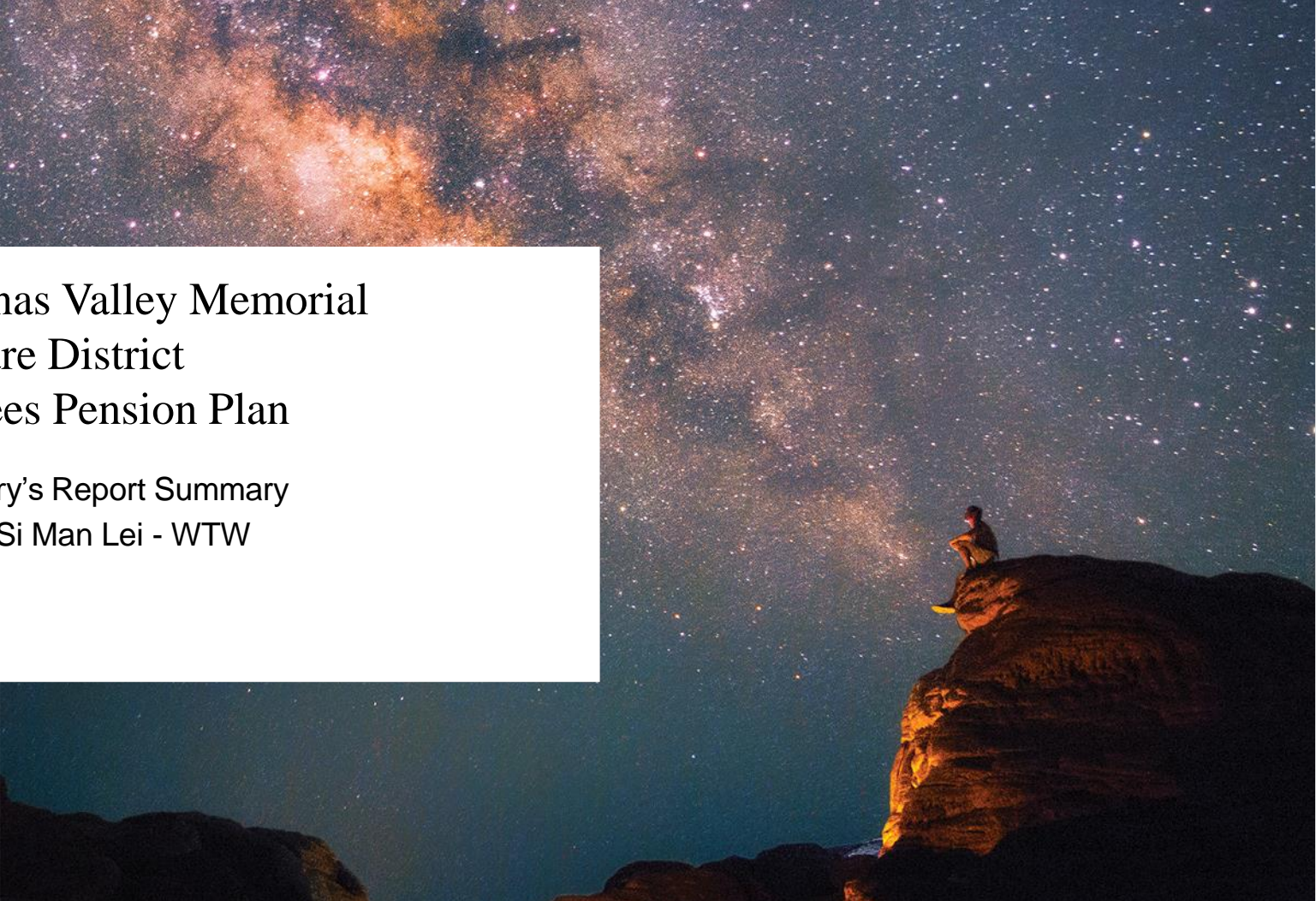

	<u>Month of June</u>		<u>Twelve months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
CENTRAL SUPPLY					
In-patient requisitions	16,315	15,295	102,118	105,727	3,609
Out-patient requisitions	6,250	6,730	67,967	63,426	-4,541
Emergency room requisitions	1,375	698	11,273	8,349	-2,924
Interdepartmental requisitions	7,849	7,115	49,644	44,398	-5,246
Total requisitions	<u>31,789</u>	<u>29,838</u>	<u>231,002</u>	<u>221,900</u>	<u>-9,102</u>
LABORATORY					
In-patient procedures	42,107	38,721	253,735	241,589	-12,146
Out-patient procedures	9,286	11,597	76,062	80,263	4,201
Emergency room procedures	9,433	11,145	60,934	76,430	15,496
Total patient procedures	<u>60,826</u>	<u>61,463</u>	<u>390,731</u>	<u>398,282</u>	<u>7,551</u>
BLOOD BANK					
Units processed	<u>318</u>	<u>297</u>	<u>1,996</u>	<u>1,965</u>	<u>-31</u>
ELECTROCARDIOLOGY					
In-patient procedures	1,041	1,068	6,566	6,885	319
Out-patient procedures	349	302	2,706	2,668	-38
Emergency room procedures	1,045	1,148	6,142	7,127	985
Total procedures	<u>2,435</u>	<u>2,518</u>	<u>15,414</u>	<u>16,680</u>	<u>1,266</u>
CATH LAB					
In-patient procedures	64	77	512	607	95
Out-patient procedures	51	71	571	625	54
Emergency room procedures	0	0	1	0	-1
Total procedures	<u>115</u>	<u>148</u>	<u>1,084</u>	<u>1,232</u>	<u>148</u>
ECHO-CARDIOLOGY					
In-patient studies	298	371	2,033	2,406	373
Out-patient studies	138	156	1,262	1,520	258
Emergency room studies	2	1	16	5	-11
Total studies	<u>438</u>	<u>528</u>	<u>3,311</u>	<u>3,931</u>	<u>620</u>
NEURODIAGNOSTIC					
In-patient procedures	140	165	1,109	1,090	-19
Out-patient procedures	24	27	169	164	-5
Emergency room procedures	0	0	0	0	0
Total procedures	<u>164</u>	<u>192</u>	<u>1,278</u>	<u>1,254</u>	<u>-24</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of June and twelve months to date

