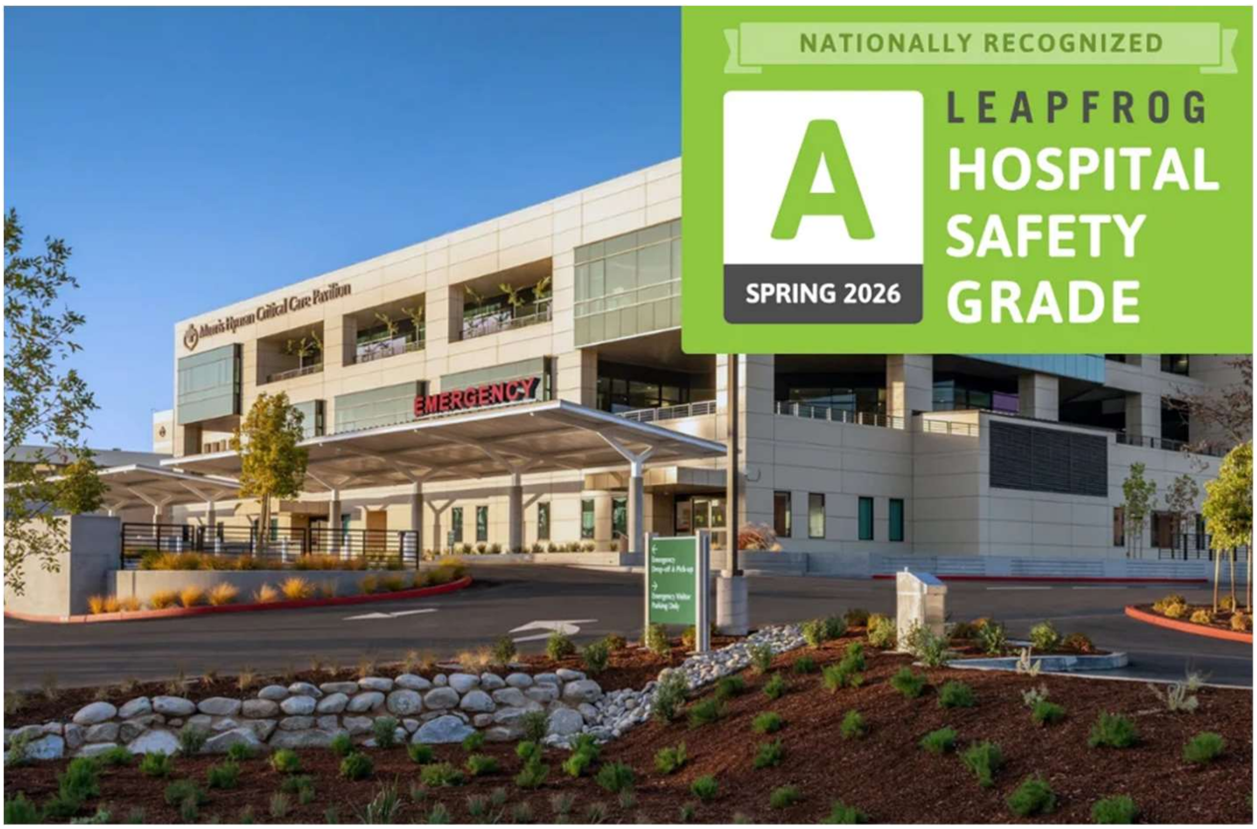
Washington Health
Budget Estimate



FY 2027

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

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Effective July 1, 2026

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Mission, Vision & Values

Washington Health is the Community's Health System

We were founded as an independent health care district in 1948 to provide residents with health care close to home. In 1958, we opened a 150-bed hospital so residents no longer had to travel significant distances to receive care. As the community has grown, our commitment to local accountability has led us to evolve into a comprehensive health system. Our commitment to patient care and the community drives our vision, mission, and values.

Our Mission

Deliver exceptional, accessible, and personalized care to enhance the health and well-being of our diverse community.

Our Vision

Be the trusted first choice for care, where everyone does their best work.

Our Values

- **Excellence:** Providing the highest standard of quality, safe, and accessible health care.
- **Patient-Centered Care:** Putting the patient at the center of everything we do.
- **Compassion:** Responding with care, empathy, and equity in every interaction.
- **Respect:** Relating to each person with dignity – appreciating the uniqueness of each person and contribution of each team member.
- **Integrity:** Acting with honesty and accountability to do the right thing.

