

Effect of the Asset Purchase Agreement between Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center and Strategic Global Management, Inc. on the Availability and Accessibility of Healthcare Services to the Communities Served by St. Francis Medical Center

Prepared for the Office of the California Attorney General

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Introduction & Purpose

JD Healthcare, Inc. was retained by the Office of the California Attorney General to assess the potential impact of the proposed Asset Purchase Agreement by and between the Verity Health System of California, Inc., a California nonprofit public benefit corporation, and Verity Holdings, LLC¹, a California limited liability company (collectively “Verity Health”), St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, and Seton Medical Center, a California nonprofit public benefit corporation (collectively “Sellers”), and purchaser Strategic Global Management, Inc. a California for-profit corporation and one or more of its affiliates (“SGM”), on the availability and accessibility of healthcare services to the communities served by St. Francis Medical Center (“Hospital”).

The Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code with the United States Bankruptcy Court for the Central District of California, Los Angeles Division. The Sellers and SGM intend to effectuate the transaction through a sale of the assets approved by the Bankruptcy Court pursuant to Section 363 of Title 11 of the Bankruptcy Code.

Verity Health is the owner and operator of the Hospital, a general acute care hospital licensed for 384 beds, located in the city of Lynwood, California. The Hospital is a Medicaid disproportionate share hospital and a major recipient of Medi-Cal Hospital Quality Assurance Fee (QAF)² funds. SGM is a health system serving communities in Los Angeles County, Orange County, Riverside County, and San Bernardino County.

The Asset Purchase Agreement, dated January 8, 2019, includes the sale of substantially all assets of the Verity Health Hospitals³ and St. Vincent Dialysis Center. SGM recognizes that the transaction contemplated by the Asset Purchase Agreement may be subject to the review and approval of the California Attorney General.

¹ Verity Holdings, LLC is a direct subsidiary of its sole member Verity Health. It was created in 2016 to hold and finance Verity Health’s interests in six medical office buildings whose tenants are primarily physicians, medical groups, and healthcare providers.

² The amount of supplemental Medi-Cal payments received by those hospitals that serve a high percentage of Medi-Cal and other low-income patients, as provided by SB 855 (Statutes of 1991). These payments are funded by intergovernmental transfers from public agencies (counties, districts, and the University of California system) to the State and from federal matching funds. SB 855 Disproportionate Share Payments are received by qualifying hospitals for each Medi-Cal paid inpatient day, up to a certain maximum, and are included in Medi-Cal Net Patient Revenue.

³ Verity Health Hospitals include St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center (including the Seton Medical Center Coastsides campus). Seton Medical Center and Seton Medical Center Coastsides operate under one consolidated acute care license.

SGM agrees to close the transaction so long as any conditions imposed by the California Attorney General are substantially consistent with the Conditions⁴ as set forth in Schedule 8.6 of the Asset Purchase Agreement. These Conditions were imposed on December 3, 2015 when the California Attorney General conditionally approved a transaction, by and between the Daughters of Charity Ministry Services Corporation, the Daughters of Charity Health System, Center Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC.

This report, prepared for the California Attorney General, describes the possible effects that the proposed transaction may have on the delivery, accessibility, and availability of healthcare services in the Hospital service area.

In its preparation of this report, JD Healthcare, Inc. performed the following:

- A review of the written notice submitted to the Office of the California Attorney General on May 7, 2019 and supplemental information subsequently provided by Verity Health and the Hospital;
- A review of press releases and news articles related to the proposed Asset Purchase Agreement and other hospital transactions;
- Interviews with community representatives, representatives of Verity Health's Board, representatives of the Hospital's management, medical staff, and employees, representatives of SGM, and others as listed in the Appendix;
- An analysis of financial, utilization, and service information provided by the management of the Hospital, Verity Health, and the Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding the Hospital, SGM, and the service area, including demographic characteristics and trends, payer mix, hospital utilization rates and trends, health status indicators, and hospital market share.

Reasons for the Transaction as Stated in the Notice to the California Attorney General

Verity Health's Board believes the sale of Verity Health's assets is necessary due to the financial crisis facing Verity Health, including losses that amounted to approximately \$175 million annually on a cash flow basis. As of June 30, 2018, Verity Health's consolidated unaudited financial statements reflected total assets of approximately \$847 million and total liabilities of

⁴ California Attorney General Required Conditions to approval of the Change in Control and Governance of St. Francis Medical Center and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC.

approximately \$1.278 billion. Despite past infusions of capital and new management, Verity Health's Board believes that the problems facing Verity Health are too large to solve without a formal court supervised restructuring. As such, Verity Health and Verity Health Hospitals and affiliated entities each filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code.

Verity Health's Board provided the following additional reasons for Verity Health's poor financial condition that led to the formal court supervised restructuring:

- The legacy burden of more than a billion dollars of bond debt and unfunded pension liabilities;
- An inability to renegotiate collective bargaining agreements or payer contracts;
- The continued need for significant capital expenditures for seismic obligations and aging infrastructure, combined with the general financial and operational challenges facing the hospital industry; and
- The desire to protect the original legacy of the Daughters of Charity (Daughters) to the extent possible by retiring debt incurred over the past 18 years and freeing Verity Health Hospitals of financial burden so as to continue to operate the hospitals under new ownership and leadership without the accumulated debt.

Timeline of the Transaction

The events leading up to this transaction are described in filings with the Bankruptcy Court, and the Notice submitted to the California Attorney General, and chronologically ordered as follows:

- February 2005 – Bonds are issued in the amount of \$364 million to refinance existing debt and fund future capital expenditures⁵;
- November 2008 – Bonds⁶ are issued in the amount of \$143.7 million to refinance existing debt;
- February 24, 2012 – Daughters executes a memorandum of understanding with Ascension Health Alliance as a precursor to system integration discussions;
- June 20, 2012 – Daughters and Ascension Health Alliance effect an amendment to the memorandum of understanding;

⁵ This amount is gross of an estimated \$26 million in the debt service reserved funds that were used to defease the 2005 Bonds.

⁶ The 2008 Bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2008A Bonds that include a debt service reserve fund of \$13.7 million.