	<u>Month of June</u>		<u>Twelve months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
SLEEP CENTER					
In-patient procedures	0	0	1	0	-1
Out-patient procedures	183	167	1,315	1,153	-162
Emergency room procedures	0	0	0	0	0
Total procedures	<u>183</u>	<u>167</u>	<u>1,316</u>	<u>1,153</u>	<u>-163</u>
RADIOLOGY					
In-patient procedures	1,654	1,429	9,708	8,710	-998
Out-patient procedures	416	356	4,323	2,915	-1,408
Emergency room procedures	1,217	1,382	7,939	8,809	870
Total patient procedures	<u>3,287</u>	<u>3,167</u>	<u>21,970</u>	<u>20,434</u>	<u>-1,536</u>
MAGNETIC RESONANCE IMAGING					
In-patient procedures	105	141	860	890	30
Out-patient procedures	127	77	953	768	-185
Emergency room procedures	14	6	80	49	-31
Total procedures	<u>246</u>	<u>224</u>	<u>1,893</u>	<u>1,707</u>	<u>-186</u>
MAMMOGRAPHY CENTER					
In-patient procedures	2,718	3,550	20,910	24,711	3,801
Out-patient procedures	2,696	3,518	20,790	24,527	3,737
Emergency room procedures	3	0	3	8	5
Total procedures	<u>5,417</u>	<u>7,068</u>	<u>41,703</u>	<u>49,246</u>	<u>7,543</u>
NUCLEAR MEDICINE					
In-patient procedures	12	14	86	94	8
Out-patient procedures	61	78	506	541	35
Emergency room procedures	1	0	4	4	0
Total procedures	<u>74</u>	<u>92</u>	<u>596</u>	<u>639</u>	<u>43</u>
PHARMACY					
In-patient prescriptions	111,491	94,299	636,356	605,331	-31,025
Out-patient prescriptions	10,439	11,319	99,978	104,283	4,305
Emergency room prescriptions	5,342	7,197	36,983	48,996	12,013
Total prescriptions	<u>127,272</u>	<u>112,815</u>	<u>773,317</u>	<u>758,610</u>	<u>-14,707</u>
RESPIRATORY THERAPY					
In-patient treatments	29,606	21,738	156,457	131,478	-24,979
Out-patient treatments	143	981	3,391	7,896	4,505
Emergency room treatments	373	194	1,179	1,583	404
Total patient treatments	<u>30,122</u>	<u>22,913</u>	<u>161,027</u>	<u>140,957</u>	<u>-20,070</u>
PHYSICAL THERAPY					
In-patient treatments	2,256	2,396	16,109	16,284	175
Out-patient treatments	99	170	1,751	2,108	357
Emergency room treatments	0	0	0	0	0
Total treatments	<u>2,355</u>	<u>2,566</u>	<u>17,860</u>	<u>18,392</u>	<u>532</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of June and twelve months to date

	<u>Month of June</u>		<u>Twelve months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
OCCUPATIONAL THERAPY					
In-patient procedures	1,445	1,660	9,403	10,682	1,279
Out-patient procedures	74	99	797	1,086	289
Emergency room procedures	0	0	0	0	0
Total procedures	1,519	1,759	10,200	11,768	1,568
SPEECH THERAPY					
In-patient treatments	348	525	2,682	3,077	395
Out-patient treatments	23	28	171	200	29
Emergency room treatments	0	0	0	0	0
Total treatments	371	553	2,853	3,277	424
CARDIAC REHABILITATION					
In-patient treatments	0	0	0	0	0
Out-patient treatments	498	401	2,637	4,268	1,631
Emergency room treatments	0	0	1	0	-1
Total treatments	498	401	2,638	4,268	1,630
CRITICAL DECISION UNIT					
Observation hours	378	344	1,866	2,252	386
ENDOSCOPY					
In-patient procedures	85	78	626	636	10
Out-patient procedures	12	29	159	223	64
Emergency room procedures	0	0	0	0	0
Total procedures	97	107	785	859	74
C.T. SCAN					
In-patient procedures	537	596	3,803	4,027	224
Out-patient procedures	445	281	3,598	2,517	-1,081
Emergency room procedures	433	552	3,208	4,164	956
Total procedures	1,415	1,429	10,609	10,708	99
DIETARY					
Routine patient diets	17,554	21,351	113,154	130,102	16,948
Meals to personnel	19,345	21,421	144,216	152,161	7,945
Total diets and meals	36,899	42,772	257,370	282,263	24,893
LAUNDRY AND LINEN					
Total pounds laundered	99,573	100,531	710,088	689,921	-20,167



