

**PUBLIC NOTICE**  
**CITY OF ALAMEDA HEALTH CARE DISTRICT**

**AGENDA**

**Monday, June 2, 2008**

**\*CLOSED SESSION – 6:00 p.m.                      OPEN SESSION –7:30 p.m.**

**Location:**

Alameda Hospital (Dal Cielo Conference Room)  
2070 Clinton Avenue  
Alameda, CA 94501

**Office of the Clerk: (510) 814-4001**

**Regular Meeting**

*Members of the public who wish to comment on agenda items will be given an opportunity before or during the consideration of each agenda item. Those wishing to comment must complete a speaker card indicating the agenda item that they wish to address.*

- |   |                                   |
|---|-----------------------------------|
| <b>I.     <u>Call to Order</u></b>  | Jordan Battani                    |
| <b>II.    <u>Roll Call</u></b>  | Kristen Thorson                   |
| <b>III.   <u>General Public Comments</u></b>  |                                   |
| <b>IV.    <u>Closed Session</u> (Expected to start at approximately 6:00 p.m. and expected to last 1.5 hours)</b> |                                   |
| 1)     Approval of Closed Session Minutes – May 5, 2008   |                                   |
| 2)     Medical Executive Committee Report and Approval of Credentialing Recommendations                           | <u>H &amp; S Code Sec. 32155</u>  |
| 3)     Quality Improvement Committee Report (QIC)   | <u>H &amp; S Code Sec. 32155</u>  |
| 4)     Consultation with Legal Counsel Regarding Pending Litigation   | <u>Gov't Code Sec. 54956.9(a)</u> |
| 5)     Discussion of Report Involving Trade Secrets   | <u>H &amp; S Code Sec. 32106</u>  |
| 6)     Public Employee Performance Evaluation<br>Title: Chief Executive Officer                                   | <u>Gov't Code Sec 54957</u>       |

**\*PLEASE NOTE CHANGE IN TIME**

**V. Reconvene to Public Session (Expected to start at approximately 7:30 p.m.)**

- 1) Announcements from Closed Session Jordan Battani

**V. Consent Agenda**

- 1) Approval of Minutes **ACTION ITEM** [enclosure]
- May 5, 2008
  - May 19, 2008
- 2) Approval of Resolution 2008-5F Levying the City of Alameda Health Care District Parcel Tax for the Fiscal Year 2008-2009 **ACTION ITEM** [enclosure]
- 3) Approval of Union Bank Signing Authorization/Resolution **ACTION ITEM** [enclosure]

**VI. Regular Agenda**

- 1) Finance and Management Committee Report David A. Neapolitan
- Acceptance of April 2008 Financial Statements  
**ACTION ITEM** [enclosure]
  - Approval of Fiscal Year 2009 Operating Budget  
**ACTION ITEM** [enclosure]
- 2) Proposal to Replace Ethylene Oxide Sterilizer in Central Supply with Sterrad<sup>®</sup> Sterilizer using Jaber Funds **ACTION ITEM** [enclosure] Deborah E. Stebbins
- 3) Strategic Planning and Community Relations Committee Report Rob Bonta
- 4) Special Presentation: Shedding Light on Quality Janet Dike, RN
- 5) Chief Executive Officer's Report Deborah E. Stebbins
- 6) Medical Staff President Report Steve Lowery, MD
- 7) General Public Comments
- 8) Board Comments
- 9) Adjournment

**The next regularly scheduled board meeting will be June 30, 2008.  
Closed Session will begin at 6:00 p.m. Open Session will follow at approximately 7:30 p.m.**

**Minutes of the Board of Directors  
Regular Meeting  
May 5, 2008**

**Directors Present:**

Jordan Battani  
Robert Bonta  
Jeptha Boone, M.D.  
Robert Deutsch, MD

**Management Present:**

Deborah E. Stebbins  
Kerry Easthope  
David A. Neapolitan

**Medical Staff Present:**

Steve Lowery, M.D.

**Legal Counsel Present:**

Thomas Driscoll, Esq.

**Excused:**

Steve Wasson

**Submitted by:** Kristen Thorson

Topic	Discussion	Action / Follow-Up
1. Call to Order	Jordan Battani called the Open Session of the Board of Directors of the City of Alameda Health Care District to order at 5:35 p.m.	
2. Roll Call	Kristen Thorson called roll, noting that a quorum of Directors was present.	
8. General Public Comments	None at this time.	
5. Closed Session	At 5:37 p.m. the meeting was adjourned into Executive Closed Session.	
6. Reconvene to Public Session & Adjournment	Director Battani reconvened the meeting into public session at 7:15 p.m. and made the following closed session announcements.	
6. Closed Session Announcements	<p><b>[1] Minutes</b></p> <p><b>[2] Medical Executive Committee Report and Approval of Credentialing Recommendations</b></p>	<p>[1] The Closed Session Minutes for the March 31, 2008 meeting were approved.</p> <p>[2] Medical Executive Committee Report and Approval of Credentialing Recommendations were approved as presented.</p>

Topic	Discussion	Action / Follow-Up
	<b>[3] Quality Improvement Committee</b>	[3] The Quality Improvement Committee Report was accepted as presented.

**Initial Appointment:**

Name	Specialty	Affiliation
o Joseph Chan, MD	Radiology	Bay Imaging Consultants
o Leroy Custer, MD	Radiology	Bay Imaging Consultants
o Liesel Pavlic, MD	Internal Medicine	AIM
o Nailah Thompson, MD	Internal Medicine	AIM

**Reappointments – Medical Staff**

Name	Specialty	Status	Appointment Period End
o Rolando Arroyo, MD	Anesthesiology	Courtesy	04/30/10
o John Cummins, MD	Orthopedics	Courtesy	04/30/10
o Samuel Ko, MD	Internal Medicine	Courtesy	04/30/10
o Niceto Lopez, MD	Internal Medicine	Courtesy	04/30/10
o William Sellman, MD	Family Practice	Active	04/30/10
o Charles Shih, MD	Otolaryngology	Courtesy	04/30/10
o Michael Zimmerman, MD	Family Practice	Active	04/30/10

**Reappointment – Allied Health Professional Status :**

Name	Specialty	Appointment Period
o Annette Chenevey, CRNA	Nurse Anesthetist	04/30/10
o Jennifer Owings, PA-C	Physician Assistant	04/30/10
o Karin Selbach, RNFA	RN First Assistant	04/30/10

**Proctoring:**

Name	Specialty
o Gregory Broderick-Villa, MD	General Surgery
o Rupert Horoupian, MD	General Surgery
o George Kazantsev, MD	General Surgery
o Teresa Kim, MD	General Surgery
o Steven Stanten, MD	General Surgery
o Ajay Upadhyay, MD	General Surgery

6. Consent Agenda	<p><b>[1] Approval of March 31, 2008 Minutes</b></p> <p><b>[2] Approval of Engagement with TCA Partners for FYE 2008 Audit</b></p> <p><b>[3] Acceptance of March 2008 Financial Statements</b></p>	Director Boone made a motion to approve the consent agenda as presented. Director Bonta seconded the motion. The motion carried unanimously.
7. Regular Agenda	<p><b>[1] Finance and Management Committee Report</b> CFO, David Neapolitan reviewed the March 2008 Financial Statements as presented to the Board for acceptance noting that the Hospital had a positive month at \$86,000. Copies of the Financial Statements are available upon request.</p> <p><b>[2] Strategic Planning and Community Relations</b></p>	

Topic	Discussion	Action / Follow-Up																								
	<p><b>Committee Report</b> Rob Bonta, Chair of the Strategic Planning and Community Relations Committee stated that the committee met on May 27 with approximately 21 participants from the community, medical staff and hospital. The meeting was introductory in nature to give all participants a general outline of the Hospital, including history, services, demographics, payor mix, etc. The next meeting will be scheduled in May at which time The Camden Group will be in attendance to present an overview of the process of updating the Strategic Plan.</p> <p><b>[3] Chief Executive Officer’s Report</b> Ms. Stebbins reported on the following items.</p> <p>Statistics:</p> <table border="1" data-bbox="467 726 1081 978"> <thead> <tr> <th></th> <th>4/08</th> <th>4/08 Budget</th> <th>3/08</th> </tr> </thead> <tbody> <tr> <td>ADC</td> <td>65.5</td> <td>63.86</td> <td>65.13</td> </tr> <tr> <td>Patient Days</td> <td>1,808</td> <td>1,916</td> <td>1,954</td> </tr> <tr> <td>ER Visits</td> <td>1,473</td> <td>1,516</td> <td>1,528</td> </tr> <tr> <td>OP Registrations</td> <td>2,593</td> <td>2,606</td> <td>2,327</td> </tr> <tr> <td>Total Surgery Cases</td> <td>534</td> <td>417</td> <td>435</td> </tr> </tbody> </table> <p>Surgery volume was 28% above budget and 31% over March volumes.</p> <p>The Alameda Hospital Foundation will be hosting their Annual Tea and Fashion Show on May 17<sup>th</sup> at Cardinal Point.</p> <p>The annual Night at the Ball game for Alameda Hospital staff, families, physicians and board members, will be held on June 24, 2008.</p> <p><b>[3] Medical Staff President Report</b> <i>Approval of Revision to Medical Staff Rules and Regulations – Article 1-, Section H, Item 4 Exhibit 4, Practice Standards for Certified Registered Nurse Anesthetists.</i></p> <p>Dr. Lowery presented the Medical Staff Rules and Regulations revision to the Board for approval. The proposed revision would require CRNA’s consulting a physician to respond within five (5) minutes to the CRNA’s request for assistance. Currently, the consulting physician is required to be on-site but there is no established time in which the consulting physician must respond to a CRNA’s request for assistance.</p>		4/08	4/08 Budget	3/08	ADC	65.5	63.86	65.13	Patient Days	1,808	1,916	1,954	ER Visits	1,473	1,516	1,528	OP Registrations	2,593	2,606	2,327	Total Surgery Cases	534	417	435	<p>Director Bonta moved to approve the revisions to the Medical Staff Rules and Regulations for Practice Standards for Certified Registered Nurse Anesthetists. Director Boone seconded the motion. The motion carried unanimously.</p>
	4/08	4/08 Budget	3/08																							
ADC	65.5	63.86	65.13																							
Patient Days	1,808	1,916	1,954																							
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OP Registrations	2,593	2,606	2,327																							
Total Surgery Cases	534	417	435																							
9. General Public Comments	Catherine Wada of Alameda spoke about the availability of quality of care data and reports in																									

Topic	Discussion	Action / Follow-Up
	regards to Alameda Hospital and public reporting requirements. CEO, Deborah Stebbins, stated that upon the return of the Director of Quality Resource Management, that she will call Ms. Wada to let her know about whom we report to and what we report in regards to quality of care.	
10. Board Comments	None at this time.	
11. Adjournment		A motion was made to adjourn the meeting and being no further business, the meeting was adjourned at 7:44 p.m.

Attest: \_\_\_\_\_  
Jordan Battani  
President

\_\_\_\_\_  
Robert Bonta  
Secretary

## Minutes of the Board of Directors Special Meeting - May 19, 2008

**Directors Present:**

Jordan Battani  
Robert Bonta  
Jeptha Boone, M.D.

Robert Deutsch, MD  
Steve Wasson

**Management Present:**

Deborah E. Stebbins  
Kerry Easthope

**Medical Staff Present:**

**Legal Counsel Present:**

Thomas Driscoll, Esq. (via Teleconference)

**Excused:**

Steve Lowery, M.D.

**Submitted by:**

Kristen Thorson

Topic	Discussion	Action / Follow-Up
1. Call to Order	Jordan Battani called the Special Meeting of the Board of Directors of the City of Alameda Health Care District to order at 6:53 p.m.	
2. Roll Call	Kristen Thorson called roll, noting that all Directors were present.	
3. General Public Comments	None at this time.	
4. Regular Agenda	<p><b>[1] Approval of Resolution 2008-3F Authorizing CEO to Secure Necessary Licenses, Permits and Entitlements.</b></p> <p><b>[2] Approval of Resolution 2008-4F Delegation of Authority to On-Site SNF Manager</b></p>	<p>Director Boone moved to approve Resolution 2008-3F as presented. Director Deutsch seconded the motion. The motion carried unanimously.</p> <p>Director Deutsch moved to approve Resolution 2008-4F as presented. Director Wasson seconded the motion. The motion carried unanimously.</p>
8. General Public Comments	None at this time.	
10. Board Comments	None at this time.	
11. Adjournment		A motion was made to adjourn the meeting and being no further business, the meeting was adjourned 6:00 p.m.