- December 2012 – Daughters and Ascension Health Alliance execute an affiliation agreement that did not involve a transfer of assets or liabilities or a change of control. Rather, Daughters and its hospital corporations became participants in various purchasing programs of Ascension Health and obtained access to other Ascension Health support services;
- March 15, 2013 – Daughters solicits offers for O’Connor Hospital and Saint Louise Regional Hospital, and sends out a request for proposal and confidential descriptive memorandum to 15 potential partners, of which five submit indications of interest;
- August 5, 2013 – Daughters solicits offers for Seton Medical Center and Seton Medical Center Coastsides, and sends out a request for proposal and confidential descriptive memorandum to eight organizations, of which three submit indications of interest;
- October 2013 – The 2008 Bonds are retired⁷;
- January 2014 – Daughters indicates that it will remain independent from Ascension Health Alliance and is no longer pursuing a merger;
- January 2014 – Daughters announces the initiation of its process to evaluate strategic alternatives for the entire system;
- February 2014 – Request for Proposal process is initiated by contacting over 133 health systems and other buyers who could have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;
- February 2014 – Prime Healthcare, along with 71 other potential buyers, sign confidentiality agreements and receive a confidential information memorandum summarizing key facts about Daughters and its related entities;
- March 21, 2014 – Daughters receives 29 bids by the first-round deadline;
- May 30, 2014 – Daughters’ Board decides to focus efforts on full system bidders, concluding that no combination of proposals to purchase individual facilities would provide an adequate solution to Daughters’ pressing financial situation;

⁷ In October 2013, Daughters of Charity Foundation, an organization separate and independent from Daughters, made a restricted donation of \$130 million for the benefit of Daughters by depositing sufficient funds with the bond trustee to redeem the \$143.7 million principal amount of the 2008 Bonds.

- July 30, 2014 – Daughters secures \$110 million in short-term “bridge financing” in order to access working capital to continue operations through the sale process (2014 Bonds, Series A & B);
- August 27, 2014 – Daughters secures an additional \$15 million under the 2014 Bonds (Series C);
- September 12, 2014 – Daughters receives four final proposals;
- October 3, 2014 – Daughters’ Board passes a resolution to authorize the execution of the Definitive Agreement between Daughters, Ministry, and Prime Healthcare, and recommends the approval of the transaction to Ministry’s Board of Directors (Ministry’s Board);
- October 9, 2014 – St. Francis’s Board passes a resolution to authorize any necessary or advisable amendments to the Articles of Incorporation and Bylaws of St. Francis and St. Francis’s Foundation, and recommends approval of the transaction to Ministry’s Board;
- October 9, 2014 – Ministry’s Board passes a resolution to authorize the amendment of Daughters’ articles of incorporation and bylaws as necessary to effect the transaction and authorizes the execution of the Definitive Agreement between Daughters, Ministry, and Prime Healthcare;
- October 10, 2014 – Ministry and Daughters enter into the Definitive Agreement with Prime Healthcare;
- October 23, 2014 – Ministry and Daughters enter into Amendment No. 1 to Definitive Agreement with Prime Healthcare;
- October 24, 2014 – “Notice of Submission and Request for Consent” is submitted by Daughters to the California Attorney General;
- January 2015 – The California Attorney General holds six public meetings, two in Southern California and four in Northern California, to receive comments on the proposed change in governance and control of each of the Health Facilities;
- February 20, 2015 – The California Attorney General conditionally consents to the proposed change in governance and control of Daughters;
- March 9, 2015 – Prime Healthcare terminates its transaction agreement with Daughters;

- March 2015 – Request for Proposal process is initiated by contacting 86 potential buyers who could possibly have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;
- March 2015 – BlueMountain Capital Management, LLC, along with 75 other parties, sign confidentiality agreements and receive a confidential information memorandum supplemental update summarizing important information about Daughters and its related entities;
- April 15, 2015 – Daughters receives 14 first round bids, including one from BlueMountain Capital Management, LLC;
- April & May 2015 – Daughters’ Board reviews current active bids and determines that full system bids are the most viable option to address Daughters’ transaction objectives;
- May 2015 – Houlihan Lokey sends final bid letters to parties still pursuing full system offers;
- May 22, 2015 – BlueMountain Capital Management, LLC submits an amended first round bid to Daughters;
- May 29, 2015 – Loeb & Loeb, LLP, on behalf of Daughters, requests a determination letter from the IRS to recognize the Hospital Corporations, Caritas Business Services, DCHS Medical Foundation, and St. Vincent Dialysis Center, Inc. as 501(c)(3) tax-exempt entities;
- June 29, 2015 – Daughters receives four final proposals by the deadline, including one from BlueMountain Capital Management, LLC;
- July 14, 2015 – Daughters’ Board reviews the final proposals and passes a resolution to authorize the execution of the System Agreement between Daughters, Ministry, BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC (the management company responsible for operations), and recommends the approval of the transaction to Ministry’s Board;
- July 15, 2015 – St. Francis’s Board passes a resolution to authorize the execution of the System Agreement between Ministry, Daughters, BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC;
- July 15, 2015 – Ministry’s Board passes a resolution to authorize the amendment of Daughters’ articles of incorporation and bylaws as necessary to effect the transaction

and authorizes the execution of the System Agreement between Ministry, Daughters, BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC;

- July 17, 2015 – Ministry and Daughters enter into the System Agreement with BlueMountain Capital Management, LLC and Integrity Healthcare, LLC;
- July 31, 2015 – “Notice of Submission and Request for Consent” is submitted by Daughters to the Office of the California Attorney General;
- September 2015 - Ministry and Daughters enter into Amendment No. 1 to System Restructuring and Support Agreement with BlueMountain Management, LLC and Integrity Healthcare, LLC;
- December 3, 2015 – California Attorney General conditionally approves the sale of Daughters to BlueMountain Capital Management, LLC;
- December 14, 2015 – Daughters and BlueMountain Capital Management, LLC closed the deal and renamed the health system to Verity Health System of California, Inc.;
- July 2017 – NantWorks acquires a controlling stake in Integrity Healthcare, LLC (the management company responsible for operating Verity Health);
- August 31, 2018 – Verity Health and each Verity Health Hospital (along with other Verity Health affiliated entities) each filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code;
- December 4, 2018 – Verity Health Board met and discussed choosing the stalking horse⁸ bidder and reviewed the resolutions to approve SGM as the stalking horse bidder;
- February 7, 2019 – Verity Health Board passed the stalking horse resolution and ratified all actions;
- April 15, 2019 – The Verity Health Board met to review the final bids submitted and apply the requirements of the Bankruptcy Court approved bid procedures;
- April 15, 2019 – Verity Health Board approve SGM as the winning bidder; and
- May 7, 2019 – “Notice of Proposed Submission and Request for Consent” is submitted by Verity Health to the Office of the California Attorney General.

⁸ A stalking horse bidding process is where the debtor enters into the agreement with a bidder in advance of an auction for the sale of the debtor’s assets. This bid serves as what is referred to as the “stalking horse”, an initial bid which sets a baseline bid for the auction. The stalking horse agreement is then approved by the court and thereby made public together with open auction bidding procedures using the “stalking horse” as the base bid.

Summary of the Asset Purchase Agreement

The Asset Purchase Agreement was entered into on January 8, 2019 by and between the Sellers and SGM.