The Salinas Valley Memorial Healthcare District Employees Pension Plan

2022 Actuary's Report Summary
Eric Grant, Si Man Lei - WTW

July 26, 2022

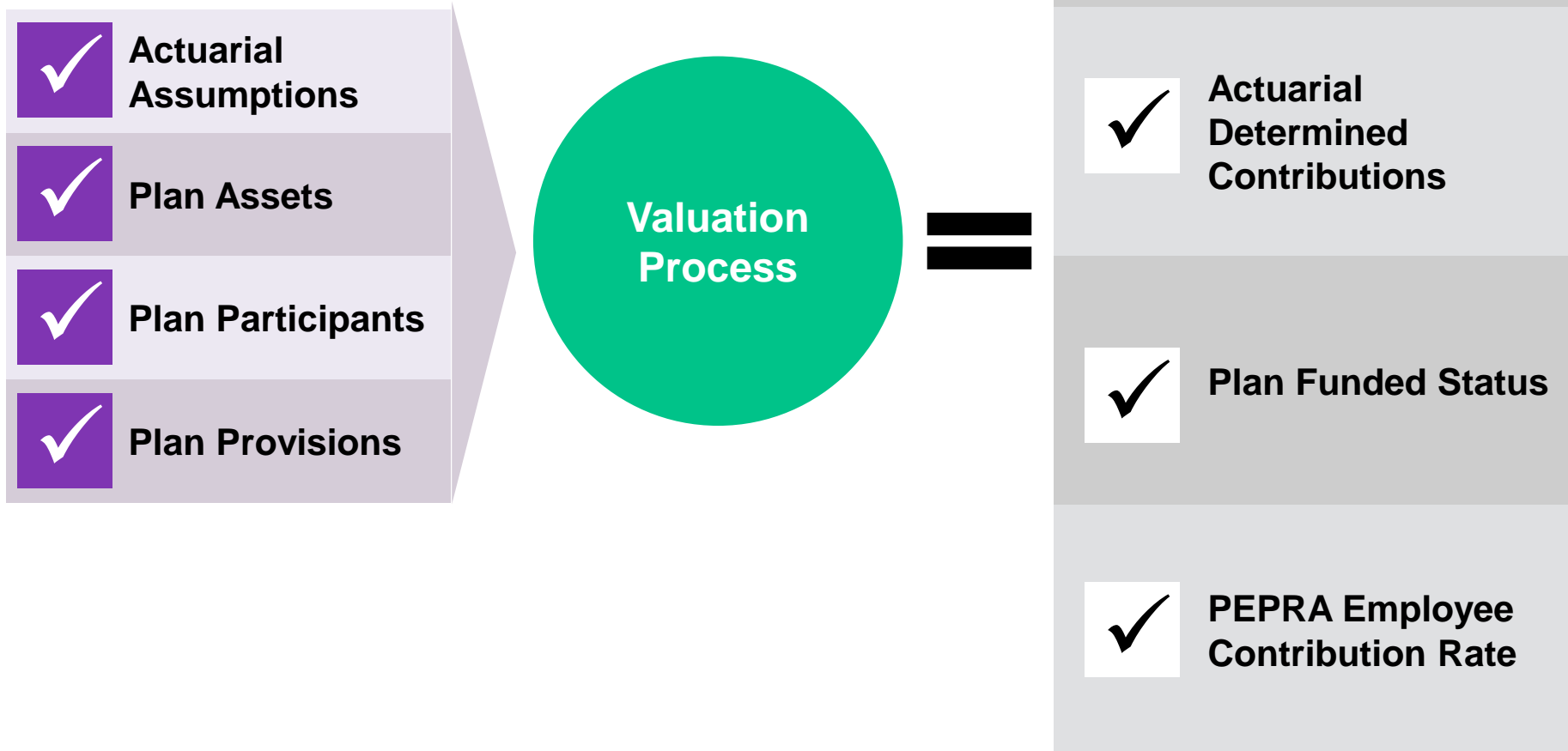
Table of Contents

Section 1.	January 1, 2022 Valuation Results
Section 2.	Impact of Extra Contributions Made in Last Four Plan Years
Section 3.	Beyond 2022 Funded Status Projections
Section 4.	Sensitivity of Pension Liability on Discount Rates
Section 5.	PEPRA Contribution Rate
Section 6.	Participant Statistics and Certification

Section 1

January 1, 2022 Valuation Results

Overview of Valuation Process



Key Valuation Assumptions and Methods

Interest Rate:	6.50% per annum, compounded annually
Mortality:	PubG-2010 Mortality Tables for males and females Projected generationally using MP-2021 (New!)
Retirement:	Rates at ages 50-70 based on 2019 Study of SVMH Experience <i>(assumption does not significantly conflict with what would be reasonable based on review of recent experience)</i>
Withdrawal:	Rates based on 2019 Study of SVMH Experience <i>(assumption does not significantly conflict with what would be reasonable based on review of recent experience)</i>
Salary Scale:	Scale based on study performed in 2019

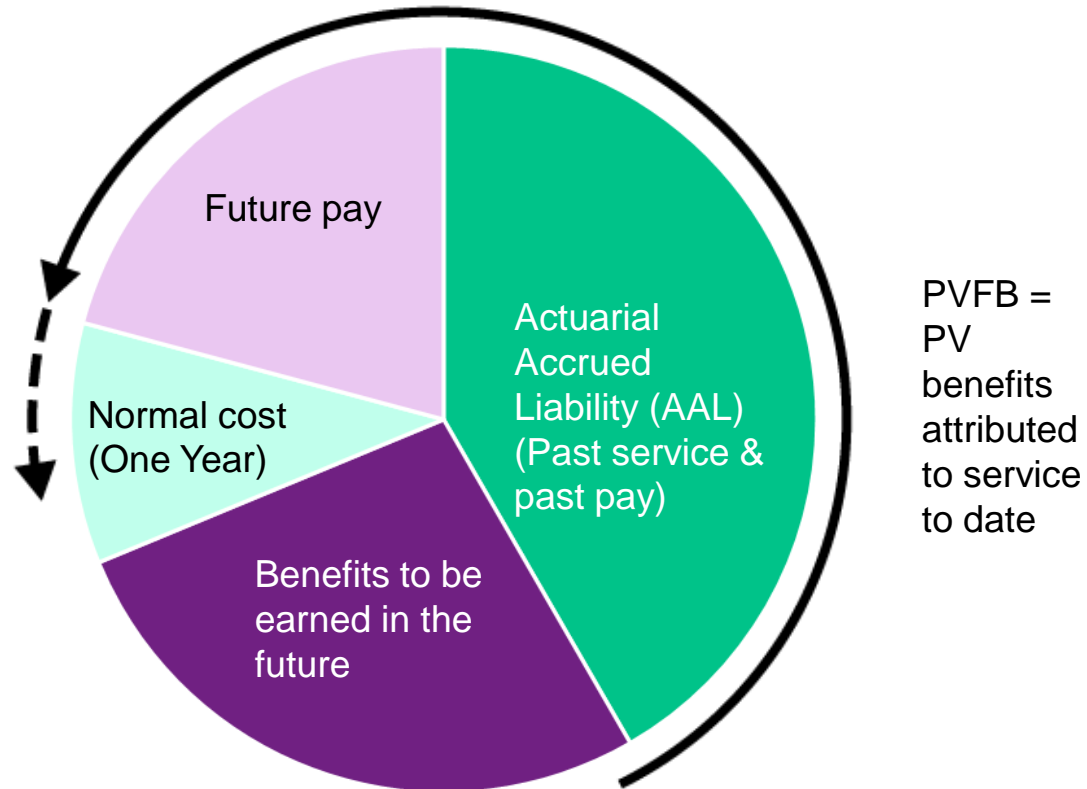
Actuarial Cost Methods:	ADC Funding – Traditional Unit Credit Cost (TUC) Method for Classic and Entry Age Normal (EAN) for PEPRA Government Accounting Standard Board (GASB) – Entry Age Normal (EAN) Method – prescribed method
Actuarial Asset Methods:	Funding – 5-year smoothing of investment gains/losses (expected versus actual earnings). GASB 68 Accounting – Market Value