Resolved by the Board of Directors
Washington Township Health Care District
December 11, 2024

Washington Health

INCOME STATEMENT

(In thousands)	FY 2026 Normalized Projection	FY 2027 Budget	Var ($)	Var (%)
Inpatient	$1,716,535	$1,758,443	$41,908	2.4%
Outpatient	1,098,658	1,187,661	89,002	8.1%
Total Patient Revenue	**$2,815,193**	**$2,946,104**	**$130,910**	**4.7%**
Contractual Allowances	(2,104,638)	(2,161,376)	(56,738)	-2.7%
Provisions for Charity and Doubtful Accounts	(48,722)	(51,140)	(2,418)	-5.0%
Total Contractual Allowances and Provisions for Charity and Doubtful Accounts	(2,153,360)	(2,212,515)	(59,156)	-2.7%
Contractual Allowances as a % of Revenue	74.8%	73.4%		
Provision for Charity and Doubtful Accounts as a % of Revenue	1.7%	1.7%		
Net Patient Revenue	**$661,834**	**$733,588**	**$71,755**	**10.8%**
Other Operating Revenue	19,842	16,487	(3,355)	-16.9%
Net Operating Revenue	**$681,676**	**$750,076**	**$68,400**	**10.0%**
Operating Expenses				
Salaries	$317,935	$340,163	(22,229)	-7.0%
Benefits	107,524	118,454	(10,931)	-10.2%
Professional Fees	57,654	65,906	(8,252)	-14.3%
Supplies	94,588	107,398	(12,810)	-13.5%
Purchased Services	34,012	39,359	(5,347)	-15.7%
Utilities	7,708	8,299	(591)	-7.7%
Insurance	3,999	4,200	(201)	-5.0%
Marketing & Advertising	1,286	2,151	(866)	-67.3%
Software Licenses & Maintenance	9,042	11,787	(2,745)	-30.4%
Other Expenses	3,720	4,184	(464)	-12.5%
Depreciation	44,079	45,074	(995)	-2.3%
Total Operating Expenses	**$681,546**	**$746,977**	**($65,431)**	**-9.6%**
Hospital Income from Operations	**$130**	**$3,099**	**$2,969**	**2287.4%**
Operating Margin	**0.0%**	**0.4%**		
Net Non-Operating Income & Expense				
Unrestricted Investment Income	767	275	(492)	-64.1%
Board Desig Investment Income	6,202	6,300	98	1.6%
Property Tax Revenue	22,692	25,002	2,310	10.2%
Parcel Tax Revenue	0	13,284	13,284	100.0%
Rental Income, Net	544	339	(205)	-37.7%
Bond Issuance Cost	5	(2,000)	(2,005)	-38874.7%
Interest Expense	(22,767)	(25,386)	(2,619)	-11.5%
Gain/(Loss) on Investments	173	0	(173)	-100.0%
Foundation Donation	5,939	6,000	61	1.0%
Gain/(Loss) on Disposals	679	0	(679)	-100.0%
Equity Investment Earnings	1,164	673	(491)	-42.2%
Federal Subsidies	(1)	0	1	100.0%
Unrealized Gain/(Loss) on Investments	(648)	0	648	100.0%
Other Non-Op Exp/Rev	0	0	0	0.0%
Total Net Non-Operating Income & Expense	**$14,749**	**$24,487**	**$9,738**	**66.0%**
Hospital Net Income	**$14,879**	**$27,586**	**$12,707**	**85.4%**
Hospital Net Margin	**2.2%**	**3.7%**		
***Consolidated Income from Operations**	**($30,655)**	**($28,419)**	**$2,235**	**7.3%**
Consolidated Net Income / (Loss)	**($19,605)**	**($7,643)**	**$11,963**	**61.0%**
Hospital Adjusted EBIDA	**$44,209**	**$61,457**	**$17,248**	**39.0%**
Consolidated Adjusted EBIDA	**$17,731**	**$34,092**	**$16,361**	**92.3%**

**The Consolidated Income from Operations includes eliminations*

DATE: June 10, 2026

TO: Washington Township Health Care District Board of Directors

FROM: Kimberly Hartz, Chief Executive Officer

SUBJECT: Proposed Fiscal Year 2027 Budget Estimate for: Washington Township Health Care District

The proposed Fiscal Year 2027 Budget for the Washington Township Health Care District is being presented to the Board of Directors for consideration at the June 10, 2026 meeting. Upon approval, this Budget will authorize the Chief Executive Officer to manage the district's financial obligations within available resources, and in full alignment with our Mission, Vision, and Values, as well as all governing laws, regulations, and policies.