Attest: \_\_\_\_\_  
Jordan Battani  
President

\_\_\_\_\_  
Robert Bonta  
Secretary

**RESOLUTION NO. 2008-5F**

**BOARD OF DIRECTORS, CITY OF ALAMEDA HEALTH CARE DISTRICT**

**STATE OF CALIFORNIA**

\* \* \*

**LEVYING THE CITY OF ALAMEDA HEALTH CARE DISTRICT**

**PARCEL TAX FOR THE FISCAL YEAR 2008-2009**

WHEREAS, the Alameda County Local Agency Formation Commission (“LAFCo”) resolved on January 10, 2002 to present a ballot measure to the registered voters of the City of Alameda which, if approved, would authorize the formation of the new health care district within the boundaries of the City of Alameda and authorize the District to levy a parcel tax of up to \$298.00 on each parcel and possessory interest within the proposed district; and

WHEREAS, on April 9, 2002, over two-thirds of the registered voters of the City of Alameda, who voted that day, voted in favor of creating a health care district authorized to tax each parcel and possessory interest within the district’s boundaries in an amount up to \$298.00 per year in order to defray ongoing hospital general operating expenses and capital improvement expenses; and

WHEREAS, the City of Alameda Health Care District (the “District”) was formally organized and began its existence on July 1, 2002; and

WHEREAS, without tax revenue Alameda Hospital can not fulfill its mission to serve the health needs of the Alameda City Community due to a lack of sustained revenue sufficient to finance continued operation of all necessary hospital services; and

WHEREAS, the District operates Alameda Hospital; and

WHEREAS, without the levy of a parcel and possessory interest tax in the amount of \$298.00, the District’s revenue stream will be insufficient to allow the provision of continued local access to emergency room care, acute hospital care, and other necessary medical services; and

WHEREAS, the District is authorized under Section 53730.01 of the California Government Code to impose special taxes on all real property within its boundaries.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the District that the District hereby levies an annual tax on every parcel and possessory interest within the District's boundaries in the amount of Two Hundred Ninety-Eight Dollars (\$298.00) per year (the "Parcel Tax") in order to defray ongoing hospital general operating expenses and capital improvement expenses; provided, however, that parcels or possessory interests that have an assessed value (real property and improvements combined) of less than \$30,000 shall be automatically exempt from the Parcel Tax.

PASSED AND ADOPTED on June 2, 2008 by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

\_\_\_\_\_  
Jordan Battani  
President

ATTEST:

\_\_\_\_\_  
Rob Bonta  
Secretary

SIGNING AUTHORIZATION/RESOLUTION

Certificate of Secretary/partner
Corporate, Unincorporated Non-business Association
Or Partnership Resolution

Alameda Hospital Pension Plan ("Client"),
a X CORPORATION; GENERAL/LIMITED PARTNERSHIP; UNINCORPORATED NON-BUSINESS
ASSOCIATION; COLLECTIVELY BARGAINED TRUST FUND (Check one)

The undersigned, Secretary or Assistant Secretary or Partner of Client, an entity created and existing under the laws of the State of
California, do hereby certify:

- 1. Set forth below is a full, true, and correct copy of Resolutions duly passed and adopted by the governing body of Client which
Resolutions are now binding on Client and, in effect:
2. All signatures or initials appearing on the Agreements with Union Bank of California, N.A. ("UBOC") are those of the persons
authorized to act on behalf of Client in accordance with the Resolutions;
3. The provisions of the Agreements with UBOC are binding obligations of Client.

"RESOLVED, that Client has engaged UBOC to provide trust, investment management, agency, custody services, or other
administrative services ("Services") for the above named Client's account ("Account") and authorizes one or more authorized signer(s)
as designated on a separate schedule entitled "Authorized Signers" delivered to UBOC ("Authorized Signer(s)") to execute the
Account Agreement for the Services with UBOC, binding the Client to the terms and conditions thereof; and

RESOLVED, that instructions pertaining to the Services for the Account at UBOC shall be signed with the Account name followed by
the signature(s) of
one; two; X majority; all; other (Please specify)

of the Authorized Signer(s) designated by Client on Exhibit "B" as the Authorized Signer(s) for the Account. The signature
authorizations relating to the Account, upon the form supplied by UBOC or as otherwise communicated to UBOC in writing, shall be
binding upon the Client, the Account, and all beneficiaries thereof;

RESOLVED, that all instructions issued by persons authorized to direct UBOC to the Account Agreement or a Trust or Plan document
which are issued prior to the date of any amendment to this Resolution are hereby ratified, and signing authorizations shall remain in
effect until UBOC receives written notice to the contrary, signed by a duly authorized representative of Client, which states that
previous signing authorizations heretofore given with respect to this Account are revoked or which otherwise modifies or changes the
Authorized Signers or their signing authority. The revocation of this, or of previous authorizations, with respect to said Account shall
not affect the validity of any action taken pursuant to direction of a person or persons who were at that time, authorized to act;

RESOLVED, that if Client is a sponsor of a qualified employee benefit plan ("Plan") for which UBOC is to provide Services, the
provisions of all UBOC collective investment funds or group trusts maintained for investment by qualified employee benefit plans are
incorporated into the Client's Plan document by reference; and

RESOLVED FURTHER, that Client agrees to indemnify and defend UBOC against any demand, claim or liability, including attorneys'
fees and costs it may incur in acting in reliance upon this Certification of Resolution and upon instructions of the Authorized Signers,
and Client will immediately notify UBOC of any change in circumstance which affects this Certification."

- 4. Attached hereto as Exhibit "A" is a designation of Client's Authorized Depository Bank, into which UBOC is directed to transfer
Client's funds on distribution, unless otherwise directed by Client. (Replaced by UCC4 Form)
5. Attached hereto as Exhibit "B" is a listing of certain officers or partners of Client authorized to execute documents on behalf on Client.

ON TESTIMONY WHEREOF, I have hereunto set my hand this
day of , 20, at

Named Fiduciary/Plan Committee/Employer/Board of Trustees
Authorized Signature ROB BONTA, DISTRICT BOARD SECRETARY Authorized Signature
Date

**EXHIBIT "B"**  
**AUTHORIZED SIGNERS**

Alameda Hospital Pension Plan  
6725001132

**NUMBER OF AUTHORIZED SIGNATURES REQUIRED TO DIRECT ACCOUNT ACTIVITY:**  
(Check One)

one; \_\_\_\_\_ two;  majority; \_\_\_\_\_ all; \_\_\_\_\_ other: ( \_\_\_\_\_ )  
(Please specify)

**SPECIMEN SIGNATURES**

TYPED NAME	SIGNATURE	AUTHORIZATION RESTRICTION
DEBORAH E. STEBBINS		
DAVID A. NEAPOLITAN		
KERRY EASTHOPE		
PHYLLIS WEISS		
TRISH CARTER		PLAN ADMINISTRATOR

FOR SECURITY REASONS, PLEASE CROSS OUT ALL UNUSED LINES

# **ALAMEDA HOSPITAL**

**UNAUDITED**

**FINANCIAL STATEMENTS**

**FOR THE**

**PERIOD ENDING**

**04/30/08**

**ALAMEDA HOSPITAL**  
City of Alameda Health Care District  
April 30, 2008

<b><u>Table of Contents:</u></b>	<b><u>Page</u></b>
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Statement of Revenue and Expenses - Per Adjusted Patient Day	14
Key Statistics for Current Month and Year-to-Date	15
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# ALAMEDA HOSPITAL

**April 30, 2008**

The management of the Alameda Hospital (the Hospital) has prepared this discussion and analysis in order to provide an overview of the Hospital's performance for the period ending April 30, 2008 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's financial performance as a whole.

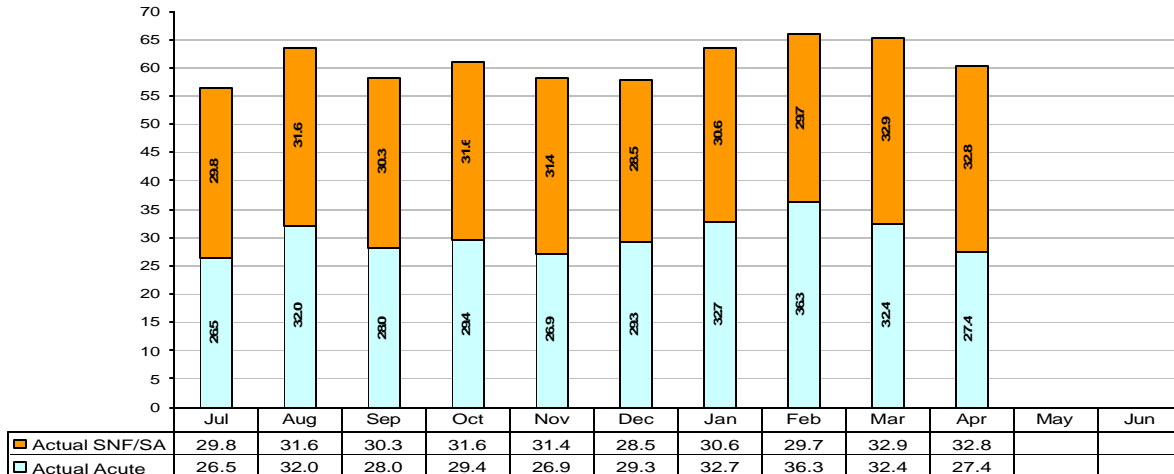
## ***Financial Overview as of April 30, 2008***

- Total assets on the balance sheet increased by \$212,546 from the prior month.
- Total cash and cash equivalents for April increased by \$2,818,384 and reflect 37.0 days of cash on hand compared to 20.1 in the prior month. The significant increase in cash reserves is the result of the receipt of parcel tax funds totaling \$2,567,567 in April.
- Net patient accounts receivable increased in April by \$70,096 compared to an increase of \$21,440 in March. Accounts receivable days were 49.0 compared to 50.3 in the prior month. This slight decrease in days outstanding is the result of increased monthly gross charges in February, March and April as cash collections decreased to \$3,650,797 in April from \$4,021,647 in March.
- Total liabilities increased by \$382,918 compared to a decrease of \$132,118 in the prior month; this increase relates to increased deferred revenues (\$760,000) received from Kaiser, accounts payables (\$96,200) and payroll accruals (\$119,869) offset by the realization of 1/12<sup>th</sup> of the deferred tax revenues (\$477,000) and additional accruals of (\$57,243) for AB 915 revenues for FY 2008.
- Accounts payable at April 30 was \$5,217,024, a \$96,200 increase from the prior month. Days in accounts payable were 88 compared to prior month at 90 and 78 at June 30, 2007.
- Gross Revenue was greater than budget by \$824,575 or 3.9%. Net patient revenue was greater than budget by \$529,327 or 11.3%. However, this is the result of the reclassification of \$692,411 of amounts previously reported as deductions from revenue which represent the portion of Alameda Hospital employee health claims that would have been paid to the hospital under the provisions of the Blue Cross agreement. The total patient days were 1,808 compared to the prior month of 2,024 and a prior year of 1,867 days. Inpatient revenue was below budget by 6.5% while outpatient revenue was greater than budgeted by 18.7%. The average revenue per patient day was \$12,249 compared to \$10,655 in the prior month and a budgeted amount of \$11,129. Our average daily acute census was 27.4 compared to 32.4 in the prior month and our average daily SNF/Sub-acute census was 32.8 versus 32.9 in the prior month.
- ER visits were 1,473 or 2.8% less than the budgeted 1,516 visits. ER visits slightly exceeded the prior year's visits of 1,445.
- Total surgery cases were 26.1% greater than budget. However, Kaiser surgical cases increased to 351 cases or 106 cases (43.3%) over budget compared to 71 cases greater than budget in the prior month. We continue to experience high rates of Kaiser utilization in May and will be discussing the trend with Kaiser.
- Excess expense over revenue was \$282,931 versus a budget excess of revenues over operating expenses of \$57,760, bringing the year to date excess expense over revenue to \$2,427,108. Included in the month of April excess expense over revenue is the removal of \$100,852 of year to date non-operating revenue related to the Jaber Trust. These funds are restricted for the purchase of capital equipment and should not have been reflected in the operating statement; an audit adjustment was made in FY 2007 regarding the same issue. Operating expenses exceeded budget by \$66,474 after adjusting for the year to date reclassification of the portion of Alameda Hospital employee health claims that would have been paid to the hospital under the provisions of the Blue Cross agreement.

### Volumes

Overall actual daily census was 60.2 versus a budget of 63.9. Acute average daily census was 27.4 versus a budget of 37.3 and SNF/Sub-acute average daily census was 32.8 versus a budget of 26.5.