The major provisions of the Asset Purchase Agreement include the following:

On the Closing Date⁹ and subject to the terms and conditions of the Asset Purchase Agreement, SGM shall acquire, all of the Sellers' rights, title and interest in and to the assets and properties including, but not limited to, the following:

- All the tangible personal property owned by Verity Health Hospitals, or to the extent assignable or transferable by each Verity Health Hospital, leased, subleased or licensed and used in hospital operations, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements;
- All such Verity Health Hospitals' rights, to the extent assignable or transferable, including Medicare and Medi-Cal provider agreements, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued for use in the operation of Verity Health Hospitals, except to the extent SGM elects, in its discretion, not to take assignment of any such licenses;
- All of Verity Health Hospitals' interest in and to the Owned Real Property¹⁰ and all Verity Health Hospital's interest, to the extent assignable or transferable, in and to all Assumed Leases¹¹;
- All of Verity Health Hospitals' Assumed Contracts¹²;
- Other than the Excluded Settlements and Actions¹³, all claims, rights, interests and proceeds (whether received in cash or by credit to amounts otherwise due to a third-party) with respect to amounts overpaid by Sellers to any third party

⁹ The day on which the consummation of the transactions contemplated by the Asset Purchase Agreement occurs.

¹⁰ Real property, together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon duly executed by Seller.

¹¹ (1) Personal property leases with respect to the operation of Verity Health Hospitals, (2) the real property leases for all real property leased by Verity Health Hospitals, and (3) the real property leased or subleased by Verity Health Hospital's to a third party

¹² Interest, to the extent assignable or transferable, in and to all contracts and agreements (including, but not limited to, purchase orders) with respect to the operation of the Verity Health Hospitals that have been designated by SGM as a contract to be assumed

¹³ All pre-Closing settlements or settlements pursuant to adversary proceedings in the Bankruptcy Cases.

health plans with respect to periods prior to the Effective Time¹⁴ except with respect to any causes of action or proceeds thereof arising under Chapter 5 of the Bankruptcy Code¹⁵ other than with respect to Assumed Contracts and Assumed Leases;

- To the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables located or used in the operation of Sellers;
- Other than Utility Deposits¹⁶, all prepaid rentals, deposits, prepayments (excluding prepaid insurance and prepaid taxes) and similar amounts relating to the Assumed Contracts and/or the Assumed Leases, which were made with respect to the operation of Verity Health Hospitals;
- To the extent assignable or transferrable, all of the following that are not proprietary to Sellers; operating manuals, files and computer software with respect to the operation of the Verity Health Hospitals, including, without limitation, all patient records, medical records, employee records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries; provided, however, that any patient records and medical records which are not required by law to be maintained by Seller's as of the Effective Time shall be an excluded;
- All Measure B¹⁷ trauma funding received after the Signing Date¹⁸ to be paid related to service periods ending on or after the Signing Date (pro-rated between SGM and Sellers for any such payments covering service periods which include days both before and after the Signing Date based upon the number of days in the relevant payment period);
- All accounts and interest, notes and interest and other receivables of Sellers, including, without limitation, disproportionate share payments¹⁹, all accounts and other receivables, Sellers' cost report settlements, products or supplies to inpatients and outpatients, billed and unbilled, recorded and unrecorded, for services, goods, products and supplies provided by Sellers' prior to the Effective Time whether payable by Medicare, Medicaid, or any other payor (collectively, "Accounts Receivable");

¹⁴ The Effective Time occurs at 12:00 am Pacific Time on the day immediately after the Closing Date.

¹⁵ Section 501 through 562 of the United States Bankruptcy Code that focuses on creditors, debtors and the estate.

¹⁶ All deposits made with any entity that provides utilities to the Verity Health Hospitals.

¹⁷ A Measure passed in 2002 that raised property taxes to help fund emergency departments and trauma centers operating in Los Angeles County.

¹⁸ The date the Asset Purchase Agreement was made and entered into (January 8, 2019).

¹⁹ Disproportionate Share Hospitals serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid & Medicare Services to cover the costs of providing care to uninsured patients.

- Other than the Excluded Settlements and Actions, all regulatory settlements, rebates, adjustments, refunds or group appeals, including without limitation pursuant to all cost reports filed by Sellers for payment or reimbursement from government payment programs and other payors with respect to periods after the Signing Date;
- Other than the Excluded Settlements and Actions, all casualty insurance proceeds arising in respect of casualty losses occurring after the Signing Date in connection with the ownership or operation of the Sellers assets;
- Other than the Excluded Settlements and Actions, all surpluses arising out of any risk pools, shared savings program or accountable care organization arrangement to which any Seller is party on the Closing Date, in each case to the extent SGM assumes the underlying contract relating to such risk pools, shared savings program or accountable care organization arrangement;
- The right to use the names "St. Francis Medical Center", "St. Vincent Medical Center", "Seton Medical Center" and "Seton Medical Center Coastside", including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know-how, trade secrets and the corporate or company names of Sellers and the names of the Verity Health Hospitals;
- Each such Hospital Seller's Medicare and Medi-Cal provider agreements and lockbox account(s) identified;
- All of Seton Medical Center's interest in and to the Property Assessed Clean Energy²⁰ (PACE) Obligations; and
- All QAF Program²¹ payments received after the Closing.
- Excluded assets, notwithstanding anything to the contrary listed above, pertaining to each Sellers includes, but is not limited to, the following:
 - Cash, cash equivalents and short-term investments;

²⁰ Property Assessed Clean Energy (PACE) is a financing instrument for implementing energy efficiency or renewable energy projects. PACE enables property owners to finance up to 100% of the upfront cost of clean energy projects and is paid through a voluntary assessment on their property tax bill.

²¹ Hospital Qualified Assurance Fee Program: This program uses fees assessed by the state on hospitals to draw down federal matching funds. These provider fees are then issued as supplemental payments to hospitals. These provider fees are an integral element to improving access to healthcare for some of California's most vulnerable residents.

- All Sellers' employee benefit plans any asset that would revert to the employer upon the termination of any employee benefit plans, including, without limitation, any assets representing a surplus or overfunding of any employee benefit plans;
- All contracts and leases that are not assumed;
- Assets owned and provided by vendors of services or goods to Sellers';
- All of Sellers' organizational and/or corporate record books, minute books, tax returns, tax records and reports, data, files and documents, including electronic data;
- All claims, counterclaims and causes of action of Sellers' bankruptcy estate including, without limitation, rights of recovery and character against third parties, causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code and any related claims, counterclaims and causes of action under applicable non-bankruptcy law, and any rights to challenge liens asserted against property of such Sellers' bankruptcy estate, including, but not limited to, liens attaching to the Purchase Price paid to Sellers;
- All insurance policies and contracts, other than casualty insurance proceeds, and coverages obtained by Sellers, including prepaid insurance premiums, and all subrogation proceeds related to any insurance benefits arising from or relating to assets prior to the Closing Date;
- All deposits made with any entity that provides utilities to the Verity Health Hospitals;
- All rents, deposits, prepayments, and similar amounts relating to any contract or lease that is not an Assumed Contract or Assumed Lease;
- All non-transferrable unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;
- All writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine, or any other cognizable privilege or protection;
- All tax refunds of such Seller;
- All patient records and medical records which are not required by law to be maintained by such Seller as of the Effective Time;