Key Drivers of Liabilities, Expense, and Funding

- Census data
- Plan provisions
- Interest rate (aka expected asset return)
- Actual return on plan assets
- Salary growth
- Retirement rates
- Turnover rates
- Mortality rates
- Disability rates
- PEPPRA employee contribution rate



Liability Measures



January 1, 2022 Key Valuation Results

\$ in millions	Contribution Funding Basis	GASB 68 Accounting Basis
PV Future Benefits	\$548.6M	\$548.6M
Accrued Liability ¹	\$387.1	\$440.5
Normal Cost ²	\$14.3	\$10.5
Actuarial Assets ^{3,4}	\$405.7	\$442.4
Unfunded (Overfunded) Liability	(\$18.6)	(\$1.9)
2022 Funded%	104.8%	100.4%
2021 Funded%	97.5%	90.1%

¹ **Funding** uses **TUC/EAN** Method for Classic/PEPRA and **GASB accounting** uses **EAN** Method

² Includes interest to end of the year

³ **Funding** uses **5-year Smoothed Value** of Assets and **GASB 68** uses **Market Value** of Assets (MVA)

⁴ Investment policy of 60% Equity and 40% Fixed Income

December 2018 to 2021 Accounting Snapshots

(in millions)	GASB 68 Accounting Basis (12/31/2018)	GASB 68 Accounting Basis (12/31/2019)	GASB 68 Accounting Basis (12/31/2020)	GASB 68 Accounting Basis (12/31/2021)
Accrued Liability ¹	\$363.5	\$411.7	\$428.2	\$440.5
Actuarial Assets ^{2,3}	\$263.0	\$331.1	\$368.0	\$442.4
Unfunded Liability	\$100.5	\$80.6	\$42.2	(\$1.9)
Funded%	72.4%	80.4%	90.1%	100.4%

Investment performance better than expected by \$33.4M 19.5%⁴

Investment performance better than expected by \$21.5M 13%⁴

Investment performance better than expected by \$21.5M 12%⁴

¹ Using **EAN** Method

² Using **Market Value** of Assets (MVA)

³ Investment policy of 60% Equity and 40% Fixed Income

⁴ Actual rate return shown above should be compared to expected (7.00%/6.50%/6.50% in 2019/2020/2021)

SVMH Pension Plan - Actuarial Valuation Comparisons (Contribution Funding Basis)

(in millions)	January 2021	January 2022
Discount Rate	6.50%	6.50%
Mortality Tables	PubG-2010 MP-2020	PubG-2010 MP-2021
Actuarial Method	TUC Classic/EAN PEPR A	TUC Classic/EAN PEPR A
PV of Future Benefits	\$528.2	\$548.6
Actuarial Accrued Liability	\$368.6	\$387.1
Actuarial Value of Assets	\$359.4	\$405.7
Unfunded Actuarial Liability	\$9.2	(\$18.6)
Funded % (AVA)	97.5%	104.8%
Approximate Asset Return (Investment Earnings from prior year)	13% \$43.4	12% \$46.9
Additional Contribution Made (Prior Year)	\$5.0	\$10.0
Actuarially Determined Contribution (Current Year)	\$13.1	\$10.1

SVMH Pension Plan - Actuarial Valuation Comparisons (GASB Accounting Basis)

(in millions)	December 31, 2020	December 31, 2021
Discount Rate	6.50%	6.50%
Mortality Tables	PubG-2010 MP-2020	PubG-2010 MP-2021
PV of Future Benefits	\$528.2	\$548.6
Actuarial Accrued Liability ¹ (Entry Age Normal)	\$428.2	\$440.5
Market Value of Assets	\$386.0	\$442.4
(Unfunded) Overfunded Actuarial Liability ^{3,4}	(\$42.2)	\$1.9
GASB Funded Ratio	90.1%	100.4%
GASB Pension Expense	\$15.5	\$4.5
<i>Additional Pension Expense Recognition⁵</i>	\$0	\$13.0

¹ Actuarial accrued liability is termed the Total Pension Liability under GASB

² Unfunded Actuarial Liability (UAL) is Net Pension Liability (NPL) under GASB

³ UAL decreased \$21.5M due to asset gain

⁴ UAL increased \$1.0M due to MP-2021 mortality

⁵ Up to management discretion



Increase of \$44.1M mainly due to:

- **2021 Investment gain and**
- **\$23.1M in contributions**

Review of Changes in GASB 68 Pension Expense

(in millions)	FY 2021	FY 2022
Prior FY GASB 68 Pension Expense	\$24.1	\$15.5
Expected Changes		
Change in Service Cost, Employee Contributions, Expense	1.0	(0.5)
Change in Interest on Total Pension Liability	(1.9)	1.0
Change in Projected Earnings	(2.9)	(3.5)
Change in Recognition Amounts	<u>(3.2)</u>	<u>(2.3)</u>
Net Change	(3.1)	(5.2)
Unexpected Changes		
Change Due to Actuarial Experience other than Investments ¹	(0.7)	0.6
Change Due to Investment Performance ²	(4.3)	(4.3)
Change Due to Actuarial Assumption Changes ³	(0.3)	(2.1)
Change Due to Plan Amendments ⁴	<u>(0.2)</u>	<u>0</u>
Total	(5.5)	(5.8)
Net Change	<u>(8.6)</u>	<u>(11.0)</u>
Current FY GASB 68 Pension Expense	\$15.5	\$4.5
<i>Additional Pension Expense Recognition</i>		\$13.0