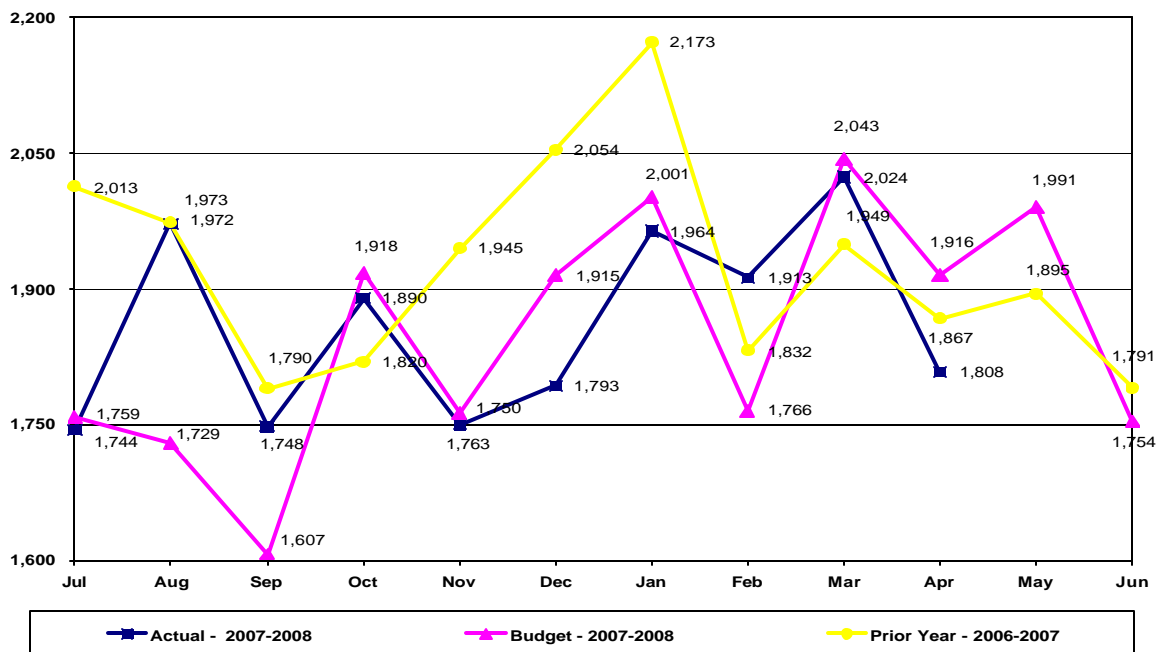
**Alameda Hospital - Average Daily Census  
 Fiscal Year 2007-2008**



**Total Average Daily Census**

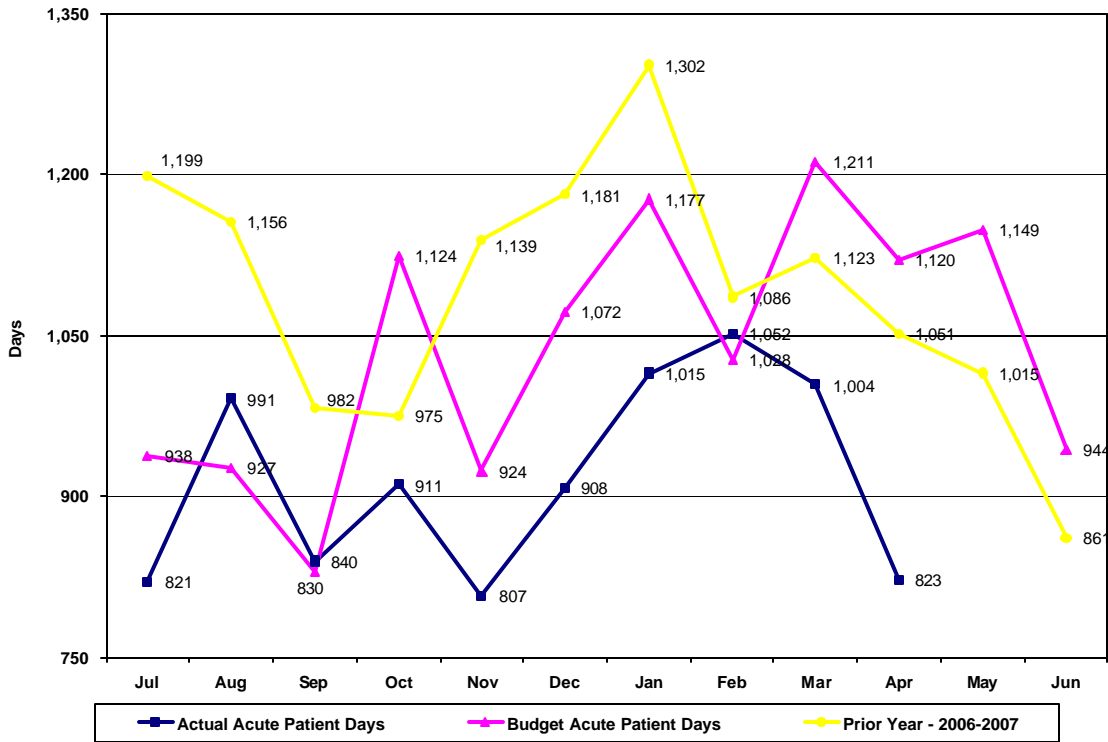
Actual	56.3	63.6	58.3	61.0	58.3	57.8	63.3	66.0	65.3	60.2		
Budget	56.7	55.8	53.6	61.9	58.8	61.8	64.5	60.9	65.9	63.9	64.2	58.5

Our total patient days in April were 3.2% less than April 2007, and 5.6% lower than budget. Year to date, total patient days are 186 days greater than budget (1.0%), but lower than prior year to date by 810 days (4.2%).

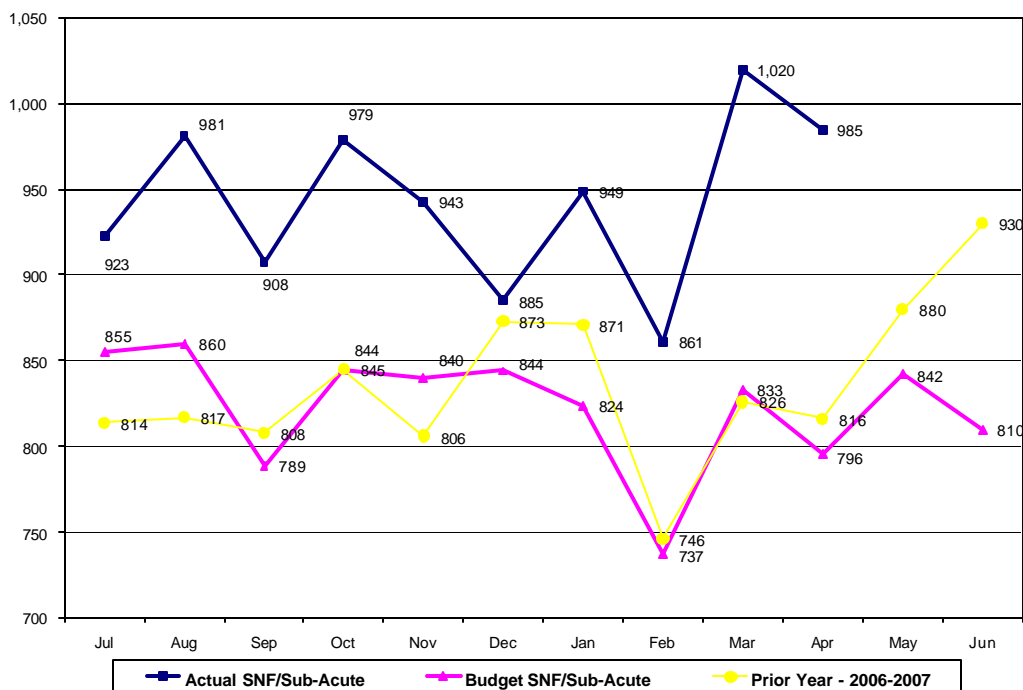


April acute patient days were 26.5% (297 days) less than budget and 21.7% (228 days) less than prior year. The year to date total is 9,172 compared to 11,194 in the prior year reflecting an 18.1% decrease. The acute average length of stay was 3.49 compared to a budget of 4.13.

### Acute Care Patient Days

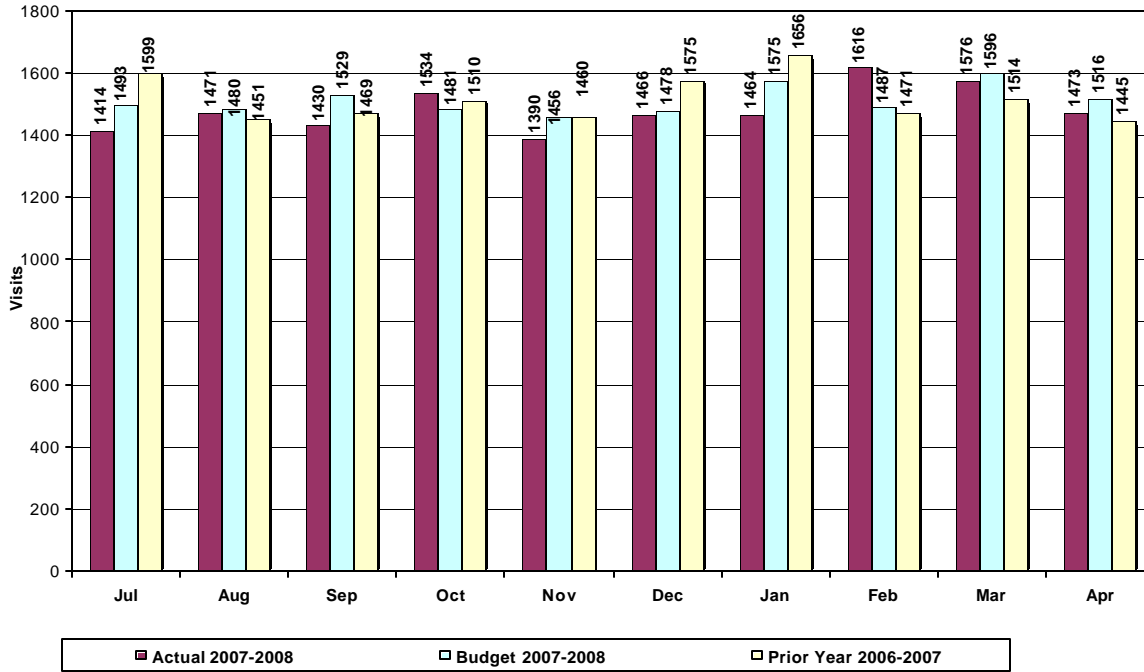


Sub-Acute patient days were 23.7% greater than budget and 20.7% greater than prior year.



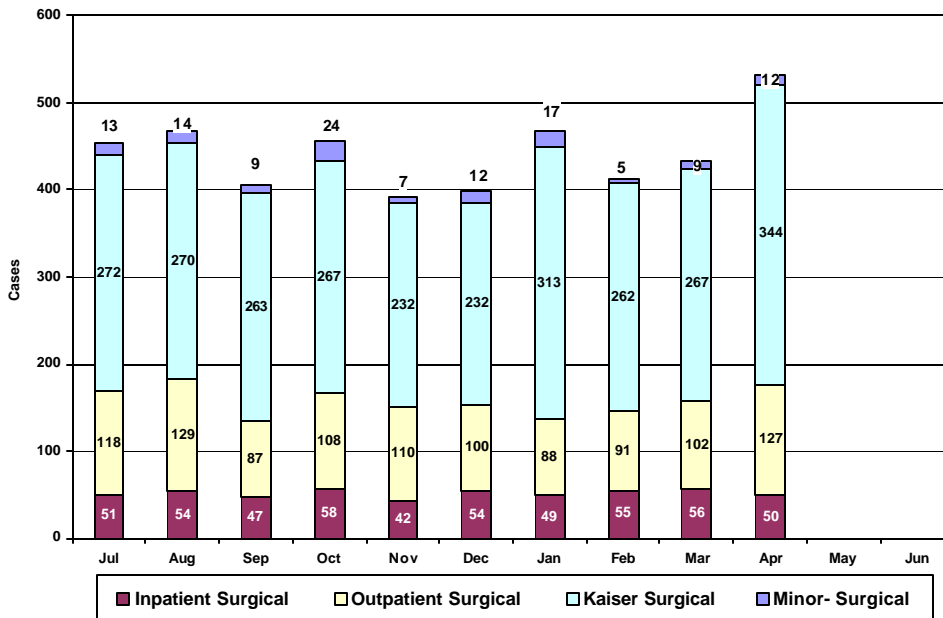
April ER visits were 2.8% less than budget and 1.9% greater than prior year. Year to date ER visits are 14,834 versus 15,150 in the prior year, reflecting a 2.1% decrease in volume from the prior year.

### ER Visits



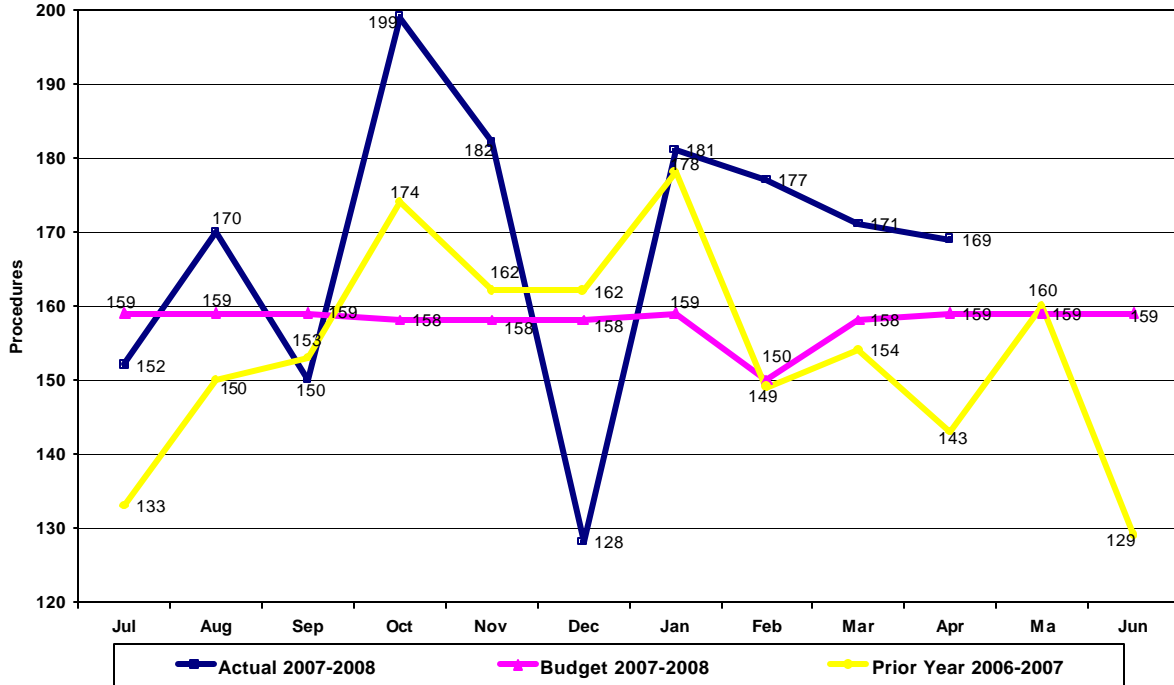
April 2008 surgery cases were 526 versus 417 budgeted and 460 in the prior year. However, out of the total surgical cases in April, 351, or 66.7% were Kaiser surgical cases compared to 62.5% in the prior month. Our estimated break-even point for Kaiser surgical volume increased to approximately 297 cases. Our reimbursement for these cases in April decreased to approximately 16.9% of gross charges as compared to 18.8% in March despite a \$40,000 per month increase in the contract rate.