The FY27 Hospital Budget projects Gross Revenue of $2,946 million, an increase of $131 million (4.7%) over the FY26 normalized projection, driven by surgical and outpatient volume growth across core service lines. Net Operating Revenue is projected at $750 million, supported by $40 million in positive impact from revenue cycle optimization and contract rate increases. Net Operating Income is projected at $3 million, with Net Income of $28 million — a $13 million improvement over FY26. On a Consolidated basis (including the affiliate operation of Washington Township Medical Group and the other entities of Washington Township Hospital Development Corporation), Net Operating Income reflects a loss of $28 million, with total Consolidated Net Income loss of $8 million, an improvement of $12 million over prior year.

A Year of Momentum: FY26 Reflections

FY26 was a strong year for Washington Health. One defined by delivering on commitments across all four strategic pillars — Infrastructure, Strategic Growth, Efficiency & Quality, and Financial Stability. The following are a few of our accomplishments:

- **Infrastructure:** The UCSF-Washington Cancer Center opened its larger Infusion Center in January 2026 and Medical Oncology Clinic in February 2026, increasing our ability to bring academic-level oncology care to our community. The Urgent Care Center opened in December 2025 which is already averaging 21+ visits per day. The Pavilion Innovation Completion Project is on track for substantial completion in the Fall 2026 with patient care beginning in early 2027.

- **Strategic Growth:** Washington Health maintained its #1 market share position at 65% of the Primary Service Area. The Level II Trauma Center completed Year 2 of operations with 7% visit growth. Advanced cardiac procedures, robotic surgery capabilities, and our UCSF partnership continued to expand access and clinical excellence to our patients.

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- **Efficiency & Quality:** Washington Health earned Magnet® designation for the 4th consecutive period, received an 'A' Leapfrog Hospital Safety Grade, and was recognized in the top 10% of hospitals nationally for patient safety.

- **Financial Stability:** FY26 Revenue is projected at $682 million with a positive operating margin, representing a 21.5% increase in revenues over three years. The November 2025 parcel tax passage provides $13-$14 million annually for 12 years, meaningfully enhancing long-term liquidity.

External Risks and the Healthcare Landscape

FY27 presents a challenging and uncertain external environment. Key risks we are actively monitoring include:

- **Federal and State Reimbursement Pressure:** Proposed Medicare and Medicaid rate cuts, prior authorization burdens, the impact of HRI and the ongoing 340B legislative and legal landscape present meaningful revenue risk.

- **Workforce and Labor:** Potential labor shortages in certain areas, ongoing union negotiations, and elevated labor costs remain key focus areas.

- **Technology and Cybersecurity:** The evolving technology landscape includes the rise in cybersecurity threats across health systems nationally and the growing adoption of AI among healthcare organizations.

- **Medical Cost Inflation:** Pharmaceutical costs are rising 6-8% annually, with surgical supply costs up 12% since 2022.

- **Regulatory and Policy Uncertainty:** Federal and state policy changes — including post-November 2026 election impacts — present potential risk to DSH, HCAI, and Medi-Cal funding.

While many of these pressures lie outside our control, our ability to respond with discipline and agility will be critical to protecting our financial position and our mission.

Capital Investments

The FY27 Capital Budget reflects continued investment in the infrastructure and technology needed to support long-term growth and sustainability. Key initiatives include:

- Pavilion Innovation Completion Project — final construction completed in Fall 2026, with patient care anticipated in early 2027.
- Warm Springs — moving into active construction phase in FY27.
- Acute Care Tower — finalizing scope, budget, and timeline for the Expansion Project.
- ERP / ShiftWizard Implementation — assuming appropriate strategy for remediation and implementation for the entire health system

Staying the Course: FY27 Strategic Focus

The FY27 Budget reflects a focused and disciplined approach, prioritizing execution of existing strategic initiatives over pursuit of new service line volume. Investments and operational priorities are aligned across Washington Health's four strategic pillars: Infrastructure, Strategic Growth, Efficiency & Quality, and Financial Stability. FY27 is a year of building on the momentum established in FY26 and strengthening the foundation required for sustainable long-term growth.