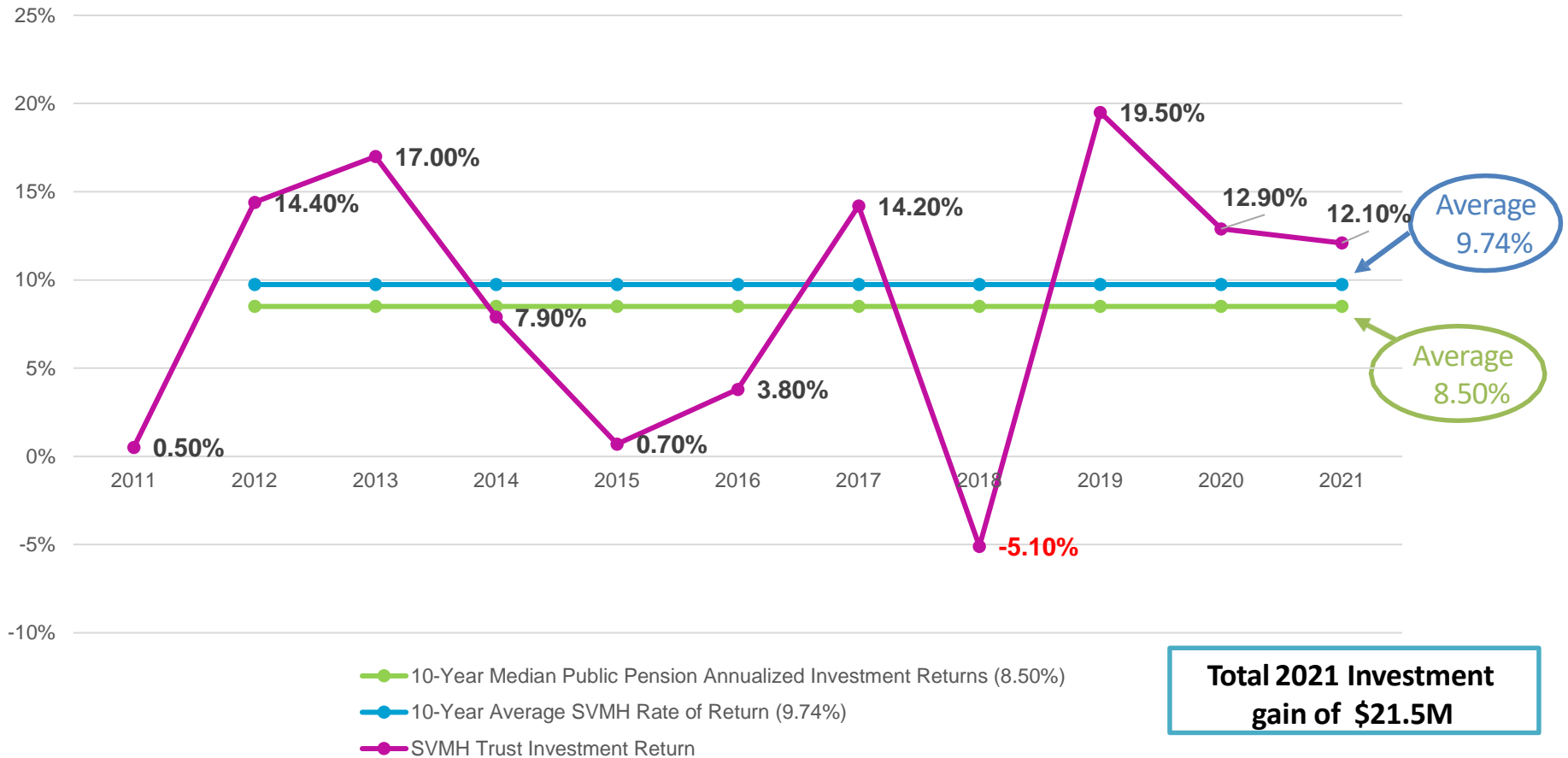
¹ Includes items such as demographic changes, employee contributions, benefit payments and expenses.

² Investment performance in FY 2021 and FY 2022 better than expected by **\$21.5M** for both years.

³ Update Mortality/Discount Rate in FY 2021 and Mortality Rate in FY 2022.

⁴ Assessed the impact of Plan Amendments in FY 2021.