### Surgical Cases



Infusion Therapy outpatient visits in April was slightly lower than the prior month by 1.2% but continues to exceed budgeted volumes.

**Alameda Hospital - Infusion Therapy Procedures**

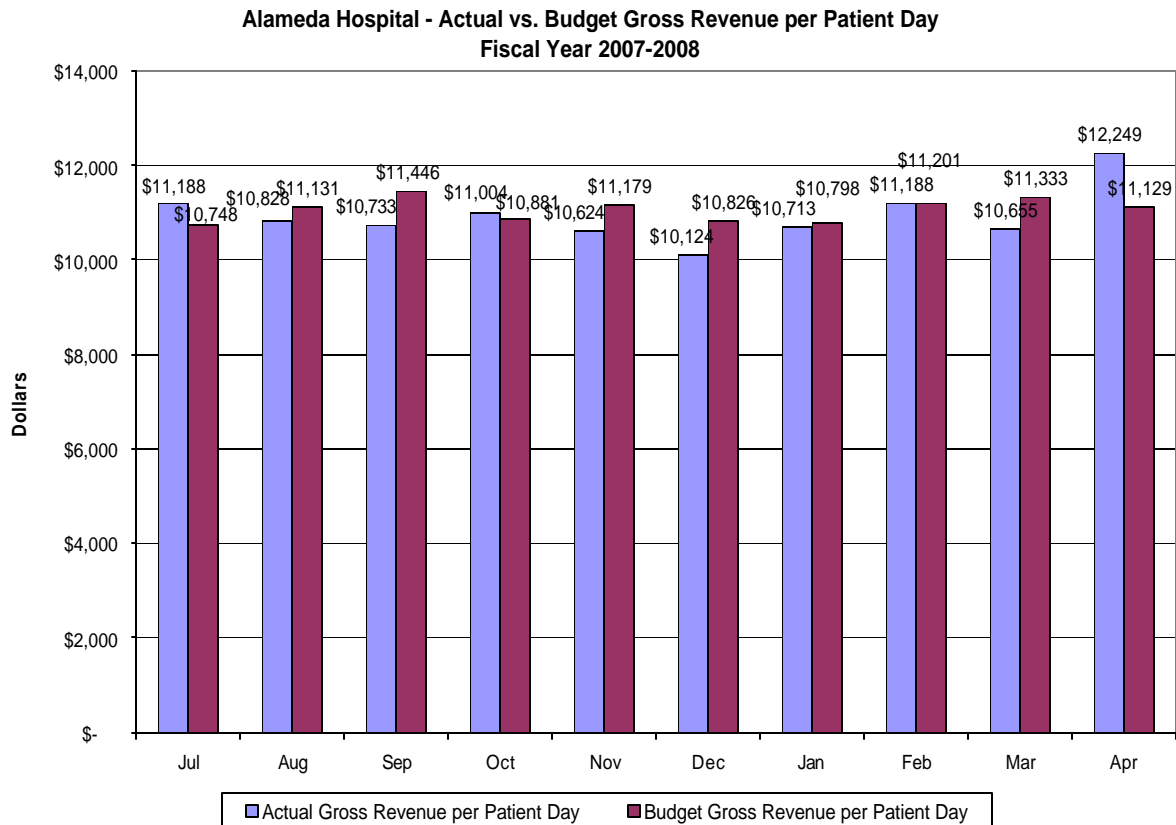


**Income Statement**

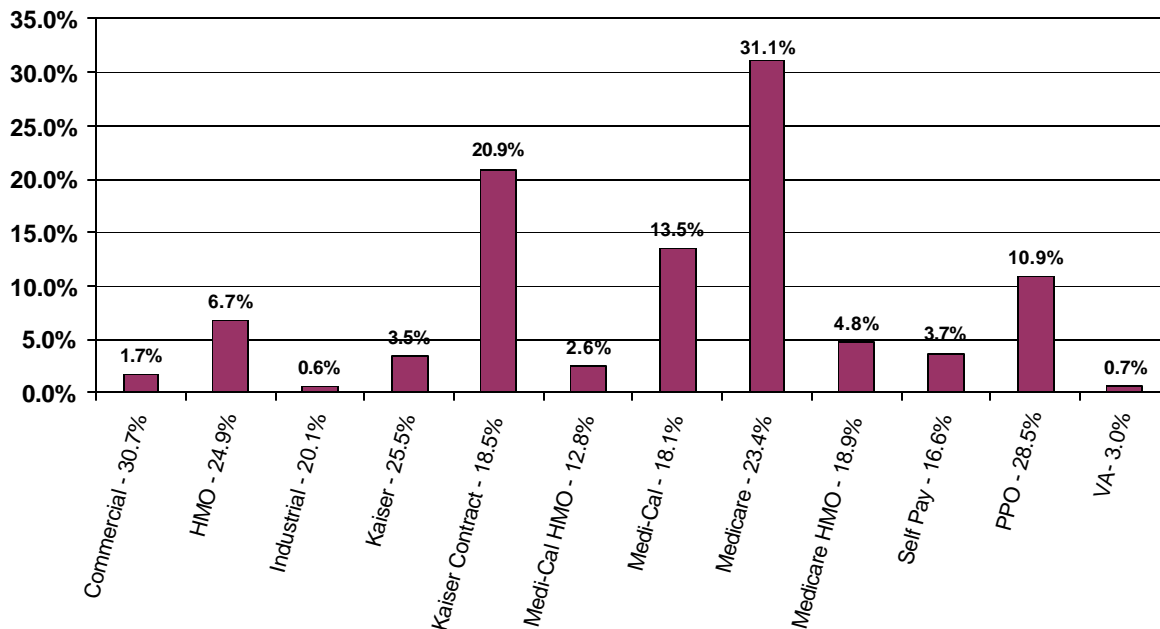
**Gross Patient Charges**

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. The Hospital does not increase pricing across the Board annually; instead, the charge master will be evaluated to ensure that all allowable charges are billed to comply with Medicare and Medi-Cal guidelines. Effective April 1, 2008 the charge master was updated as approved by the Board of Directors in January for an amount not to exceed 15% of gross revenue. The impact of this price increase on the Hospital’s reimbursement is anticipated to generate an additional \$800,000 in net patient revenues over the remaining quarter of fiscal year 2008. The Hospital will continue to have to report quality measures in order to receive the full annual payments; otherwise payments will be reduced by 2% in 2009.

Gross charges in April were greater than budgeted by \$824,575 despite the decrease in inpatient acute volume. This decrease in inpatient volume resulted in inpatient gross revenues coming in \$818,690 less than budgeted. However, outpatient gross revenues were greater than budgeted by \$1,643,265. The inpatient variance from the fixed budget relates to the 26.5% unfavorable variance in acute patient days for the month. On the outpatient side, favorable variances in gross charges occurred in surgery (\$1,237,609), emergency care center (\$371,490) and anesthesiology (\$255,783) while unfavorable variances were experienced in laboratory (\$102,008) and rehabilitation services (\$73,592). The combination of these variances was the primary factors that caused outpatient revenues to be favorable to the fixed budget in April. The Sub-Acute & SNF days were again significantly greater than the fixed budget at 23.7% better than budgeted. These factors coupled with the price increase that took effect April 1, 2008 resulted in gross revenue per patient day climbing to \$12,249 versus \$10,655 in March and the budgeted \$11,129 as depicted on the next page.

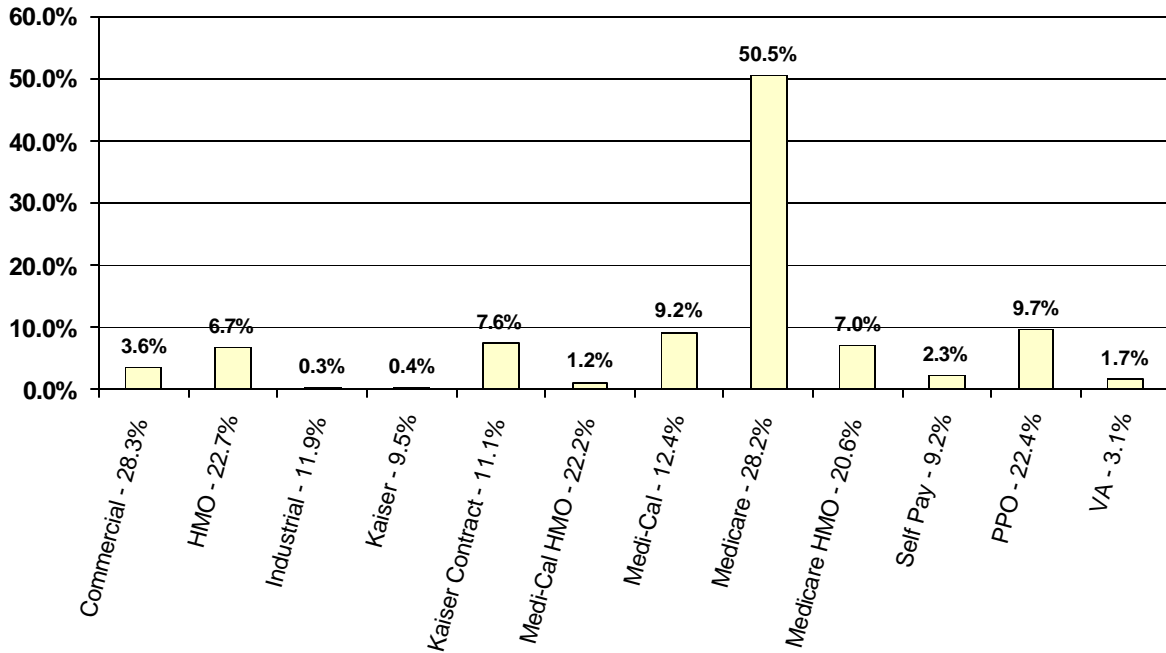


In April, Medicare gross revenue represented 31.1% of our charges with Kaiser as the second largest source of patient revenues at 24.4%. The Hospital continues to experience very little fluctuation in overall payor mix from month to month. However, this months decline in acute patient days and a higher Kaiser utilization for outpatient surgical cases negatively impacted net patient revenue for the month.



On the Hospital's inpatient acute side, 50.5% of the revenue was generated by Medicare, down from 58.5% in March and was reimbursed at an average rate of 28.2% based upon April discharges. The average length of stay and resource consumption impacts this reimbursement percentage greatly. In April, our average length of stay was 3.49 compared to budget of 4.13. In April we had no Diagnostic Related Grouping (DRG) outliers compared to two (2) in March. The outliers reflect patients whose length of stay (LOS) is twice that assigned and reimbursed by Medicare.

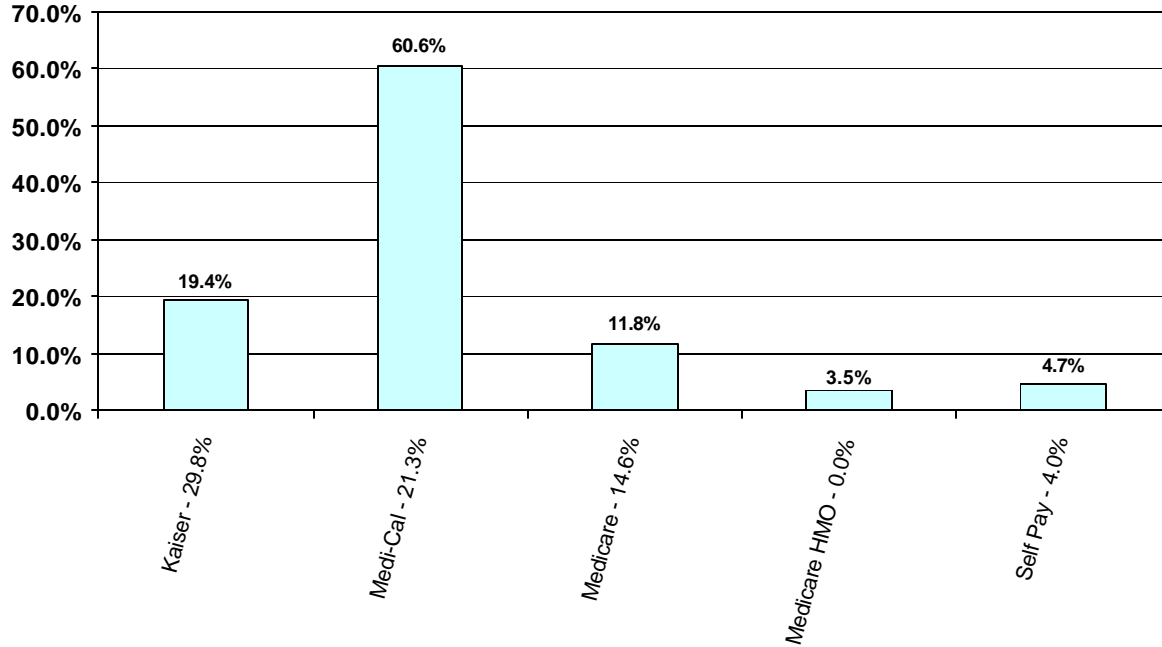
**Inpatient Acute Care Payor Mix**



In April, 60.6% of the Sub-Acute / SNF programs gross revenue is Medi-Cal followed by 19.4% from Kaiser. As mentioned previously we continue to experience delays in accurate payments from Medi-Cal for inpatient acute and sub-acute care services. On the acute care side, Medi-Cal has been reimbursing the hospital at the old contract rates rather than the interim cost report rate. This difference is now approximately \$514,000, which we have been informed by Medi-Cal representatives, is now being processed and should be paid in the upcoming weeks.