We remain committed to delivering exceptional, accessible, and personalized care to our community and to building the long-term sustainability of Washington Health as an independent, local community health system. The FY27 Budget is grounded in that commitment, and we appreciate your continued confidence and support.

Kimberly Hartz
Chief Executive Officer

Volume and Expense Details

SERVICE VOLUMES

- Discharges are budgeted at 13,490 an increase of 165 or 1.2% over FY26, in line with volume growth trends.

- Average Length of Stay (ALOS) of 4.83 days is projected to improve by 1.2% or 0.1 days over FY26, reflecting ongoing efforts to reduce length of stay toward benchmark levels, supporting both quality and efficiency.

- Patient Days of 65,183 are budgeted to increase by 1.1% or 734 days, in line with discharge growth and indicating well-managed inpatient capacity.

- Surgical volume is budgeted at 6,715 total surgical cases in FY27, an increase of 198 cases or 3.0% over FY26, driven by orthopedic trauma, growth in Gastroenterology, neurosurgery, and a substantial increase in “Other” cases reflecting the ramp-up of Ion robotic bronchoscopy.

- Cath lab volume is budgeted at 2,476 total Cath Lab cases in FY27, an increase of 28 cases or 1.1% over FY26, with all growth coming from non-trauma cardiac procedures, while trauma cases remain stable.

- Outpatient visits continue to exceed budget expectations with notable growth anticipated in Med Oncology Clinic/Infusion Center visits.

PATIENT REVENUES

- FY26 normalized projection reflects the removal of one-time items, including catch-up IGT revenue associated with the transition from cash to accrual accounting, CY24 QIP revenue recognized in FY26 due to timing, labor efficiencies and lower pension expense due to stronger market performance.

- FY27 gross patient revenue expects to grow to $2.9 billion, up $131M or 4.7% over the projected normalized FY26, driven by the volume growth outlined above, continued trauma growth, 340B Pharmacy program, and revenue cycle improvements in our Emergency Department

- The FY27 contractual write-off and provision for doubtful accounts rate is projected at 75.1%, an improvement from the FY26 rate of 76.5%. The decrease is primarily driven by the positive impact of revenue cycle optimization initiatives and improved payer contract rates, resulting in a higher net collection rate.

- As a result, Net Patient Revenue is expected to increase by $71.8M or 10.8%.

- Adjusted EBIDA is projected to increase by $17M or 39.0% for the hospital and by $16M or 92.3% on a consolidated basis.

OTHER OPERATING REVENUES

- Other operating revenue is budgeted to decrease by $3.4M or 16.9% from FY26, primarily due to a one-time additional CY2024 Quality Incentive Pool (QIP) payment recognized in FY26 because of the timing of cash receipt.

OPERATING EXPENDITURES

Significant factors influencing the overall 9.6% increase in operating expenditures for the budget year are as follows:

- Salaries and Wages are expected to increase by 7.0%, driven by wage inflation and increase in FTEs due to higher volume, partially offset by reduced overtime/double-time (OT/DT) in specific areas.

- Employee Benefits are projected to rise by 10.2%, primarily due to higher pension/OPEB costs, increased employee medical claims, and an uptick in FICA expenses due to increase in salaries.

- Professional Fees are budgeted to increase by 14.3%, primarily driven by Berkeley Research Group (BRG) consulting and incentive fees associated with revenue cycle optimization, a full year of ARIA IR call pay costs, and Huron consulting fees related to the 340B retail pharmacy launch.

- Supplies are expected to increase by 13.5%, driven by growth in pharmacy and infusion services, implementation of the 340B specialty pharmacy program, expansion of cardiovascular/structural heart procedures, and higher variable supply costs driven by volume.

- Purchased Services are budgeted to increase by 15.7%, primarily due to investments in weapons detection security staffing to comply with California AB 2975, annual increases in maintenance and service agreements across Medical Imaging, Clinical Lab, Echo, and OR and higher service costs associated with the ION robotic bronchoscopy program driven by growth in specialized surgical volumes.

- Utilities are expected to increase by 7.7%, driven by PG&E rate increases.

- Insurance is projected to rise by 5.0%, due to Aon annual rate increase.