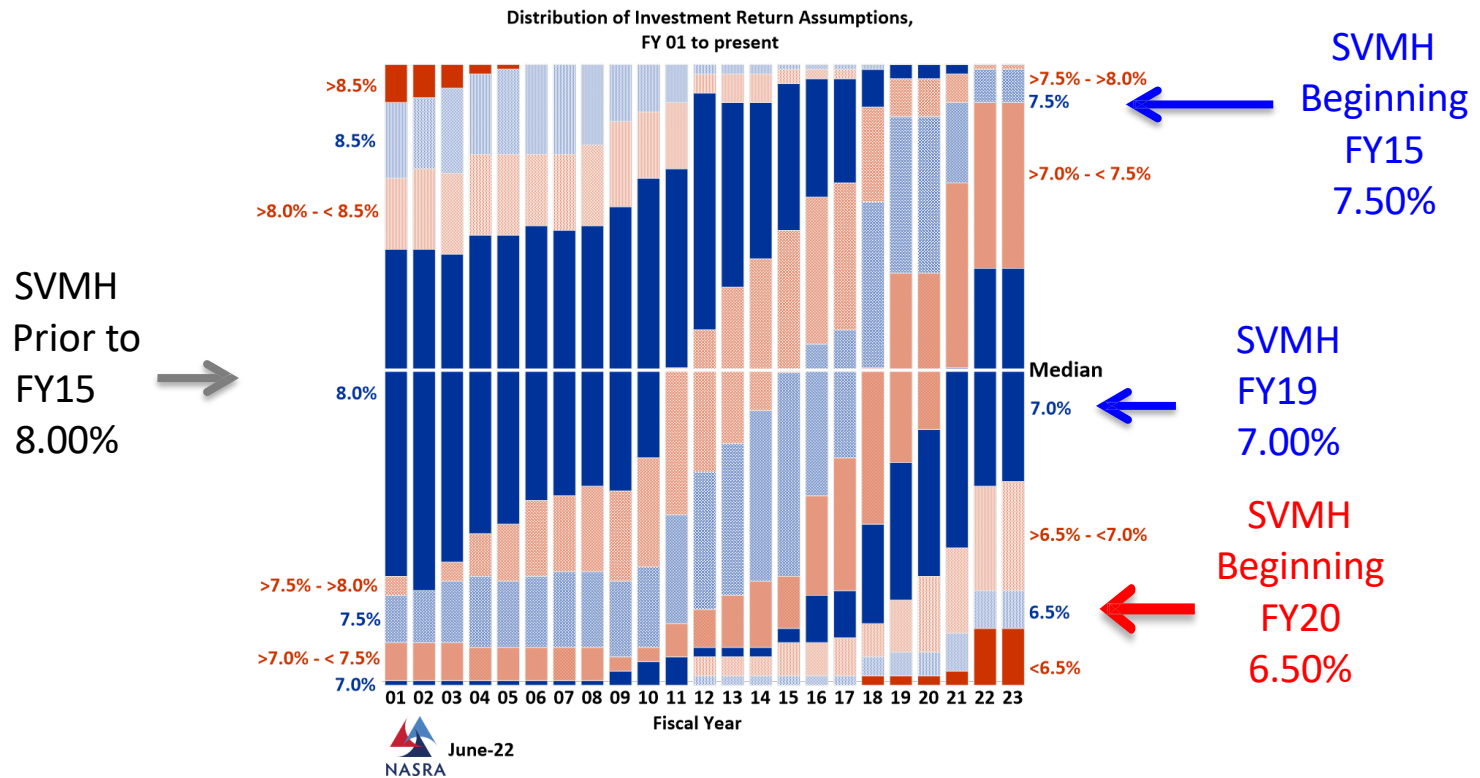
Historical Asset Rate of Return



Note: The NASRA survey also reported 25-yr median public pension annualized investment returns of 8.5%.

Change in Distribution of Public Pension Investment Return Assumptions, FY 01 to FY 22

Distribution of Nominal Investment Return Assumptions, FY01 to present



- National Association of State Retirement Administrators (NASRA) survey includes 85% of the State and Local government pension systems with \$5.85 trillion in assets
- This chart illustrates the steady reduction in assumed rates of return, particularly since 2009, and the continuation of lower return assumptions beyond FY 16 and through FY 22

Section 2

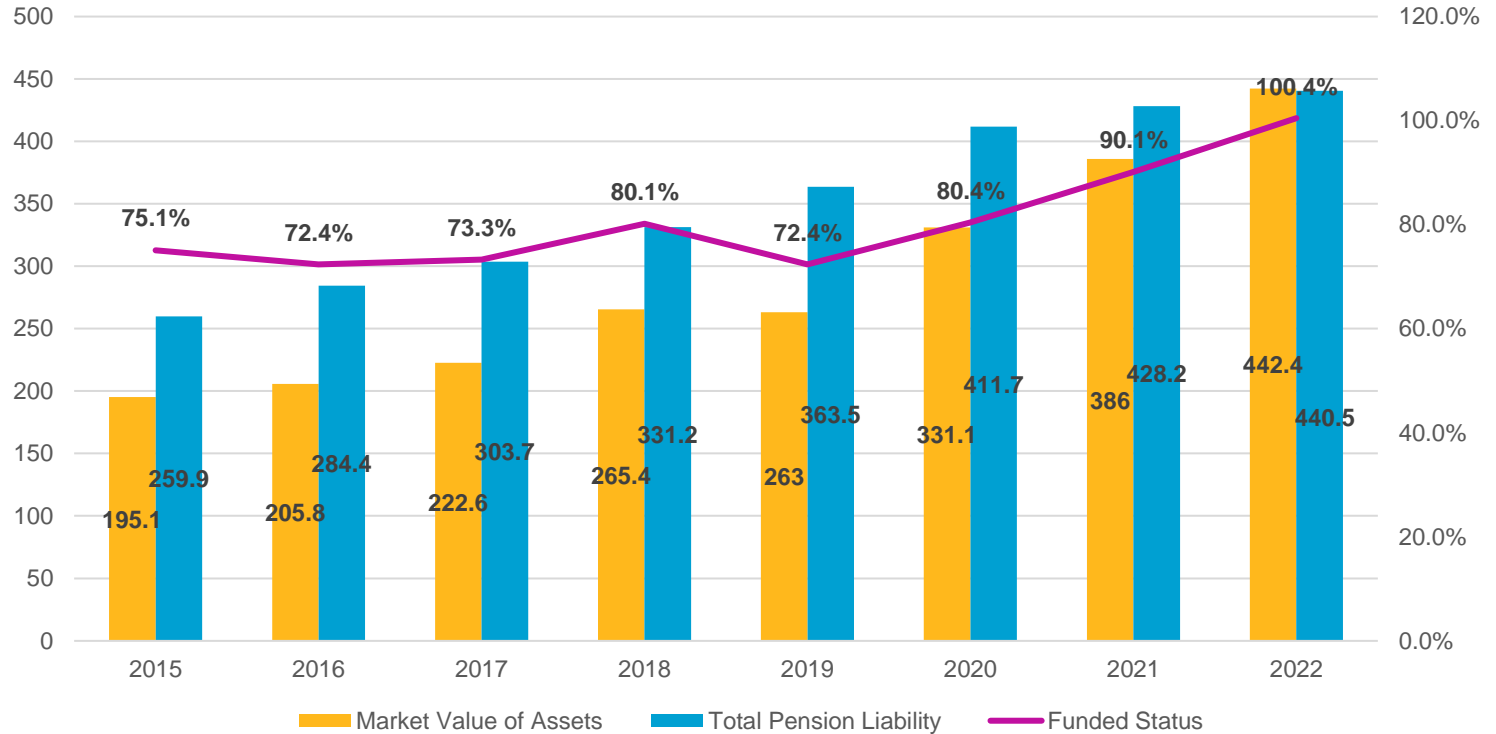
Impact of Extra Contributions Made in Last Seven Plan Years