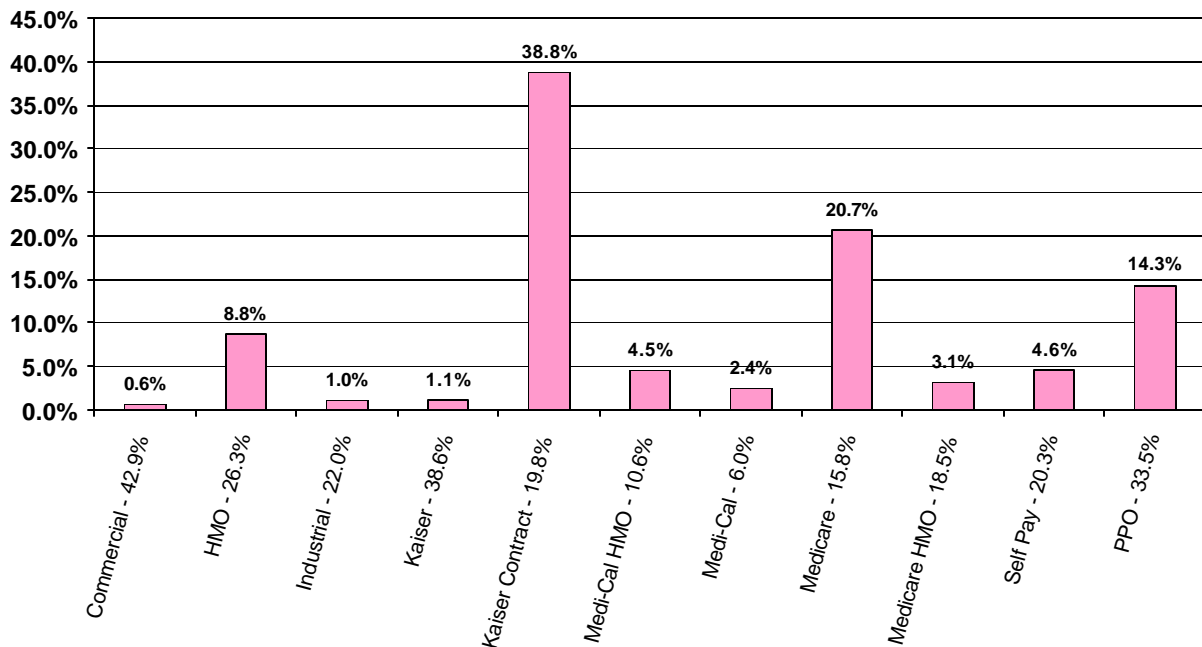
On the Sub-Acute side the problems have been two fold. First, the hospital was not billing with the appropriate physician identification number. The second issue was a Medi-Cal system issue wherein their system failed to recognize the newly required hospital provider identification number beginning with all claims with dates of service subsequent to February 14, 2008. The outstanding amount due to the hospital for these issues approximates an additional \$880,000 of cash payments. We have also received notification that these claims are being reprocessed as well and should be paid in the upcoming weeks. These two anticipated payments should contribute to an improvement in our cash position once received. However, due to the State's very slow processing of these corrections and the impending shut down of payment operations in June, we may not receive these payments until July.

**Inpatient Sub-Acute Care Payor Mix**



Outpatient gross revenue for April was comprised of 39.9% Kaiser, 20.7% Medicare, 14.3% PPO and 8.8% HMO.

**Outpatient Services Payor Mix**



**Deductions From Revenue**

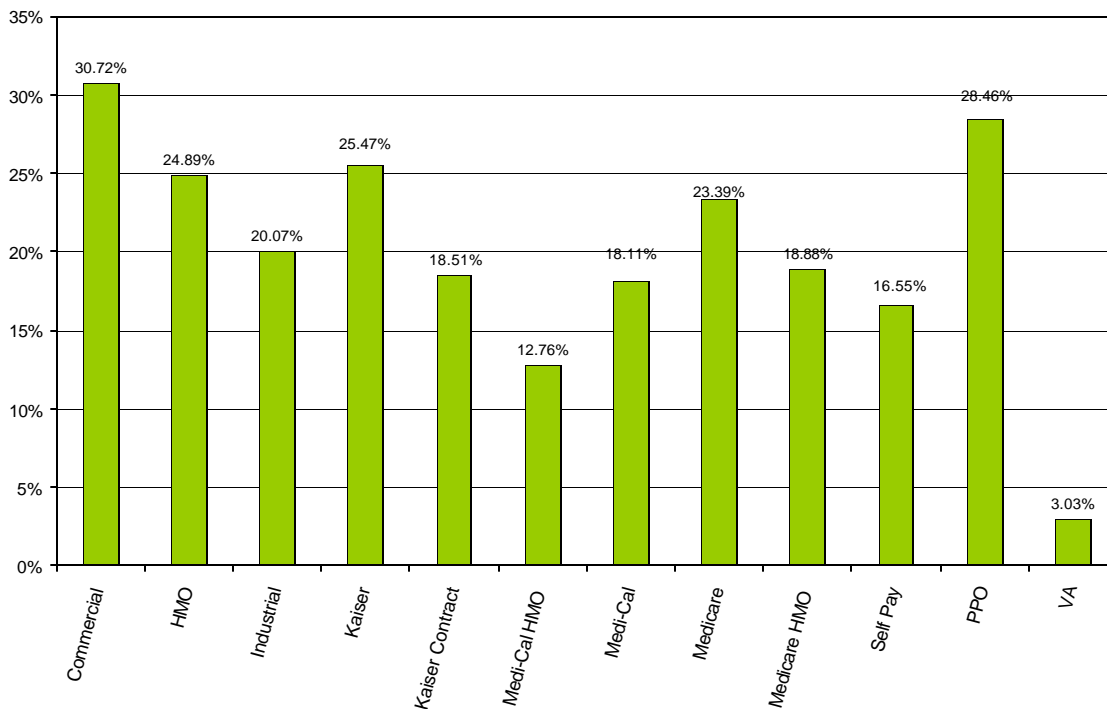
Contractual allowances are computed as deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payors such as Blue Cross.

Contractual allowances, bad debt and charity adjustments (as a percentage of gross patient charges) was 77.6% versus 76.9% year to date and compared to 78.8% in the prior year. In April, we have reclassified the portion of the Alameda Hospital employee health claims that would have been paid to the hospital under the provisions of the Blue Cross agreement to a separate expense line. In April 2008 there were no DRG “take backs” associated with the RAC project which has been put on hold until the end of calendar 2008.

**Net Patient Service Revenue**

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. This difference reflects what the actual anticipated cash payments the Hospital is to receive for the services provided. The graph below shows what the Hospital anticipates to be paid by payor for the April book of business.

**Alameda Hospital - Total Average Reimbursement % by Payor  
 April 2008**



Because we do not yet have a significant amount of claims payment experience after only one month of the price increase, we have been conservative in our estimation of net revenues for this first month since their full implementation. We will be monitoring this area very closely in the remaining two months of the fiscal year to ensure that the net receivables are appropriately valued each month.

**Total Operating Expenses**

Total operating expenses were greater than budget by \$66,474 or 1.3%. The average expenses per patient day were \$3,275 compared to a budget of \$2,734 and \$2,896 in prior year. Productive Salaries were under budget by \$78,587 while non productive salaries and Registry were over budget by \$33,369 and \$2,831, respectively.

Group health insurance was over budget by \$191,619 and was the primary cause of the expense variance in April.

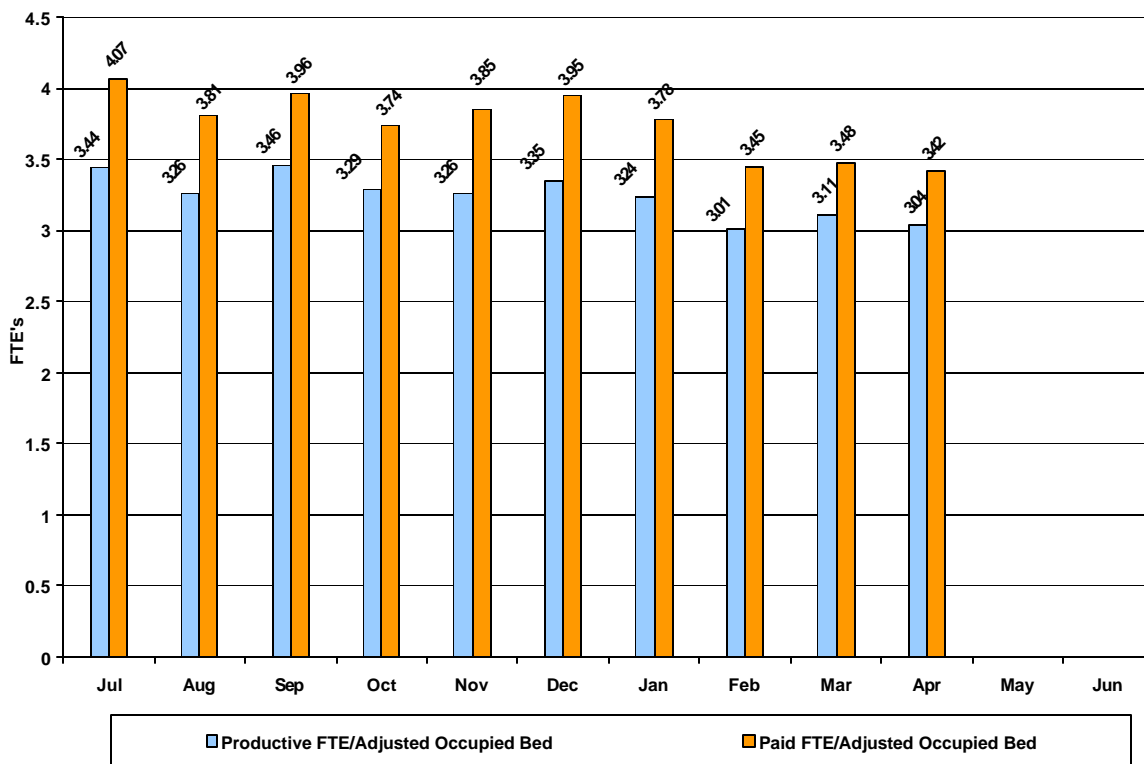
Total Operating Expenses for the ten months of the fiscal year were \$53,101,116 (excluding one-time events of \$196,296 relating to reduction in force and \$42,622 relating to vacation accrual for a total of \$238,918) compared to a budget of \$52,322,016 for a negative variance of \$779,100. The majority of the variance is the result of higher than anticipated group health insurance costs of \$1,064,875.

**Labor Expenses**

Salaries, Registry and Benefit costs combined, excluding group health insurance, were under budget by \$31,256. The action plan reduction in workforce has had full month impact in the last three months and allowed the Hospital's productive salaries to again come in under budget in April by \$78,587, even with the addition of the CEO and CFO salary that were not included in the FY 2008 salary budget.

The total labor costs per patient day were \$1,742 versus \$1,661 in the prior month. Paid FTE's per adjusted occupied bed was 3.42 in April versus 3.48 in March 2008 as shown in the graph below.

**FTE's per Adjusted Occupied Bed**



**Group Health Insurance**

Expense for the month of April was \$406,422 which was \$191,619 over budget, \$18,373 of this amount related to the additional reserves for accrued health benefit costs while the remainder of the variance was related to additional claims that were paid in April. The accrued health benefit liability is now \$923,254 which is approximately \$32,000 less than the estimated amount determined from our third party administrators Incurred But Not Reported (IBNR) lag reports over the last several months. This account will be adjusted over the remaining two months of the fiscal year to approximate the final IBNR estimates. In addition, in April the portion of the cost of services provided to Alameda Hospital employees under the self insured health plan that would have been paid under the plan was reclassified from deductions from revenue to a separate expense

line "Group Health Ins. – Alameda Hospital". This reclassification amounted to \$76,155 and \$616,256 for the month of April and the first nine months of the fiscal year, respectively.

***Professional Fees***

Professional Medical fees were over budget by \$12,114 while Professional Non-Medical was under budget by \$73,875. These variances are due to physician stipends and the elimination of the Delta One hospital management contract, respectively. Note that actual salary expense is higher than projected for in the budget as a result of this expense reduction since the CEO and CFO are now salaried positions.

***Supplies***

Overall supplies were \$27,855 under budget in April. The single largest contributor to this favorable variance was in the Medical supplies and drugs category which was under budget as result of a \$56,160 favorable variance in pharmaceutical supplies.

***Purchased Services***

This category was over budget by \$20,551 as a result of the recording of lab services purchased from San Leandro Hospital for the months of January through March that had not be received and not accrued which totaled \$21,645.