- All deposits or other prepaid charges and expenses paid in connection with or relating to any other excluded assets;
 - All pre-Closing settlements or settlements pursuant to adversary proceedings in the Bankruptcy Cases;
 - All QAF Payments received prior to the Signing Date; and
 - All assets of Verity Holdings, other than those part of the purchase price, and all assets of any of the tenants located in the leased premises of the purchased Verity Holdings properties.
- Subject to the terms and conditions of the Asset Purchase Agreement, the purchase price shall consist of the following:
 - Cash payment to Sellers of Six Hundred Ten Million Dollars (\$610,000,000.00), which shall be allocated as follows:
 - Four Hundred Twenty Million Dollars (\$420,000,000) to St. Francis Medical Center;
 - One Hundred Twenty Million Dollars (\$120,000,000) to St. Vincent Medical Center; and
 - Seventy Million Dollars (\$70,000,000) to Seton for Seton Medical Center and Seton Coastside Hospital, provided, that the California Attorney's conditional approval does not include a requirement that Seton Medical Center remain open as an acute care hospital or that Seton Coastside Hospital remain open as a skilled nursing facility, then an amount to be determined by SGM, in its sole discretion, of such shall be reallocated from St. Francis Medical Center to Seton Medical Center.
 - Assumption of Sellers' accrued vacation and other paid time off as of the Closing;
 - Assumption of all liabilities of Seton Medical Center for payments received associated with the PACE seismic and clean energy loans;
 - Payment of Cure Costs²² associated with any assumed leases and/or contracts and assumption of the other assumed obligations.

²² Cure Costs means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code, in connection with the assumption and/or assignment of the assumed contracts and assumed leases to SGM as provided in the Asset Purchase Agreement.

- At Closing, SGM shall pay to Sellers an aggregate amount equal to the purchase price minus the Net QAF Reduction Amount²³, if any, plus the Net QAF Increase Amount²⁴, if any, plus any amounts by the PACE Trustee, minus the deposit of Thirty Million Dollars (\$30,000,000).
- SGM shall, prior to Closing, be permitted to communicate with holders of secured debt of the Sellers regarding the possible assumption by SGM of all or a portion of such debt at the Closing. If SGM agrees to assume any such debt at the Closing, SGM and Sellers shall negotiate an appropriate credit to the purchase price for such assumption of debt.
- On the Closing Date, Sellers shall assign, and SGM shall assume, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations of Sellers':
 - Assumed contracts and liabilities;
 - Assumed leases and liabilities;
 - All liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by SGM of the Verity Health Hospitals or any of the assets on or after the Effective Time;
 - All accrued vacation and other paid time off;
 - All unpaid real and personal property taxes, if any, that are attributable to the assets after the Effective Time; and
 - Any obligations or liabilities SGM may desire or need to assume in order to have the certifications/licenses/permits reissued to SGM, as well as any liabilities or obligations associated with Sellers' Medicare and Medi-Cal provider agreements, and any Medi-Cal liabilities or obligations needed to support ongoing QAF Program payments.

²³ At Closing, Sellers shall credit to the Purchase Price the amount by which payments received under QAF Program between the Signing Date and Closing exceed the sum of fees paid under QAF IV and QAF V during such period plus Fees which are unpaid and owing at Closing in respect of invoices received by Sellers prior to Closing.

²⁴ At Closing, SGM shall pay Sellers the amount by which the sum of fees paid under the QAF Program between the Signing Date and Closing and the amount of fees which are unpaid and owing at Closing in respect of invoices received by Sellers prior to Closing exceeds payments received under the QAF Program during such period.

- SGM shall not assume or become responsible for any duties, obligations or liabilities of Seller that are not assumed by SGM pursuant to the terms of the Asset Purchase Agreement, the Bill of Sale²⁵ or the Assumption Agreement²⁶;
- SGM and Sellers agree that because the change of ownership and regulatory approval process in connection with the transactions contemplated by the Asset Purchase Agreement may take an extended period of time, SGM and Sellers agree to an initial closing effective upon the approval of the Bankruptcy Court and upon the approval of the transaction by the California Attorney General, at which time the assets will be sold to SGM and immediately leased back to Sellers, with a concurrent management agreement entered into at that time upon terms mutually agreeable in their reasonable business judgment. The Sale Leaseback Agreement and Interim Management Agreement will terminate at Closing when SGM is issued the licenses necessary to operate the Verity Health Hospitals directly;
- SGM agrees to make offers of employment, as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave) who, immediately prior to the Effective Time, are employees of any Seller; employees of any affiliate of any Seller which employs individuals at the Verity Health Hospitals, or employed by an affiliate of any Seller;
- With respect to any collective bargaining agreements or labor contract with respect to any employees, SGM shall comply with the applicable laws and Bankruptcy Court orders relating to collective bargaining agreements or labor contracts;
- Representatives of Sellers, who are parties to collective bargaining agreements, and SGM shall meet and confer from time to time as reasonably requested by either party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The Sellers and SGM shall each participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with SGM and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement to be assumed by SGM. The parties recognize that an applicable Seller's failure to secure a modification to any collective bargaining agreement, or to conclude a successor collective

²⁵ The Bill of Sale entered into among SGM and the Sellers that, in conjunction and subject to the terms of the Asset Purchase Agreement, binds the Sellers and SGM on or after the Effective Time, to the provisions set forth in Section 1.7 of the Asset Purchase Agreement.

²⁶ The agreement made and entered into, among SGM and the Sellers that, in conjunction and subject to the terms of the Asset Purchase Agreement, binds Sellers and SGM on or after the Effective Time, to the provisions set forth in Section 1.9 of the Asset Purchase Agreement.

bargaining agreement shall not be a breach of Sellers' obligation under the Asset Purchase Agreement. In addition, Sellers may, in their discretion, seek to reject any or all of the collective bargaining agreement;

- SGM agrees to close the transaction as long as the conditions imposed by the California Attorney General are substantially consistent with the conditions set forth in Schedule 8.6;
- SGM agrees that Verity Health Hospitals' medical staff members in good standing as of the Effective Time shall maintain medical staff privileges. On and after the Effective Time, the medical staff will be subject to the medical staff Bylaws then currently in effect, provided that such bylaws are in compliance with all applicable laws and regulations and contain customary obligations;
- If SGM commits any material default under the Asset Purchase Agreement, Sellers shall have the right to sue for damages not to exceed \$60,000,000; and
- If Sellers commit any material default under the Asset Purchase Agreement, SGM shall have the right to demand and receive a refund of the deposit, and SGM may pursue any rights or remedies that may have under applicable law.