SVMH Extra Contributions in Addition to the Actuarial Determined Contribution

Plan Year	Extra Contributions
2014	\$5M
2015	\$5M
2016	\$7M
2017	\$10M
2018	\$10M
2019	\$15M
2020	\$5M
2021	\$10M
Total	\$67M

- Prior to 2015 SVMH did not make extra contributions in addition to the Actuarially Determined Contribution (ADC)

Historical GASB68 Funded Status



Discount Rate	7.5%	7.5%	7.5%	7.5%	7.0%	6.5%	6.5%	6.5%
Unfunded Liability	\$64.8M	\$78.6M	\$81.1M	\$65.8M	\$100.5M	\$80.6M	\$42.2M	(\$1.9M)

Section 3

Beyond 2022 Funded Status Projections

Key Scenario Assumptions

- Closed Group Projections
- 2022 Census Data
- PubG-2010 Mortality Table and MP2021 Mortality Improvement Scale
- 6.50% Discount Rate
- -6.00% Asset Return in 2022 and 6.50% Thereafter
- Long-Term Salary Scale (based on 2019 study)
- Multi-Age Retirement Rates (based on 2019 study)

Schedule of Minimum Contributions Assuming 6.50% Asset Returns in 2023 and Thereafter

(\$Million)	Funding Policy Contributions (6.50%)						
Plan Year	2022	2023	2024	2025	2026	2027	2028
Funded Status Percentage	104.8%	130.9%	114.4%	111.7%	108.5%	105.0%	104.5%
Actuarially Determined Contribution^{1,2}	\$10.1	\$0.0	\$4.5	\$5.8	\$7.4	\$9.4	\$9.6
Additional Ad Hoc Contribution	\$50.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Funding Contribution	\$60.1	\$0.0	\$4.5	\$5.8	\$7.4	\$9.4	\$9.6

¹ The Actuarially Determined Contribution (ADC) is based on 6.5% discount rate, Unit Credit Method for CLASSIC, and EAN Method for PEPRA for plan year beginning January 1, 2022 (excludes PEPRA Employee Contributions)

² Assuming -6.0% asset return for 2022

Section 4

Sensitivity of Pension Liability on Discount Rates

Sensitivity of Pension Liabilities on Actuarial Discount Rate as of January 1, 2022

Discount Rates	Total Pension Liability (\$M)	Unfunded (Overfunded) Total Pension Liability (\$M)	GASB Funded %
6.50%	\$440.5	(\$1.9)	100.4%
6.00%	\$468.8	\$26.4	94.4%

- The above represents the changes in the discount rate from 6.50% to 6.00%
- Based on market value of asset of \$442.4M

Section 5

PEPRA Contribution Rate

PEPRA Contribution Rate Calculation Methodology

PEPRA Normal Cost as a Percent of Payroll

	January 1, 2021	January 1, 2022
(a) Normal Cost	\$4,580,728	\$4,059,670
(b) Covered Payroll	\$50,636,774	\$55,693,511
(c) Percent of Payroll	9.05%	7.29%

- PEPRA Employee Contribution Rate is 50% of the Normal Cost rounded to 25 bps
- Once established, the employee contribution rate shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the employee contribution rate is first established.

	January 1, 2021	January 1, 2022
(a) Normal Cost	\$4,580,728	\$4,059,670
(b) Covered Payroll	\$50,636,774	\$55,693,511
(c) Normal Cost Rate	9.05%	7.29%
(d) 1 Percent In/Decrease?	Yes	Yes
(e) 50% of NC Rate	4.52%	3.64%
(f) Rounded to ¼ of 1%	4.50%	3.75 ¹ %

- 1/1/22 Valuation contribution rate for PEPRA participants effective January 1, 2023