- Marketing & Advertising is budgeted to increase by 67.3%, driven by targeted growth campaigns for Urgent Care, Oncology, the Ion Lung Cancer Early Detection Program, and the Back and Neck Pain Program, as well as the implementation of a new website. These investments are intended to support service line growth, enhance patient access, improve physician connectivity, and increase referral capture in FY27.

- Software Licenses & Maintenance costs are budgeted to increase by 30.4%, primarily due to strategic software investments to support automation of medical coding, enhancement of clinical documentation integrity (CDI), and optimization of reimbursement workflows. These initiatives align with Washington Hospital's CDI and revenue cycle optimization strategies. The increase also reflects the implementation of a new employee recognition platform and standard inflationary adjustments across more than 70 existing software applications.

- Depreciation is expected to rise by 2.3%, reflecting new capital requests and Pavilion Infill depreciation, largely offset by asset roll-offs, resulting in a modest net increase consistent with ongoing capital investment.

<u>NON-OPERATING INCOME</u>

- Board Designated, Unrestricted Investment income and Equity investment earnings are projected conservatively due to unknown market performance.

- Parcel tax revenue increases by $13.3M, reflecting a newly approved and ongoing funding source that strengthens non-operating income and supports both operating and capital needs.

- Rental income is expected to decrease by 37.7% due to expected non-renewal of FY26 leases, with no replacement income budgeted given uncertainty in re-leasing timing.

- As part of the district's continuing budget policy, realized and unrealized gains or losses on the investment portfolio are not budgeted due to the unpredictability of market performance.

- Foundation Donation is expected to remain flat, reflecting a consistent philanthropic support.

- Interest expense is budgeted to increase by 11.5%, primarily due to an additional $2M in bond issuance costs associated with the planned General Obligation (GO) bond issuance in FY27 net of decrease in Interest income due to draw down funds for construction activities. This increase in interest expense is partially offset by a 10% increase in GO Bond Property Tax Revenue, which is also related to the additional GO bond issuance.

AFFILIATE OPERATIONS

- FY 2027 Budget Estimate includes support for WHMG and other affiliate operations, representing a consolidated net loss of $7.6M — a $11.9M favorable variance compared to the projected FY 2026.

HOSPITAL VOLUMES

	FY 2026 Projected	FY 2027 Budget	Var ($)	Var (%)
Discharges	13,325	13,490	165	1.2%
Patient Days	64,449	65,183	734	1.1%
Average Daily Census (ADC)	176.6	178.6	2.0	1.1%
Outpatient Observation Days	2,361	2,365	4	0.2%
Average Length of Stay	4.89	4.83	(0.1)	-1.2%
Deliveries	1,662	1,679	17	1.0%
Surgical Cases (includes Trauma)	6,517	6,715	198	3.0%
Orthopedics Cases	2,359	2,377	18	0.8%
Cardiac Cases	407	416	9	2.2%
Neurosurgery Cases	309	323	14	4.5%
Gastroenterology Cases	1,535	1,561	26	1.7%
General Cases	713	716	3	0.4%
Vascular Cases	380	391	11	2.9%
Urology Cases	326	330	4	1.2%
Other Cases	488	601	113	23.2%
Cath Lab Cases (includes Trauma)	2,448	2,476	28	1.1%
Cardiac Cases	1,278	1,300	22	1.7%
Interventional Radiology Cases	844	844	-	0.0%
Neuro IR Cases	98	100	2	2.0%
Vascular Cases	228	232	4	1.8%
Trauma Cases (included in all service lines)	2,123	2,372	249	11.7%
Emergency Room Visits (includes Trauma)	62,236	62,251	15	0.0%
Outpatient Visits	113,862	120,930	7,068	6.2%

HOSPITAL PERFORMANCE INDICATORS

	FY 2026 Projected	FY 2027 Budget	Var (%)
Productivity			
Fixed FTEs	481.0	486.3	-1.1%
Variable FTEs	1,256.0	1,322.1	-5.3%
Total Paid FTEs	1,737.0	1,808.4	-4.1%
Financial Indicators			
Contractual Allowances as a % of Revenue	74.8%	73.4%	
Provision for Charity & Doubtful Accounts as a % of Revenue	1.7%	1.7%	
Supplies/Net Patient Revenue %	14.3%	14.6%	
Operating Margin	0.0%	0.4%	
Net Margin	2.2%	3.7%	