St. Francis Medical Center California Attorney General Conditions from Schedule 8.6 of the Asset Purchase Agreement			
Conditions	SGM Agrees to:	Years Remaining of Condition	Year Condition Ends
<ul style="list-style-type: none"> For fifteen (15) years, provide written notice to Office of the Attorney General sixty (60) days prior to entering into any sale or transfer agreement; 	Yes	11	2030
<ul style="list-style-type: none"> For at least ten years from the Closing Date, the Hospital shall continue to operate as a general acute care hospital; 	Yes	6	2025
<ul style="list-style-type: none"> For at least ten years from the Closing Date, the Hospital shall maintain 24-hour emergency and trauma medical services at no less than current licensure and designation with the same types and/or levels of services, including the following: <ul style="list-style-type: none"> At a minimum, 46 emergency treatment stations; Designation as a Level II Trauma Center; Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, Section 5150, for behavioral health patients under involuntary evaluation; Psychiatric evaluation team; Designation as an Emergency Department Approved for Pediatrics (EDAP); Designation as a Paramedic Base Station; and Annual maximum number of hours on diversion of 200* hours. 	Yes	6	2025
<ul style="list-style-type: none"> At a minimum, 46 emergency treatment stations; 	Yes	6	2025
<ul style="list-style-type: none"> Designation as a Level II Trauma Center; 	Yes	6	2025
<ul style="list-style-type: none"> Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, Section 5150, for behavioral health patients under involuntary evaluation; 	Yes	6	2025
<ul style="list-style-type: none"> Psychiatric evaluation team; 	Yes	6	2025
<ul style="list-style-type: none"> Designation as an Emergency Department Approved for Pediatrics (EDAP); 	Yes	6	2025
<ul style="list-style-type: none"> Designation as a Paramedic Base Station; and 	Yes	6	2025
<ul style="list-style-type: none"> Annual maximum number of hours on diversion of 200* hours. 	No	6	2025
<ul style="list-style-type: none"> For at least ten years from the Closing Date, the Hospital shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians at fair market value that are necessary to ensure trauma coverage, including the following specialty services: <ul style="list-style-type: none"> General surgery; Trauma surgery; Neuro-trauma surgery; Obstetrical/gynecological surgery; Orthopedic surgery; Trauma orthopedic surgery; Vascular surgery; Cardiothoracic surgery; Plastic surgery; Ophthalmology; Otolaryngology; Anesthesia; and Urology. 	No	6	2025
<ul style="list-style-type: none"> General surgery; 	Purchaser commits to those coverage agreements required by applicable laws in order for the Hospital to retain its qualification as a Level II Trauma Center ¹ .	6	2025
<ul style="list-style-type: none"> Trauma surgery; 		6	2025
<ul style="list-style-type: none"> Neuro-trauma surgery; 		6	2025
<ul style="list-style-type: none"> Obstetrical/gynecological surgery; 		6	2025
<ul style="list-style-type: none"> Orthopedic surgery; 		6	2025
<ul style="list-style-type: none"> Trauma orthopedic surgery; 		6	2025
<ul style="list-style-type: none"> Vascular surgery; 		6	2025
<ul style="list-style-type: none"> Cardiothoracic surgery; 		6	2025
<ul style="list-style-type: none"> Plastic surgery; 		6	2025
<ul style="list-style-type: none"> Ophthalmology; 		6	2025
<ul style="list-style-type: none"> Otolaryngology; 		6	2025
<ul style="list-style-type: none"> Anesthesia; and 		6	2025
<ul style="list-style-type: none"> Urology. 		6	2025
<ul style="list-style-type: none"> For five years from the Closing Date, the Hospital shall either: (1) operate clinics listed below with the same number healthcare providers in the same or similar alignment structures (e.g. Medical Foundation), or (2) sell the clinics with the same number of healthcare providers and require the purchaser(s) to maintain such services for 5 years from the Closing Date and to participate in the Medi-Cal and Medicare programs, or (3) ensure that a third party is operating the clinics with the same number of physician and mid-level provider full-time equivalents for 5 years from the Closing Date: <ul style="list-style-type: none"> Lynwood Clinic – Family Practice and Pediatrics, located at 3628 E. Imperial Highway, #303 in Lynwood; Downey Clinic – Family Practice and Pediatrics, located at 7840 Imperial Highway, Unit B, in Downey; and Orthopedics Clinic, located at 3628 E. Imperial Highway, #300, in Lynwood. 	Yes	1	2020
<ul style="list-style-type: none"> Lynwood Clinic – Family Practice and Pediatrics, located at 3628 E. Imperial Highway, #303 in Lynwood; 	Yes	1	2020
<ul style="list-style-type: none"> Downey Clinic – Family Practice and Pediatrics, located at 7840 Imperial Highway, Unit B, in Downey; and 	Yes	1	2020
<ul style="list-style-type: none"> Orthopedics Clinic, located at 3628 E. Imperial Highway, #300, in Lynwood. 	Yes	1	2020

St. Francis Medical Center California Attorney General Conditions from Schedule 8.6 of the Asset Purchase Agreement				
Conditions	SGM Agrees to:	Years Remaining of Condition	Year Condition Ends	
<ul style="list-style-type: none"> For at least ten years from the Closing Date, the Hospital shall maintain the following services at current licensure, types, and/or levels of services: <ul style="list-style-type: none"> Cardiac services, including at a minimum, three cardiac catheterization labs and the designation as a STEMI Receiving Center; Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds; Advanced certification as a Primary Stroke Center; Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU; Women's health services, including women's imaging services; Cancer services, including radiation oncology; Pediatric services, including a minimum of 14 pediatric beds; Orthopedic and rehabilitation services; Wound care and hyperbaric medicine or similar services; Reproductive health services to include those prohibited by the Ethical Religious Directives for Catholic Health Care Services; Behavioral health services, including a minimum of 40 inpatient acute psychiatric beds; and Obstetric services, including a minimum of 50 obstetrics beds. 	Yes Yes Yes Yes Yes No Yes Yes Yes Yes Yes Yes	6 6 6 6 6 6 6 6 6 6 6 6	2025 2025 2025 2025 2025 2025 2025 2025 2025 2025 2025 2025	
<ul style="list-style-type: none"> For at least eleven years from the Closing Date, the Hospital shall maintain a charity care policy that is no less favorable than the Hospital's current charity care policy and in compliance with California and Federal law, and the Hospital shall provide an annual amount of Charity Care equal to or greater than \$16,646,323 ("the Minimum Charity Care Amount"). For the second fiscal and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased by an amount equal to the Annual Percent increase; 	Conditionally: Provide an annual amount of Charity Care equal to or greater than \$8,000,000. Purchaser will not make any deficiency payments related to Charity Care spending into pensions.	7	2026	
<ul style="list-style-type: none"> For at least eleven years from the Closing Date, the Hospital shall continue to expend an average of no less than \$1,362,680 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles-Riverside-Orange County, California. The following community benefit programs and services shall continue to be offered: <ul style="list-style-type: none"> Health Benefits Resource Center; Welcome Baby Program; Healthy Community Initiatives (HCI); St. Francis Career College (SFCC) access for onsite training; Paramedic Training and Education; and Patient Transportation support. 	Conditionally: Provide an annual amount of community benefit service equal to or greater than \$1,439,854.	7	2026	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Health Benefits Resource Center; Welcome Baby Program; Healthy Community Initiatives (HCI); St. Francis Career College (SFCC) access for onsite training; Paramedic Training and Education; and Patient Transportation support. 	Yes Yes Yes Yes Yes Yes	7 7 7 7 7 7	2026 2026 2026 2026 2026 2026	
<ul style="list-style-type: none"> For at least ten years from the Closing Date, the Hospital shall maintain its participation in the Medi-Cal managed care program on the same terms and conditions as other <ul style="list-style-type: none"> LA. Care Health Plan; and Health Net. 	Yes Yes Yes	6 6 6	2025 2025 2025	
<ul style="list-style-type: none"> For at least ten years from the Closing Date, the Hospital shall maintain its participation in the Medicare program, the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number; 	Yes	6	2025	