***Licenses and Taxes***

Licenses and Taxes were over budget by \$7,242. The Hospital records its sales tax relating to supplies in this line and the sales tax is expensed based on the amount of purchases incurred; however, the budget did not account for all of this expense. In April this resulted in a variance of \$4,082. In addition, the Hospital's annual state licensing fee increased substantially in July 2007 (\$39,683 per year) and was not accounted for in the 2007-08 budget.

***Depreciation and Amortization***

The depreciation expense was lower than budget by \$56,982. As mentioned in previous months, a large asset was fully depreciated in January 2008. This asset was the \$7,671,553 South Wing added in 1983. This will be a reduction in expense for the remainder of the fiscal year as the budget was not adjusted for this now fully depreciated asset.

***Balance Sheet***

***Patient Accounts Receivable***

Gross patient accounts receivable increased by \$835,169 from the prior month and the gross days in receivables were 49.0 compared to 50.3 in the prior month. The increase in gross patient accounts receivable continues to be a result of continued increases in monthly gross charges coupled with a continued delay in accurate payments from Medi-Cal for inpatient acute and sub-acute care services.

***Current Liabilities***

Total Current & Long Term Liabilities at April 30, 2008 were \$17,108,446 versus \$16,725,528 in the prior month, an increase of \$382,918 or 2.3%. This increase was the result of increased deferred revenues \$760,000 from Kaiser, accounts payable increasing by \$96,200 or 1.9% and payroll related accruals increasing by \$119,869. These increases were offset by the realization of \$477,000 of deferred tax revenues and the accrual of an additional \$57,243 of AB 915 funds.

**ALAMEDA HOSPITAL**  
**Balance Sheet**  
**April 30, 2008**

	Unaudited April 30, 2008	Unaudited March 31, 2008	Audited June 30, 2007
<b>Assets</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 733,318	\$ 850,296	\$ 754,867
Short-term investments	5,434,506	2,499,144	3,609,008
Patient Accounts Receivable	36,048,628	35,213,459	37,060,863
Less: Account Receivable Reserves	<u>(28,793,705)</u>	<u>(28,028,632)</u>	<u>(29,759,999)</u>
Net Accounts Receivable \$	7,254,923	7,184,827	7,300,864
Net Accounts Receivable %	20.13%	20.40%	19.70%
Inventories	917,858	917,436	949,780
Other assets	<u>1,896,601</u>	<u>4,460,821</u>	<u>7,371,619</u>
Total Current Assets	<u>16,237,207</u>	<u>15,912,524</u>	<u>19,986,138</u>
<i>Non-current restricted cash and investments:</i>			
Restricted by contributors and grantors for capital acquisitions and research-Jaber Estate	<u>580,519</u>	<u>568,811</u>	<u>467,958</u>
Total Non-Current Assets	<u>580,519</u>	<u>568,811</u>	<u>467,958</u>
<i>Fixed Assets:</i>			
Land	877,945	877,945	877,945
Depreciable capital assets, net of accumulated depreciation	<u>6,758,640</u>	<u>6,882,484</u>	<u>7,737,041</u>
Total fixed assets, net of accumulated depreciation	<u>7,636,585</u>	<u>7,760,429</u>	<u>8,614,986</u>
Total Assets	<u>\$ 24,454,309</u>	<u>\$ 24,241,763</u>	<u>\$ 29,069,080</u>
<b>Liabilities and Net Assets</b>			
<i>Current Liabilities:</i>			
Line of credit - Bank of Alameda	\$ -	\$ -	\$ 1,000,000.00
Accounts payable and accrued expenses	5,217,024	5,120,824	4,819,845
Loans Payable	2,440,000	2,480,000	-
Payroll related accruals	1,656,032	1,536,163	1,155,539
Vacation accruals	1,959,788	1,937,591	1,854,322
Employee health related accruals	923,254	904,882	450,000
Est. Third-party payer settlement payable	1,593,089	1,650,332	2,237,840
Other liabilities	<u>2,474,000</u>	<u>2,191,000</u>	<u>6,343,528</u>
Total Current Liabilities	<u>16,263,187</u>	<u>15,820,792</u>	<u>17,861,074</u>
<i>Long-Term Liabilities:</i>			
Long-term pension liabilities - Defined Benefit	(94,000)	(97,500)	(129,000)
Long-term pension liabilities - 401(a) Plan	28,693	27,813	43,395
Long-term pension liabilities - Steelworkers	33,641	31,404	54,287
Long-term IBNR reserves	330,000	330,000	360,000
Capitalized Lease payable	<u>546,925</u>	<u>613,019</u>	<u>1,022,616</u>
Total Long-Term Liabilities	845,259	904,736	1,351,298
Total Liabilities	<u>17,108,446</u>	<u>16,725,528</u>	<u>19,212,372</u>
<i>Net Assets</i>			
Net Assets - Beginning	9,856,708	9,856,708	13,135,808
Fund Transfer C W & S	-	-	610,984
Current year changes	<u>(2,510,846)</u>	<u>(2,340,475)</u>	<u>(3,890,084)</u>
Net Assets - Ending	7,345,862	7,516,233	9,856,708
Total Liabilities and Net Assets	<u>\$ 24,454,309</u>	<u>\$ 24,241,763</u>	<u>\$ 29,069,080</u>

**ALAMEDA HOSPITAL**  
**Summary Statement of Revenues, Expenses**  
**For the Ten Months Ended April 30, 2008**

	Current Month - Fixed Budget			Year to Date - Fixed Budget						
	Actual	Budget	Variance	Var %	Mar 07	YTD Actual	YTD Budget	Variance	Var %	FY07 Actual
<b>Operating revenues:</b>										
IP Revenue	\$ 11,727,738	\$ 12,546,428	\$ (818,690)	-6.5%	\$ 12,866,493	\$ 114,991,548	\$ 118,868,977	\$ (3,877,429)	-3.3%	\$ 133,457,346
OP Revenue	10,419,240	8,775,975	1,643,265	18.7%	8,836,223	88,333,453	84,850,051	3,483,402	4.1%	85,446,093
Total revenue	\$ 22,146,978	\$ 21,322,403	\$ 824,575	3.9%	\$ 21,702,716	\$ 203,325,001	\$ 203,719,028	\$ (394,027)	-0.2%	\$ 218,903,438
Less: Deductions from Revenue	(16,025,762)	(15,745,703)	(280,059)	1.8%	(16,438,950)	(152,273,513)	(151,832,530)	(440,983)	0.3%	(166,240,115)
Bad Debt	(770,486)	(693,438)	(77,049)	11.1%	(294,005)	(4,641,115)	(4,177,003)	(464,111)	11.1%	(3,732,166)
Charity	(142,956)	(128,660)	(14,296)	11.1%	(245,911)	(932,929)	(857,636)	(75,293)	11.1%	(2,478,351)
Net patient service revenue	\$ 5,207,774	\$ 4,754,602	\$ 453,172	9.5%	\$ 4,723,850	\$ 45,457,444	\$ 46,851,858	\$ (1,394,414)	-3.0%	\$ 46,452,806
	23.51%	22.30%			21.77%	22.36%	23.00%			21.22%
Other revenue	11,560	22,340	(10,780)	-48.3%	16,405	101,280	226,374	(125,094)	-55.3%	162,697
Total operating revenues	\$ 5,219,334	\$ 4,776,942	\$ 442,392	9.3%	\$ 4,740,255	\$ 45,558,723	\$ 47,078,232	\$ (1,519,509)	-3.2%	\$ 46,615,503
<b>Operating expenses:</b>										
Salaries	\$ 2,561,387	\$ 2,606,606	\$ 45,219	1.7%	\$ 2,812,413	\$ 26,754,343	\$ 26,032,947	\$ (721,396)	-2.8%	\$ 27,903,004
Registry	180,234	177,403	(2,831)	-1.6%	191,762	1,321,769	1,758,136	436,367	24.8%	2,062,531
Benefits	1,507,567	688,561	(819,006)	-118.9%	774,685	8,062,473	6,760,859	(1,301,614)	-19.3%	6,637,334
Professional Fees	241,427	303,188	61,761	20.4%	354,020	3,124,751	3,050,415	(74,336)	-2.4%	2,950,915
Supplies	694,009	721,864	27,855	3.9%	629,994	7,080,606	7,251,279	170,673	2.4%	7,166,985
Purchase Services	335,841	304,061	(31,780)	-10.5%	270,791	3,003,975	3,088,321	84,346	2.7%	3,165,192
Rents and Leases	54,226	48,441	(5,785)	-11.9%	38,488	476,705	488,908	12,203	2.5%	370,470
Utilities and Telephone	78,703	73,673	(5,030)	-6.8%	68,231	691,794	743,504	51,710	7.0%	696,994
Insurance	59,912	61,733	1,821	3.0%	32,858	600,592	618,428	17,836	2.9%	613,118
Interest Expense	13,501	11,029	(2,472)	-22.4%	10,651	118,565	111,758	(6,807)	-6.1%	103,857
Depreciation and amortization	126,827	183,809	56,982	31.0%	166,326	1,522,986	1,837,794	314,808	17.1%	1,766,668
Other Operating Expenses	67,003	57,539	(9,464)	-16.4%	56,155	538,854	579,667	40,813	7.0%	529,918
Total operating expenses	\$ 5,920,637	\$ 5,237,907	\$ (682,730)	-13.0%	\$ 5,406,375	\$ 53,297,412	\$ 52,322,016	\$ (975,396)	-1.9%	\$ 53,966,986
Operating gain (loss)	\$ (701,303)	\$ (460,965)	\$ (240,338)	52.1%	\$ (666,120)	\$ (7,738,689)	\$ (5,243,784)	\$ (2,494,905)	47.6%	\$ (7,351,483)
Non-operating revenues (expenses):	\$ 418,372	\$ 518,725	\$ (100,353)	-19.3%	\$ 520,746	\$ 5,115,285	\$ 5,187,250	\$ (71,965)	-1.4%	\$ 5,194,177
Excess of revenues over expenses	(282,931)	57,760	(340,691)	-589.8%	(145,374)	(2,623,404)	(56,534)	(2,566,870)	4540.4%	(2,157,306)

**ALAMEDA HOSPITAL**  
**Summary Statement of Revenues, Expenses**  
**For the Ten Months Ended April 30, 2008**

	Current Month - Per Adjusted Patient Day			Year to Date - Per Adjusted Patient Day		
	Actual	Budget	Var %	YTD Actual	YTD Budget	Var %
<b>Operating revenues:</b>						
IP Revenue	\$ 3,942	\$ 4,347	-9.3%	\$ 4,774	\$ 5,083	-6.1%
OP Revenue	3,502	3,041	15.2%	3,667	3,628	1.1%
Total revenue	\$ 7,444	\$ 7,388	0.8%	\$ 8,441	\$ 8,711	-3.1%
Less: Deductions from Revenue	(5,387)	(5,456)	-1.3%	(6,322)	(6,492)	-2.6%
Bad Debt	(259)	(240)	7.9%	(193)	(179)	7.8%
Charity	(48)	(45)	6.7%	(40)	(37)	8.1%
Net patient service revenue	\$ 1,750	\$ 1,647	6.3%	\$ 1,886	\$ 2,003	-5.8%
	23.51%	22.29%		22.34%	22.99%	
Other revenue	4	8	-50.0%	4	10	-60.0%
Total operating revenues	\$ 1,754	\$ 1,655	6.0%	\$ 1,890	\$ 2,013	-6.1%
<b>Operating expenses:</b>						
Salaries	\$ 861	\$ 903	4.7%	\$ 1,111	\$ 1,113	0.2%
Registry	61	61	0.0%	55	75	26.7%
Benefits	507	239	112.1%	335	289	15.9%
Professional Fees	81	105	-22.9%	130	130	0.0%
Supplies	233	250	-6.8%	294	310	5.2%
Purchase Services	113	105	7.6%	125	132	5.3%
Rents and Leases	18	17	5.9%	20	21	4.8%
Utilities and Telephone	26	26	0.0%	29	32	9.4%
Insurance	20	21	-4.8%	25	26	3.8%
Interest Expense	5	4	25.0%	5	5	0.0%
Depreciation and amortization	43	64	-32.8%	63	79	20.3%
Other Operating Expenses	23	20	15.0%	22	25	12.0%
Total operating expenses	\$ 1,991	\$ 1,815	9.7%	\$ 2,214	\$ 2,237	1.0%
Operating gain (loss)	\$ (237)	\$ (160)	48.1%	\$ (324)	\$ (224)	44.6%
Non-operating revenues (expenses):	\$ 141	\$ 180	-21.7%	\$ 212	\$ 222	-4.5%
Excess of revenues over expenses	(96)	20	-580.0%	(112)	(2)	5500.0%