HOSPITAL REVENUE

	FY 2026 Projected	FY 2027 Budget	Var (%)
Patient Revenue:			
Inpatient	$1,716,535	$1,758,443	2.4%
Outpatient	1,098,658	1,187,661	8.1%
Total Goss Revenue	**$2,815,193**	**$2,946,104**	**4.7%**
Contractual Allowances and Provisions:			
Contractual Allowances by Payors	(2,104,638)	(2,161,376)	-2.7%
Provision for Charity and Doubtful Accounts	(48,722)	(51,140)	-5.0%
Total Contractuals and Provisions for Charity and Doubtful Accounts	**($2,153,360)**	**($2,212,515)**	**-2.7%**
Net Patient Revenue	**$661,834**	**$733,588**	**10.8%**
Other Operating Revenue	$19,842	$16,487	-16.9%
Total Operating Revenue	**$681,676**	**$750,076**	**10.0%**
Total Net Patient Revenue as a Percent of Gross Revenue	**23.5%**	**24.9%**	

HOSPITAL OPERATING EXPENSES

(In thousands)	FY 2026 Projected	FY 2027 Budget	Var (%)
Salaries	$317,935	$340,163	-7.0%
Benefits	107,524	118,454	-10.2%
Professional Fees	57,654	65,906	-14.3%
Supplies	94,588	107,398	-13.5%
Purchased Services	34,012	39,359	-15.7%
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Insurance	3,999	4,200	-5.0%
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Software Licenses & Maintenance	9,042	11,787	-30.4%
Other Expenses	3,720	4,184	-12.5%
Depreciation	44,079	45,074	-2.3%
Total Operating Expenses	**$681,546**	**$746,977**	**-9.6%**

HOSPITAL NON-OPERATING INCOME & EXPENSE

(In thousands)	FY 2026 Projected	FY 2027 Budget	Var (%)
Unrestricted Investment Income	$767	$275	-64.1%
Board Desig Investment Income	6,202	6,300	1.6%
General Obligation Bond Property Tax Revenue	22,692	25,002	10.2%
Parcel Tax Revenue	0	13,284	100.0%
Rental Income, Net	544	339	-37.7%
Bond Issuance Cost	5	(2,000)	-38874.7%
Interest Expense	(22,767)	(25,386)	11.5%
Gain/(Loss) on Investments *	173	0	-100.0%
Foundation Donation	5,939	6,000	1.0%
Gain/(Loss) on Disposals	679	0	-100.0%
Equity Investment Earnings	1,164	673	-42.2%
Federal Subsidies	(1)	0	-100.0%
Unrealized Gain/(Loss) on Investments	(648)	0	-100.0%
Other Non-Operating Exp/Rev	0	0	0.0%
Total Net Non-Operating Income & Expense	**$14,749**	**$24,487**	**66.0%**

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

CAPITAL BUDGET

(In thousands)	Budget FY 2027
Strategic	
Construction	$ 73,042
Digital	4,400
Strategic Initiatives	6,334
Total Strategic	**$ 83,776**
Capital Reserve	
IS Infrastructure	$ 750
TI Improvement	1,000
Facility Refresh Projects	500
FY27 Contingency (MBF)	2,500
FY27 Strategic Capital Reserves	2,500
Total Capital Reserve	**$ 7,250**
MBF Funds	
FY26 Roll Over	**$ 3,000**
FY27 New MBF Projects	
Stryker System 9 Power Drills	$ 1,843
Fremont Data Center Refresh	1,050
Philips Patient Monitoring PICiX - Rev 4 Upgrade	527
Hospital Gurney and Bed Capital Replenishment	134
Replacement Osmometer machine	103
Ultrasound Machine	92
Medtronic NIM Nerve Monitoring System	87
Echo Probe Replacement	78
Situate Sponge and Instrument Detection System	67
Cath Lab Power Injectors	40
Vital Sign Machines	33
Platelet Incubator	15
Hemopro Generator	13
Crossmatched Products Refrigerator	10
Total FY27 New MBF Projects	**$ 4,092**
Total MBF	**$ 7,092**
Total Capital Spend	**$ 98,118**
Capital Funded by Revenue Bond	**$ 20,000**
Capital Funded by GO Bond	**$ 33,625**
Capital Funded by Cash/EBIDA	**$ 44,493**