Use of Net Sale Proceeds

The money received from the sale will be distributed to creditors in conjunction with the Bankruptcy Court and there will be no net proceeds as a result of the transaction.

Profile of Verity Health

Verity Health

Verity Health is a nonprofit healthcare system headquartered in El Segundo, California. The healthcare system was originally established by the Daughters of Charity of St. Vincent de Paul, Province of the West to support the mission of the Catholic Church through a commitment to the sick and poor.

Daughters of Charity, a group of women dedicated to caring for the needs of the poor, was started in France by St. Vincent de Paul and St. Louise de Marillac in 1633. The Daughters of Charity continued its mission and opened its first hospital in Los Angeles in 1856. Daughters of Charity expanded its hospitals into San Jose in 1889 and San Francisco in 1893. These hospitals were the forerunners of St. Vincent Medical Center, O'Connor Hospital, and Seton Medical Center. During the 1980s, Daughters of Charity expanded to include Seton Medical Center Coastsides (1980), St. Francis Medical Center (1981), and Saint Louise Regional Hospital (1987). In 1986, the hospitals joined Daughters of Charity National Health System, based in St. Louis, Missouri. In 1995, the hospitals left Daughters of Charity National Health System and merged with Catholic Healthcare West. The hospitals withdrew from Catholic Healthcare West in 2001 and operated as Daughters of Charity until December 2015 when the transaction with BlueMountain Capital Management, LLC and Integrity Healthcare, LLC resulted in a renaming of the organization as Verity Health System.

Verity Health operated six hospitals until March 1, 2019, when Santa Clara County assumed responsibility for two Verity Health hospitals; O'Connor Hospital, in San José, California, and St. Louise Regional Hospital, in Gilroy, California. Today, the two hospitals are a part of the County of Santa Clara Health System. The remaining four Verity Health Hospitals that are a part of the Asset Purchase Agreement, include:

- **St. Francis Medical Center:** The Hospital was established in 1945 and gained sponsorship from Daughters of Charity, Province of the West, in 1981. The Hospital, a 384-bed general acute care facility, provides comprehensive healthcare services and operates one of the busiest emergency trauma centers in Los Angeles County. The Hospital serves the nearly 1.7 million residents of Southeast Los Angeles, located in the communities of Lynwood, South Gate, Downey, Huntington Park, Bell Gardens, Maywood, and Compton;
- **St. Vincent Medical Center:** The hospital was founded by the Daughters of Charity of St. Vincent De Paul as the first hospital in Los Angeles in 1856. In 1971, a new facility was constructed at the hospital's current location at 2131 West Third Street, Los Angeles, CA 90057. The hospital has expanded to a 366 licensed bed, regional acute care, tertiary referral facility, specializing in cardiac care, cancer care, total joint and spine care, multi-organ transplant procedures, and emergency services. The hospital serves both local residents and residents from Los Angeles, San Bernardino,

Riverside, and Orange Counties. As a provider of healthcare services for a high percentage of elderly patients, many of the hospital's services and programs are focused on the treatment of various chronic diseases. As of April 1, 2015, the hospital's emergency department became classified as "basic"²⁷ with eight treatment stations. Prior to receiving a "basic" designation, the Hospital's Emergency Department was classified as "standby"²⁸ and could not receive patients via ambulance;

- **Seton Medical Center:** The hospital was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent de Paul in 1893. The facility was destroyed in the San Francisco Earthquake of 1906, and by 1912, Mary's Help Hospital reopened a new facility in San Francisco. In 1965, the hospital moved to its current location at 1900 Sullivan Avenue in Daly City. The hospital, renamed Seton Medical Center in 1983, is currently licensed for 357 beds and serves residents from the San Francisco and San Mateo areas. The hospital shares a consolidated license with Seton Coastside located at 600 Marine Boulevard in Moss Beach.
- **Seton Coastside:** The hospital was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to head operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside as it was integrated into one administrative entity with the Hospital. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general, acute-care beds. Seton Coastside also operates the only 24-hour "standby" emergency department along the 55-mile stretch between Santa Cruz and Daly City. Under a consolidated license, the Hospital and Seton Coastside share the same Board of Directors, executive leadership team, charity care policies, and collective bargaining agreements.