History of PEPRA Contributions

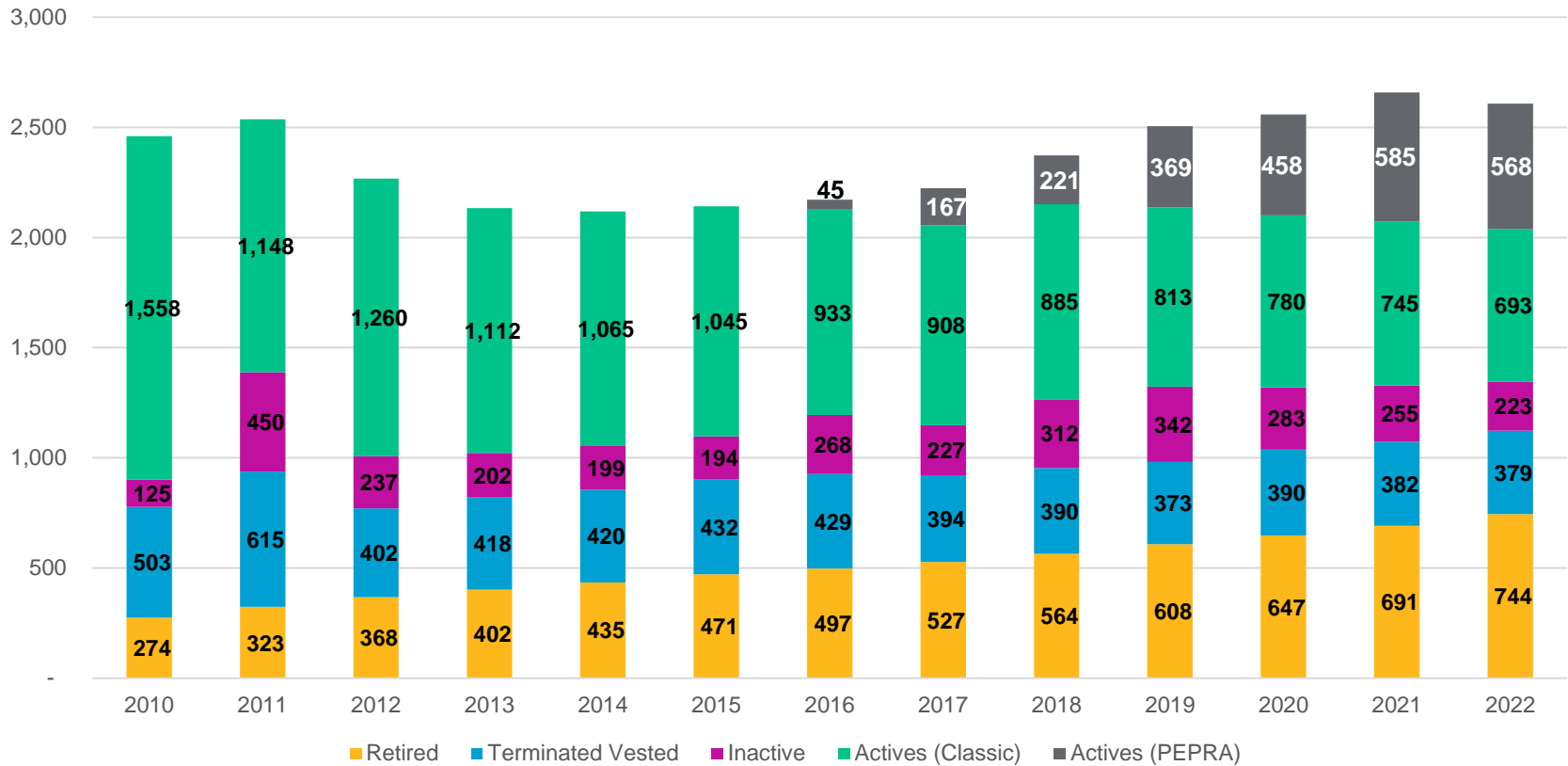
Plan Year	Contribution Percentage	Contribution Amount (\$M)
2017	4.25%	\$0.5
2018	4.25%	\$1.2
2019	4.25%	\$1.6
2020	4.25%	\$1.7
2021	5.25%	\$2.7
2022	4.50%	\$2.5 ¹
2023	3.75%	\$2.3 ¹
Total		\$12.5

¹ Estimate assuming PEPRA covered payroll of \$55.7M in 2022 and \$60.9M in 2023

Section 6

Participant Statistics and Certification

PEPRA Plan Membership Growth



Total Actives:	1,558	1,148	1,260	1,112	1,065	1,045	978	1,075	1,106	1,182	1,238	1,330	1,261
% PEPRA:	0%	0%	0%	0%	0%	0%	5%	16%	20%	31%	37%	44%	45%
Annual Payment to Retirees:	N/A	N/A	N/A	N/A	\$7.4M	\$8.1M	\$8.9M	\$10.1M	\$11.2M	\$12.5M	\$14.1M	\$16.2M	TBD

- Beginning 2016 reduced eligibility for participation from 3 to 0 years.

Actuarial Cost Methods

- **Present Value of Future Benefits (PVFB)**
 - The amount of liabilities earned to date and for future service for all *current* plan participants.
 - It is the same for all actuarial cost methods.
- **Actuarial Accrued Liability (AAL)**
 - The liability earned to date due to past service.
- **Normal Cost (NC)**
 - The portion of future service liability earned the coming year. Usually presented with interest to end of the year.

- An **Actuarial Cost Method** splits the PVFB between past and future liability. It defines what the actuarial accrued liability and normal cost is to be.

- **SVMH** uses different actuarial cost methods for funding and accounting. However, the PVFB is the same for both SVMH's funding and accounting because the *actuarial assumptions* are the same for both.

Certification

The preliminary results provided in this presentation have been prepared solely for the benefit of Salinas Valley Memorial Healthcare District and are based on the data, assumptions, methods, models, and plan provisions outlined in the actuarial valuation reports to determine accounting requirements (and funding for qualified) for the plans for the plan year beginning January 1, 2022 to be delivered in the next few weeks. Therefore, such information, and the reliance and limitations of the valuation reports and their use, should be considered part of this presentation. This presentation should not be used for other purposes and we accept no responsibility for any such use. It should not be relied upon by any other person without WTW's prior written consent. More detailed valuations results, summaries of actuarial methods and assumptions, summaries of plan provisions, and descriptions of data sources used in developing these results are included in the valuation report.

The results shown in this presentation have been developed based on actuarial assumptions that, to the extent evaluated or selected by WTW, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this presentation could have been developed by selecting different reasonable assumptions.

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between Salinas Valley Memorial Healthcare District and our employer, WTW.

Eric Grant, FSA, EA
Senior Director, Retirement

Si Man Lei
Director, Retirement

Memorandum

Date: July 21, 2022

To: Personnel, Pension & Investment Committee

From: Augustine Lopez, CFO / Scott Cleveland, Controller

Re: **Calendar Year 2022 - Defined Benefit Pension Plan Funding**

The Hospital's consulting actuaries, Willis Towers Watson, have calculated the required minimum contribution to the Salinas Valley Memorial Healthcare District Employees' Pension Plan to be \$10,076,466 for Calendar Year 2022 per the January 1, 2022 Actuarial Valuation Report. Management requests the Personnel, Pension & Investment Committee's consideration to **recommend Board approval to fund the required minimum contribution \$10,076,466 to the Salinas Valley Memorial Healthcare District Employees' Pension Plan for Calendar Year 2022.** This amount will be updated once the 2022 Actuarial Valuation Report is made available on or before June of 2023.

Thank you for your consideration.

PUBLIC INPUT

NO CLOSED SESSION

*ADJOURNMENT – THE AUGUST 2022
PERSONNEL, PENSION AND
INVESTMENT COMMITTEE MEETING
IS SCHEDULED FOR TUESDAY,
JULY 23, 2022, AT 12:00 P.M.*