**ALAMEDA HOSPITAL  
KEY STATISTICS  
APRIL , 2008**

	ACTUAL APRIL 2008	CURRENT FIXED BUDGET	VARIANCE (UNDER)OVER	%	APRIL 2007	YTD APRIL 2008	YTD FIXED BUDGET	VARIANCE	%	YTD APRIL 2007
<b>Discharges:</b>										
Total Acute	236	271	(35)	-12.9%	260	2,393	2,469	(76)	-3.1%	2,722
Total Sub-Acute	4	9	(5)	-55.6%	9	75	89	(14)	-15.7%	85
	<u>240</u>	<u>280</u>	<u>(40)</u>	<u>-14.3%</u>	<u>269</u>	<u>2,468</u>	<u>2,558</u>	<u>(90)</u>	<u>-3.5%</u>	<u>2,807</u>
<b>Patient Days:</b>										
Total Acute	823	1,120	(297)	-26.5%	1,051	9,172	10,198	(1,026)	-10.1%	11,194
Total Sub-Acute	985	796	189	23.7%	816	9,434	8,222	1,212	14.7%	8,222
	<u>1,808</u>	<u>1,916</u>	<u>(108)</u>	<u>-5.6%</u>	<u>1,867</u>	<u>18,606</u>	<u>18,420</u>	<u>186</u>	<u>1.0%</u>	<u>19,416</u>
<b>Average Length of Stay</b>										
Total Acute	3.49	4.13	(0.65)	-15.6%	4.04	3.83	4.13	(0.30)	-7.2%	4.11
Total Sub-Acute	246.25	88.44	(37.80)	-42.7%	90.67	125.79	92.38	(86.57)	(0.94)	96.73
<b>Average Daily Census</b>										
Total Acute	27.43	37.33	(9.90)	-26.5%	35.03	30.07	33.44	(3.36)	-10.1%	36.82
Total Sub-Acute	32.83	26.53	6.30	23.7%	27.20	30.93	26.96	3.97	14.7%	24.66
	<u>60.27</u>	<u>63.87</u>	<u>(3.60)</u>	<u>-5.6%</u>	<u>62.23</u>	<u>61.00</u>	<u>60.39</u>	<u>0.61</u>	<u>1.0%</u>	<u>63.87</u>
<b>Emergency Room Visits</b>	1,473	1,516	(43)	-2.8%	1,445	14,834	15,091	(257)	-1.7%	15,150
<b>Outpatient Registrations</b>	2,593	2,606	(13)	-0.5%	2,582	26,097	26,154	(57)	-0.2%	26,745
<b>Surgery Cases:</b>										
Inpatient	44	63	(19)	-30.2%	76	524	644	(120)	-18.6%	842
Outpatient	482	354	128	36.2%	384	3,859	3,439	420	12.2%	3,606
	<u>526</u>	<u>417</u>	<u>109</u>	<u>26.1%</u>	<u>460</u>	<u>4,383</u>	<u>4,083</u>	<u>300</u>	<u>7.3%</u>	<u>4,448</u>
Kaiser Spine Cases					24					219
Kaiser Eye Cases	166	143	23	16.1%	141	1,341	1,257	84	6.7%	1,334
Kaiser Outpatient Cases	185	102	83	81.4%	134	1,388	1,032	356	34.5%	1,230
Total Kaiser Cases	<u>351</u>	<u>245</u>	<u>106</u>	<u>43.3%</u>	<u>299</u>	<u>2,729</u>	<u>2,289</u>	<u>440</u>	<u>19.2%</u>	<u>2,783</u>
<b>Adjusted Occupied Bed</b>	113.81	108.54	5.27	4.9%	104.96	107.34	102.98	4.36	4.2%	104.76
<b>Productive FTE</b>	344.60	360.17	(15.57)	-4.3%	391.08	347.79	349.34	(1.55)	-0.4%	390.70
<b>Total FTE</b>	388.37	404.01	(15.64)	-3.9%	449.84	401.57	400.93	0.64	0.2%	450.25
<b>Productive FTE/Adj. Occ. Bed</b>	3.03	3.32	(0.29)	-8.8%	3.73	3.24	3.39	(0.15)	-4.5%	3.73
<b>Total FTE/Adj. Occ. Bed</b>	3.41	3.72	(0.31)	-8.3%	4.29	3.74	3.89	(0.15)	-3.9%	4.30

**ALAMEDA HOSPITAL  
12 MONTH CASH PROJECTION  
PERIOD COVERED: 4/30/08 THRU 4/30/09**

MONTH	COLLECTIONS		PROPERTY TAX	W/C REFUND NET	OTHER	FY 2007 AB 915	EMP HLTH STOP LOSS	EST. DISBURSEMENTS	BALANCE
	NON-KAISER	KAISER-USE							
<b>Cash/Investment Balance as of 03/31/08</b>									
APR 08	3,574,636	760,000	2,567,567		836,312			4,961,997	850,297
MAY 08	3,465,000	760,000			65,000			6,688,601	3,626,815
JUN 08	3,325,000	760,000			65,000			5,287,966	1,228,214
JUL 08	5,117,000	760,000			65,000	200,000		5,271,299	90,248
AUG 08	3,745,000	760,000			65,000			5,288,249	960,949
SEP 08	5,247,000	760,000	290,000		65,000			5,788,249	242,700
OCT 08	4,600,000	760,000			65,000			5,788,249	816,451
NOV 08	3,800,000	760,000			65,000			5,288,249	453,203
DEC 08	4,400,000	760,000	2,800,000		65,000			6,776,459	(210,046)
JAN 09	4,200,000	760,000			65,000			5,457,342	1,038,495
FEB 09	3,800,000	760,000		200,000	65,000			5,957,342	606,153
MAR 09	4,400,000	760,000			65,000			5,457,342	(526,189)
TOTALS	49,673,636	9,120,000	5,657,567	0	1,551,312	200,000	0	68,011,343	(758,531)

c - The majority of the take backs are under appeal, 49 additional requested occurred in November 07, none in December 07

**ALAMEDA HOSPITAL**  
**12 Month Cash Projection - Disbursement Detail**  
**PERIOD COVERED: 4/30/08 THRU 4/30/09**

MONTH	Total Payroll	Health Insurance	A/P	Debt Service including Interest	OTHER	TOTAL CASH	
						OUTLAYS	OUTLAYS
APR 08	2,559,267	351,799	1,941,581	109,350		4,961,997	
MAY 08	4,249,905 a	325,000	2,000,000	113,696		6,688,601	
JUN 08	2,849,270 b	325,000	2,000,000	113,696		5,287,966	
JUL 08	2,849,270	308,333 d	2,000,000	113,696		5,271,299	
AUG 08	2,866,220 c	308,333 d	2,000,000	113,696		5,288,249	
SEP 08	2,866,220	308,333 d	2,500,000	113,696		5,788,249	
OCT 08	2,866,220	308,333 d	2,500,000	113,696		5,788,249	
NOV 08	2,866,220	308,333 d	2,000,000	113,696		5,288,249	
DEC 08	4,354,430	308,333 d	2,000,000	113,696		6,776,459	
JAN 09	3,035,313 a	308,333 d	2,000,000	113,696		5,457,342	
FEB 09	3,035,313	308,333 d	2,500,000	113,696		5,957,342	
MAR 09	3,035,313	308,333 d	2,000,000	113,696		5,457,342	
<b>TOTALS</b>	<b>37,432,962</b>	<b>3,776,796</b>	<b>25,441,581</b>	<b>1,360,004</b>	<b>0</b>	<b>68,011,343</b>	

- a) 3 pay periods in the month
- b) Includes the anticipated C.N.A salary increases & staff other increases
- c) Includes the anticipated Local 29 increase
- d) Health Insurance expense budgeted \$3,700,000 for FY 2009

# ALAMEDA HOSPITAL FISCAL YEAR 2009 PROPOSED OPERATING BUDGET

Attached is the Fiscal Year 2009 Alameda Hospital Budget as prepared by hospital management. Upon approval by the City of Alameda Health Care District Board of Directors, this budget will constitute the spending authority for fiscal year 2009 based upon funds available.

Even though the City of Alameda Health Care District is a governmental agency, this budget should be considered a business plan and projection of what is anticipated for fiscal year 2009, rather than a fixed authority to spend. Prudent hospital operation requires that the revenue be generated and collected to support the expenditures.

## Summary

While we continue to face reimbursement challenges, cost increases necessary to be competitive with employee compensation and the continuing evolution of compliance requirements, we are confident that the hospital will be successful in achieving this proposed budget plan which results in excess of revenues over expenses of \$101,129.

Management believes that in fiscal year 2009 the hospital will continue to provide high quality patient care, excellent customer service and accommodations and a high caliber work force allowing it to continue to grow market share in the East Bay and to ensure that the mission and values of Alameda Hospital are kept at the forefront of the delivery of health care services to our community.

The following are the key assumptions that have been built into the fiscal year 2009 operating budget.

## Volumes

The inpatient acute average daily census is expected to increase by 5.5% or an additional two (2) patients per day as a result of the following new programs and contracts:

- The contract with the Veterans Administration is expected to generate an additional five to six new patients per month and has seen progressive beginnings of achieving this level of volume over the last three months.
- New surgical patients from the relationships with two general surgery practices and increased emphasis on other physician recruitments are expected generate greater demands for medical / surgical bed availability.
- New surgical patients from the relationships with Alameda plastic surgeons and Kaiser for cosmetic surgery cases will generate additional inpatient admissions as a result of these relationships. In addition, we will begin marketing the availability of these services to other plastic surgeons in the community which may also yield additional inpatient demand.

- The addition of new internists and additional Family Practice physicians is expected to support additional inpatient business for the hospital.
- Several additional initiatives related to physician recruitments.
- New patients are anticipated to utilize the services of Alameda Hospital as a result of the Asian Outreach efforts that have been implemented during the later half of fiscal year 2008.

In February 2008 an additional five (5) beds were certified under the sub-acute care program. Since this modification the program has had an average daily census of 32.8. Based on the current demand for this level of care in our current market we have budgeted the average daily census for fiscal year 2009 to be 33.5 or an increase of 17.2% over projected 2008 results.

As a result of the increases in acute and sub-acute care volumes, the related inpatient surgeries and ancillary service volumes have been increased to be reflective of these changes. Outpatient activity has been held relatively constant with that of FY 2008 performance.

### **Revenues**

As a result of the volume changes described above, the price increase that was implemented in April 2008, and continued improvements to managed care contract rates and a mid fiscal year 2009 price increase, net patient revenues are projected to increase by 11.1% to \$61.0 million despite only minimal increases to Medicare reimbursement levels, (1.5%) and a 10% reduction to non-contracted Medi-Cal volumes. The reduction in Medi-Cal reimbursement is based upon the Governor's current plan, which is projected to cut \$0.8 million from our net revenues in fiscal year 2009. There is a possibility that this may be overturned as a result of actions recently taken by the California Hospital Association; however, we have conservatively included this reduction in the proposed budget for fiscal year 2009.

The significant components that make up this \$6.0 million increase in net patient service revenue include:

- Volume increases in acute care services and a full fiscal year of sub-acute census at levels sustained since the increase in the number of available beds in February 2008 result in an additional \$8.1 million in gross patient revenue for fiscal year 2009. This contributed an additional \$1.8 million in net patient revenue. However, these increases will generate an additional \$1.4 million in additional patient care costs resulting in a projected net contribution of \$0.4 million to the hospital's bottom line performance.
- On April 1, 2008 a price increase was implemented, increasing routine service rates to market levels and selective increases to various ancillary service rates to bring charges more into line with the cost of the services provided. This rate increase resulted in the addition of approximately \$16.6 million in gross charges and contributes an additional \$1.8 million in net patient revenue.
- Management continues to take a conservative approach to projecting net revenue increases in the managed care arena. In April 2008, we successfully renegotiated our contract with Health Net which resulted in a first year increase of 16% and a second year

increase of 17% which is estimated to yield an additional \$350,000 of net patient revenues in fiscal year 2009. This increase along with a similar increase for our Blue Cross contract, our largest non-governmental payor, has also been included in the fiscal year 2009 operating budget. In addition management is in the process of opening negotiations with four (4) other significant payors by the end of the year and very conservative estimates for net revenue improvements have been included in our net revenue projections for fiscal year 2009. Overall, these changes are anticipated to generate an additional \$1.2 million in net patient revenues over the course of the fiscal year.

- In addition we are recommending that a 5% mid-year price increase is implemented effective January 1, 2009 in order to realize additional marginal income from non-governmental payors that reimburse under a percentage of charge based arrangement. This recommended increase has also been included in the fiscal year 2009 operating budget and will be necessary every year in order to appropriately cover the cost of services that continues to spiral upward at what seems to be an ever increasing rate. This modest mid-year increase is projected to generate an additional \$0.7 million of net patient revenues.
- The Kaiser contract continues in fiscal year 2009 at \$760,000 per month and has been adjusted in accordance with the terms of the agreement by an estimated 3.5% in April 2009.

### **Operating Expenses**

Operating expenses are projected to increase by 5.4% or \$3.4 million over the projected fiscal year 2008 performance to \$67.1 million in fiscal year 2009. The following describes the factors that generate this increase in the hospitals operating expenses by major component.

#### **Labor Expenses**

Salary and registry costs are projected to increase by \$2.6 million in fiscal year 2009 from the projected 2008 performance and have been budgeted at the levels necessary to ensure staffing is in accordance with all mandated staffing levels for each of the patient care departments. Additionally, open positions in non-patient care departments are anticipated to be filled. The following summarizes the significant changes that are driving this increase in salary and registry costs in the fiscal 2009 operating budget.

- The budget allows for positions that are necessary and currently vacant which adds \$1.0 million in salary costs to the fiscal year 2008 base salary costs.
- As a result of increases to patient volumes described previously, salary costs are projected to increase by \$0.8 million in order to appropriately staff for the increased volumes in direct patient care areas that are affected by changes in the levels of patient activity.
- Cost-of-living increases for all classes of employees, represented and non-represented have been included the operating budget. For the represented groups the increases have

been based upon the terms of the respective contracts that will be in place during the budget year or based on management's estimates of the outcome of pending labor renegotiations. These modifications added an additional \$0.9 million of salary costs to the organization's labor related expense base.