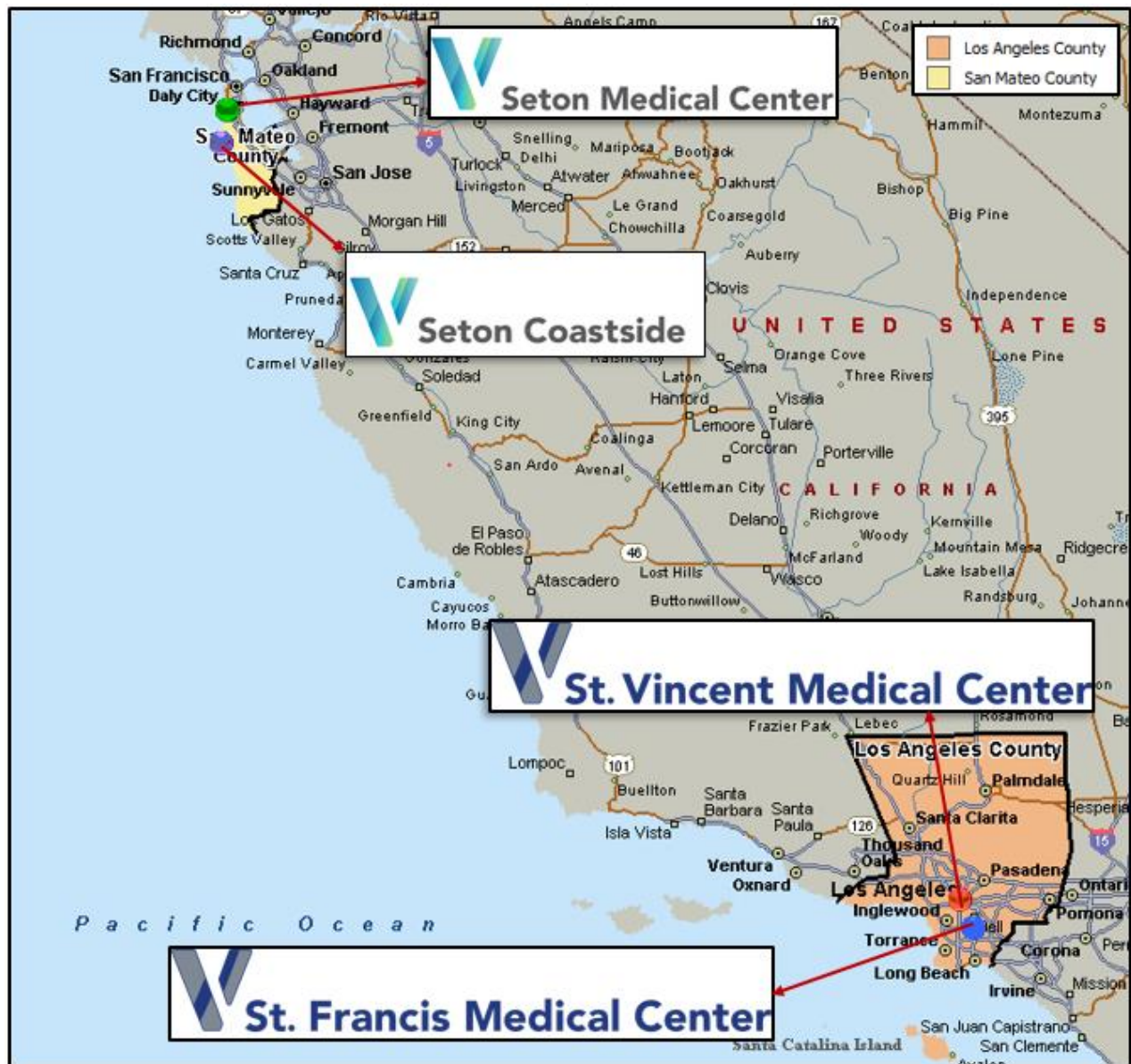
As of August 31, 2018, Verity Health had approximately 7,385 employees, of which 4,733 are full-time employees. Approximately 72%, or 5,300 employees, of Verity Health's employees, are represented by California Nurses Associations ("CNA"), Service Employees International Union ("SEIU"), National Union Healthcare Workers ("NUHW") and United Nurses Association of California Union of Health Care Professionals ("UNAC").

Verity Health operates Verity Business Services, a nonprofit public benefit corporation. Verity Business Services provides support services to Verity Health and its affiliated hospitals including accounting, finance, patient financial services, supply chain management, and purchasing services for the entire health system.

²⁷ A "basic" emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

²⁸ A "standby" emergency department provides emergency medical care in a specially designed part of a hospital that is equipped and maintained at all times to receive patients with urgent medical problems and is capable of providing physician services within a reasonable time.

Verity Health's four hospital locations are shown on the map below:



Verity Health Inpatient Statistics

Between FY 2017 and FY 2018, the number of Verity Health inpatient discharges increased by 3% from approximately 50,300 discharges in FY 2017 to approximately 51,700 discharges in FY 2018. Over this same period, inpatient days increased by 2% resulting in an average daily census of 856 patients per day in FY 2018. The following table provides inpatient volume trends for FY 2017 and FY 2018:

VERITY HEALTH SYSTEM UTILIZATION STATISTICS ²										
FY 2017 & FY 2018										
	St. Francis Medical Center		St. Vincent Medical Center		Seton Medical Center*		Seton Medical Center - Coastside		Verity Health System Total ¹	
	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018
Total Licensed Beds	384	384	366	366	357	357	121	121	1,679	1,679
Total Discharges	21,049	22,687	11,088	11,289	5,695	5,263	121	76	50,308	51,745
Total Patient Days	103,599	105,438	64,539	65,289	45,242	44,359	39,889	41,503	306,831	312,583
Average Length of Stay	4.9	4.6	5.8	5.8	7.9*	8.4*	N/A	N/A	5.3**	5.2**
Average Daily Census	283.8	288.9	176.8	178.9	124.0	121.5	109.3	113.7	840.6	856.4
Outpatient Surgeries	2,310	2,774	3,186	3,322	2,721	2,900	-	-	12,849	12,878
Inpatient Surgeries	3,112	3,347	2,651	2,941	1,267	1,116	-	-	9,611	10,127
Outpatient ED Visits	64,480	61,831	23,231	22,684	23,478	22,984	2,635	2,631	186,342	182,705
Clinical Visits	-	-	-	-	93,720	99,162	3,071	5,394	203,469	170,236
Case Mix Index ³ Total	1.42	1.49	1.73	1.66	1.81	1.80	1.40	1.41	-	-

Source: Verity Health Audited Financials

Note: FY 2018 Unaudited

* Includes subacute patients.

**Excludes Seton Coastside

N/A: Patient level detail not available.

¹ Includes all other entities (System Office, System Elimination Obligated Group, Non-Obligated Group, and System Elimination Non-Obligated Group)

² The figures provided by Verity Health differs from information reported to OSHPD and found in subsequent sections of this report

³ The Case Mix Index (CMI) is the average relative DRG weight of a hospital's inpatient discharges, calculated by summing the Medicare Severity-Diagnosis Related Group (MS-DRG) weight for each discharge and dividing the total by the number of discharges. The CMI reflects the diversity, clinical complexity, and resource needs of

Internal utilization data for FY 2017 and FY 2018, reported by Verity Health, shows the following:

- Total discharges at St. Francis Medical Center and St. Vincent Medical Center have increased 8% and 2%, respectively;
- Outpatient emergency department visits have decreased slightly across all Verity Health Hospitals; and
- Seton Medical Center's Case Mix Index (CMI) is highest among the four reported hospitals with a CMI of 1.80 in FY 2018. A higher CMI indicates a more complex and resource-intensive cases are performed generally resulting in higher reimbursement.