- Two critical positions have been added, including a staff development person in the Nursing department and a Financial Counselor in the Business Office. The impact of these two positions is an increase of approximately \$150,000 annually.
- As the budget assumes for a full complement of staffing, the related cost of registry was reduced by \$0.3 million or 17.0% to allow for only situations where an outside resource would be required to cover that job function.

Total full time equivalents for fiscal year 2009 are budgeted at 403.4, a slight increase of 1.8 FTE's from the organization's current year level of 401.6. This slight variance is the net result of additional FTE gains in the nursing and ancillary services departments of 3.9 and 1.6 FTE's, respectively, and were the result of increased patient care volumes. In the support services areas we were able to reduce FTE requirements by 3.9 FTE's. The most significant area that drove this reduction was the relationship with Sodexho that reduced FTE requirements in environmental services by 3.2, but increased purchased service costs. These changes resulted in the net savings of approximately \$97,000.

Benefit costs have been held constant with that of current year levels. After adding in the incremental costs associated with the adjustments to salary expenses discussed previously, combined employee benefit costs were increased by \$0.3 million.

#### Non-labor Expenses

All other operating expenses increased by approximately \$0.5 million over fiscal year 2008 and include the following significant modifications:

- CPI increases of 3% were applied to supplies (\$260,000) and purchased services (\$99,000) cost categories, respectively.
- Professional fees decreased by \$259,000 or 7.43% from projected fiscal year 2008 levels primarily as a result of the elimination of the management services agreement with Delta One Partners as salaries for the services previously provided by this contractor are now included in the salary budget. Offsetting this decrease in costs are additional fees for medical directorships and on-call stipends (\$102,000).
- Purchased services and repairs and maintenance increased by \$569,000 over fiscal year 2008 and was the result of the following:
  - CPI price increase as mentioned previously.
  - The consistent assignment of bad debt accounts to outside collection agencies which will result in additional agency fees of \$100,000. It is anticipated that this will also generate additional cash recoveries of \$500,000 annually.
  - Management service fees of approximately \$110,000 to Sodexho for the management of the EVS department,

- An additional \$100,000 for increased community outreach activities to increase awareness about the services provided by the hospital, and
- An additional \$143,000 of expenses related to facility maintenance and repair services that are necessary to maintain building elevators and other critical components of the campus buildings.

**Conclusion**

Management believes that this budget is obtainable despite the many challenges that will confront the hospital in the upcoming year including those discussed throughout this document as well as the challenges associated with building community support and enthusiasm for the services provided by a hospital that certainly has the opportunity and ability to be the diamond in the rough of the East Bay.

Attached are the following documents which support this narrative:

Table I	Operating Statistics
Table II	Statement of Revenue and Expense
Table III	Gross Revenue by Financial Class
Table IV	Summary FTE Comparison

**Recommendation**

Management believes that the fiscal year 2009 operating budget as discussed in this narrative and presented in the attached tables is attainable and requests that the Finance Committee recommend approval to the City of Alameda Health Care District Board of Directors.

**ALAMEDA HOSPITAL**  
**2008/2009 Fiscal Year Budget**  
**OPERATING STATISTICS**

**TABLE I**

	<u>2005/2006</u> <u>Actual</u>	<u>2006/2007</u> <u>Actual</u>	<u>2007/2008</u> <u>Budget</u>	<u>Projected</u> <u>2007/2008</u> <u>Actual</u>	<u>Proposed</u> <u>2008/2009</u> <u>FY Budget</u>	<u>Projected</u> <u>Variance</u> <u>from Proj.</u>
<b>PATIENT DAYS</b>						
Medical Surgical	13,124	13,070	12,850	11,072	11,683	5.5%
Sub-Acute	8,653	9,022	9,000	10,436	12,228	17.2%
SNF	938	1,010	870	622	0	-100.0%
Total	<u>22,715</u>	<u>23,102</u>	<u>22,720</u>	<u>22,130</u>	<u>23,911</u>	8.0%
<b>DISCHARGES</b>						
Medical Surgical	3,189	3,209	3,111	2,876	2,921	1.6%
Sub-Acute	15	15	12	15	20	33.3%
SNF	106	94	90	60	0	-100.0%
Total	<u>3,310</u>	<u>3,318</u>	<u>3,213</u>	<u>2,951</u>	<u>2,941</u>	-0.3%
<b>AVG. LENGTH OF STAY</b>						
Medical Surgical	4.1	4.1	4.1	3.8	4.0	3.9%
SNF	8.8	10.7	9.7	10.4		
<b>AVG. DAILY CENSUS</b>						
Medical Surgical	36.0	35.8	35.2	30.3	32.0	5.8%
Sub-Acute	23.7	24.7	24.7	289.9	33.5	-88.4%
SNF	2.6	2.8	2.4	1.7	0.0	-100.0%
Total	<u>62.2</u>	<u>63.3</u>	<u>62.2</u>	<u>60.5</u>	<u>65.5</u>	8.3%
<b>OUTPATIENT VISITS</b>						
Emergency	18,006	18,187	18,287	17,924	18,030	0.6%
Outpatient Registrations	31,666	32,185	32,096	31,803	31,558	-0.8%
IP Surgeries-Non Kaiser	726	735	770	640	684	6.9%
IP Surgeries - Kaiser Spine	353	253	0	0	0	
OP Surgeries - Non Kaiser	1,431	1,280	1,250	1,258	1,255	-0.2%
OP Surgeries - Kaiser Eye	1,564	1,629	1,575	1,567	1,560	-0.4%
OP Surgeries - Kaiser Amb.	1,558	1,516	1,403	1,604	1,598	-0.4%
<b>ADJUSTED OCCUPIED BED</b>	101.59	104.85	107.21	107.34	113.60	5.8%
<b>PAID FTE</b>	420.25	447.61	402.25	401.57	403.40	0.5%
<b>PROD. FTE</b>	367.91	388.46	350.93	348.53	346.40	-0.6%
<b>PAID FTE/AOB</b>	4.14	4.27	3.75	3.74	3.55	-5.1%
<b>PROD. FTE/AOB</b>	3.62	3.70	3.27	3.25	3.05	-6.1%

**ALAMEDA HOSPITAL**  
**2008/09 BUDGET**  
**STATEMENT OF REVENUE AND EXPENSE**

**TABLE II**  
**05/23/08**  
**Pct. Change**  
**Proposed**  
**from**  
**07/08 Act**

	2006/07 Audited	2007/08 Budget	2007/08 Projected Actual	2008/09 Proposed Budget	
Operating Revenues:					
Gross Revenue	261,207,554	247,463,692	247,618,066	274,431,180	10.8%
Less: Contractual Allowances, Bad Debt and Charity	(204,907,883)	(190,988,278)	(192,707,387)	(213,424,374)	10.8%
Net Patient Service Revenue	56,299,671	56,475,414	54,910,679	61,006,806	11.1%
	21.55%	22.8%	22.2%	22.2%	
Other Revenue	134,846	271,800	124,400	120,485	
Total Operating Revenue	56,434,517	56,747,214	55,035,079	61,127,291	11.1%
Operating Expenses:					
Salaries	33,597,560	31,303,908	31,877,119	34,794,078	9.2%
Benefits	9,282,216	8,117,598	9,924,240	10,246,170	3.2%
Registry	2,489,349	2,117,569	1,682,237	1,396,744	-17.0%
Professional Fees - Medical	1,765,655	1,915,700	1,889,155	1,991,400	5.4%
Professional Fees - Non-Medical	1,910,359	1,741,094	1,598,219	1,236,676	-22.6%
Medical Supplies and Drugs	6,591,804	6,902,765	6,704,836	6,899,888	2.9%
Laundry, Linen and Apparel	73,701	67,120	56,477	53,750	-4.8%
Office Supplies	181,144	185,105	158,516	156,295	-1.4%
Minor Equipment	92,392	102,450	66,759	92,861	39.1%
Other Supplies - Non-medical	1,566,766	1,490,287	1,528,873	1,716,393	12.3%
Purchased Services - Medical	1,026,005	972,000	843,589	902,398	7.0%
Purchased Services - Non-medical	2,224,864	2,066,992	2,010,135	2,447,897	21.8%
Repairs and Maintenance	816,588	711,285	703,788	775,495	10.2%
Rents and Leases	502,206	586,910	563,305	566,334	0.5%
Utilities and Telephone	836,813	892,600	817,455	861,916	5.4%
Insurance	643,002	742,167	720,908	730,569	1.3%
Licenses and Taxes	175,656	117,029	189,763	218,904	15.4%
Interest Expense	126,075	134,184	140,085	145,581	3.9%
Dues and Subscriptions	51,636	70,445	45,572	62,005	36.1%
Travel and Training	52,077	70,395	32,760	60,865	85.8%
Other Operating Expenses	455,143	438,185	360,232	443,140	23.0%
Depreciation and Amortization	2,103,379	2,205,700	1,792,360	1,349,352	-24.7%
Total Operating Expenses	66,574,390	62,951,488	63,706,384	67,148,711	5.4%
Operating Gain/(Loss)	(10,139,873)	(6,204,274)	(8,671,305)	(6,021,420)	
Non-operating revenues (expenses)					
Property Taxes	5,703,967	5,725,000	5,745,920	5,745,920	
Other	545,821	499,708	376,629	376,629	
Total Non-operating revenues (expenses)	6,249,788	6,224,708	6,122,549	6,122,549	
Excess/(deficit) of revenues over exp	(3,890,085)	20,434	(2,548,755)	101,129	
Increase/(Decrease) in net assets	(3,890,085)	20,434	(2,548,755)	101,129	

Table III

**ALAMEDA HOSPITAL  
2008-2009 FISCAL YEAR BUDGET  
GROSS/NET REVENUE BY FINANCIAL CLASS**

	GROSS REVENUE INPATIENT	GROSS REVENUE SUBACUTE	GROSS REVENUE EMERGENCY	GROSS REVENUE OUTPATIENT	TOTAL GROSS REVENUE	REIMBURSEMENT PERCENTAGE	TOTAL NET REVENUE
COMMERCIAL	2,377,671		373,718	351,512	3,102,901	30.9%	959,945
HMO	8,321,849		5,755,426	8,522,517	22,599,792	27.8%	6,293,812
INDUSTRIAL	2,377,671		598,862	434,615	3,411,148	20.3%	692,733
KAISER	1,188,836	5,503,605	1,553,203	8,791	8,254,435	27.5%	2,269,545
KAISER CONTRACT	8,321,849		7,281	41,172,002	49,501,132	19.0%	9,416,885
MEDI-CAL HMO	3,566,507		935,765	39,204	4,541,476	29.0%	1,317,861
MEDI-CAL	4,755,342	27,911,138	2,292,134	1,533,465	36,492,079	18.1%	6,591,377
MEDICARE	63,008,284	5,896,719	5,694,970	18,549,733	93,149,706	22.3%	20,813,238
MEDICARE HMO	14,266,027		2,064,711	2,742,713	19,073,451	19.5%	3,710,003
SELF PAY	4,755,342		4,369,946	2,695,460	11,820,748	8.7%	1,028,092
PPO	5,944,178		5,831,098	10,709,038	22,484,314	35.2%	7,913,314
	118,883,556	39,311,462	29,477,114	86,759,050	274,431,182	22.2%	61,006,805

ALAMEDA HOSPITAL  
2008-09 BUDGET  
FTE COMPARISON  
Prepared by: J. Walker  
5/23/2008 11:26

Table IV

	2007-08 April YTD	2008-09 Prop. FTE	Variance from 07-08 April
TOTAL NURSING SERVICES	213.27	217.19	3.92
TOTAL ANCILLARY SERVICES	67.69	69.30	1.61
TOTAL SUPPORT SERVICES	51.40	47.50	-3.90
TOTAL ADMINISTRATIVE SERVICES	69.21	69.37	0.16
GRAND TOTAL	401.57	403.36	1.79

Date: May 30, 2008

To: City of Alameda Health Care District Board of Directors

From: Deborah E. Stebbins, Chief Executive Officer

Subject: Proposal to Replace Ethylene Oxide Sterilizer in Central Supply with Sterrad® Sterilizer Using Jaber Funds

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The Central Supply Department houses an Ethylene Oxide (ETO) sterilizer that is used to sterilize supplies, instruments and equipment that cannot be sterilized using routine steam sterilization. The existing unit is over 20 years old and has passed its useful service life.

The ETO sterilizer uses Ethylene Oxide gas to sterilize these items. This gas is toxic and requires an extended time frame to dissipate. This poses a safety hazard for employees and patients. Employees can be exposed to this gas if the unit either doesn't function properly or protocol is not followed. Patients can be exposed to this gas if the sterilized items are not properly "aerated" to allow the gas to dissipate.

The ETO sterilizer was used infrequently (1-2 times per week) until the Kaiser contract was initiated. Now the unit is used 5 days a week. We are allowed 20 pounds of Ethylene Oxide annually and exceeded that amount slightly last year. It's expected we will exceed our allotment again this year.

The ETO sterilizer takes approximately 13-14 hours for complete processing. Other, newer units on the market do not use Ethylene Oxide and take less than 2 hours to complete sterilization. Employees and patients are not exposed to Ethylene Oxide.

Recent quotes for new equipment, specifically a STERRAD® unit (which does not use Ethylene Oxide), show a cost of approximately \$150,000. A request for an updated quote has been requested.

Management is requesting approval to purchase a STERRAD® unit as soon as possible and to use the Jaber Funds (approximately \$120,000) to finance the majority of the capital cost.