Statement of Operations

VERITY HEALTH SYSTEM STATEMENT OF OPERATIONS ²									
FY 2017 & FY 2018 (thousands)									
	St. Francis Medical Center		St. Vincent Medical Center		Seton Medical Center		Seton Medical Center - Coastside		Verity Health System Total ¹
Unrestricted Revenues and Other Support:	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017 FY 2018
Net Patient Revenue	\$443,825	\$496,142	\$215,368	\$216,593	\$230,312	\$238,621	\$21,866	\$22,686	\$1,269,567 \$1,432,013
Provision for Doubtful Accounts	(\$12,742)	(\$23,483)	(\$7,104)	(\$12,283)	(\$3,212)	(\$6,512)	(\$314)	(\$616)	(\$33,318) (\$58,702)
Premium Revenue	\$80,039	\$100,579	\$18,312	\$31,091	-	-	-	-	\$98,607 \$151,915
Other Revenue	\$1,985	\$1,700	\$1,963	\$1,213	\$3,458	\$7,743	\$574	\$579	\$12,647 \$45,984
Contributions	\$2,755	\$4,184	\$1,218	\$1,021	\$223	\$352	-	-	\$4,288 \$31,244
Total unrestricted revenues and other support	\$515,862	\$579,122	\$229,757	\$237,635	\$230,781	\$240,204	\$22,126	\$22,649	\$1,351,791 \$1,602,454
Expenses:									
Salaries and Benefits	\$200,689	\$214,622	\$105,754	\$114,432	\$136,212	\$144,752	\$15,951	\$17,699	\$703,146 \$804,084
Supplies	\$147,515	\$42,452	\$99,643	\$52,176	\$82,303	\$31,826	\$4,132	\$1,954	\$424,462 \$198,516
Purchased Services, Medical Claims and Other	\$38,617	\$244,547	\$48,264	\$128,875	\$31,451	\$84,758	\$1,935	\$6,453	\$166,520 \$634,499
Goodwill and intangible Asset Impairment	\$45,508	-	\$9,848	-	-	-	-	-	\$55,534 \$7,218
Depreciation and amortization	\$10,048	\$9,201	\$6,037	\$5,800	\$6,019	\$5,525	\$161	\$132	\$32,123 \$32,624
Interest	\$4,284	\$3,951	\$3,075	\$2,751	\$3,440	\$5,339	(\$5)	(\$9)	\$27,641 \$36,887
Total Expenses	\$446,661	\$514,773	\$272,621	\$304,034	\$259,425	\$272,200	\$22,174	\$26,229	\$1,409,426 \$1,713,828
Operating Loss/Gain	\$69,201	\$64,349	(\$42,864)	(\$66,399)	(\$28,644)	(\$31,996)	(\$48)	(\$3,580)	(\$57,635) (\$111,374)
Investment Income	-	-	-	-	-	-	-	-	(\$7,545)
Excess (Deficit) of Revenue over Expenses	\$69,201	\$64,349	(\$42,864)	(\$66,399)	(\$28,644)	(\$31,996)	(\$48)	(\$3,580)	(\$57,635) (\$118,919)

Source: Verity Health Audited Financials

Note: FY 2018 Unaudited

¹ Includes all other entities (System Office, System Elimination Obligated Group, Non-Obligated Group, and System Elimination Non-Obligated Group)

² The figures provided by Verity Health differs from information reported to OSHPD and found in subsequent sections of this report

Verity Health's internal audited (FY 2017) and unaudited (FY 2018) statement of operations reports the individual performance of the Verity Health Hospitals in conjunction with Verity Health's system-wide performance²⁹. All the hospitals, with the exception of St. Francis Medical Center, show significant operating losses in FY 2018, ranging from a loss of \$3.6 million at Seton Coastsides to a loss of \$66.4 million at St. Vincent Medical Center. The Hospital made a gain of \$64.3 million in FY 2018. For the twelve months ended June 30, 2018, Verity Health recorded an operating loss of \$111.4 million, equating to an operating margin of -7.0%. This compares to an operating loss of \$35.3 million and an operating margin of -2.4% for the same period of the prior year. The operating performance for the twelve months ended June 30, 2018 included \$171.8 million of net income generated from the QAF program.

Net Patient Service Revenue

Net patient service revenue, less provision for doubtful accounts, of \$1.4 billion for the twelve for FY 2018 represents a net increase of \$106.1 million or 8.4% as compared to FY 2017. The net overall change in net patient service revenue was impacted by an increase of \$129.2 million in QAF program revenue.

²⁹ Verity Health's FY 2017 and FY 2018 audited and unaudited financials include business entities no longer a part of Verity Health today. O'Connor Hospital and Saint Louise Regional Hospital, along with affiliated businesses, are excluded from the Asset Purchase Agreement since being acquired by Santa Clara County Health System in early 2019.

Operating Expenses

Total operating expenses of \$1.7 billion for FY 2018 include an increase in expenses of \$199 million, or 13.1%, as compared to FY 2017. The overall net change in operating expenses is due to an increase in salaries and benefits expense of \$73.8 million, an increase in supplies expense of \$26.1 million, an increase of \$95.6 million in purchased services, medical claims and other expense, and an increase of \$8.8 million in interest expense. This was partially offset by a decrease in depreciation expense of \$2.3 million and a decrease in goodwill and intangible asset impairment of \$3.0 million. The management agreement fee expense for the twelve months ended June 30, 2018 is \$60.3 million of which \$40.2 million was deferred and \$20.1 million was payable in cash.

Financial Position and Debt Obligations

As of June 30, 2018, Verity Health's unrestricted days cash on hand was 15.3 days. The average cash on hand average among hospitals nationally is 204.7 days. Verity Health's declining days cash on hand is one indicator of its liquidity challenges.

In order to address the lack of liquidity and outstanding obligations, Verity Health and its management company Integrity Healthcare, LLC, took out a series of secured note. On December 14, 2015, the California Public Finance Authority issued \$160 million revenue notes for the benefit of the Verity Health.

In September 2017, the California Public Finance Authority issued \$21 million of tax-exempt notes for the benefit of Verity Health. The notes were purchased by NantWorks, LLC (NantWorks), the former majority stake owner in Verity Health's management company, Integrity Healthcare, LLC. The notes have an interest rate of 7.25% and the principal is due at the maturity date in December 2020.

In October 2017, Verity MOB Financing, LLC, an affiliate of NantWorks, made a loan in the amount of \$46.2 million to Verity Holdings, LLC, which is an affiliated entity of Verity Health. The loan is secured by four medical office buildings and matures in October 2020.

In December 2017, the California Public Finance Authority issued \$21 million of tax-exempt notes for the benefit of Verity Health. These Notes were purchased by NantWorks. The Notes have a lien on property owned with an interest rate of 7.25% and a maturity date in December 2020.

Credit Rating and Outlook

When Verity Health took control of Daughter of Charity Health System, the health system had a credit rating from Standard & Poor' of "B-." The rating of "B-" represents less-than-investment grade status. Since 2014, Standard & Poor's has downgraded Verity Health's credit rating further and in September 2018, after receiving news of Verity Health's filing for Chapter 11 bankruptcy, downgraded Verity Health from "CCC" to "CC". Standard & Poor's defines "CC" as "highly vulnerable to nonpayment". The "CC" rating is used when a default has not yet occurred but "expects default to be a virtual certainty, regardless of the anticipated time to default".

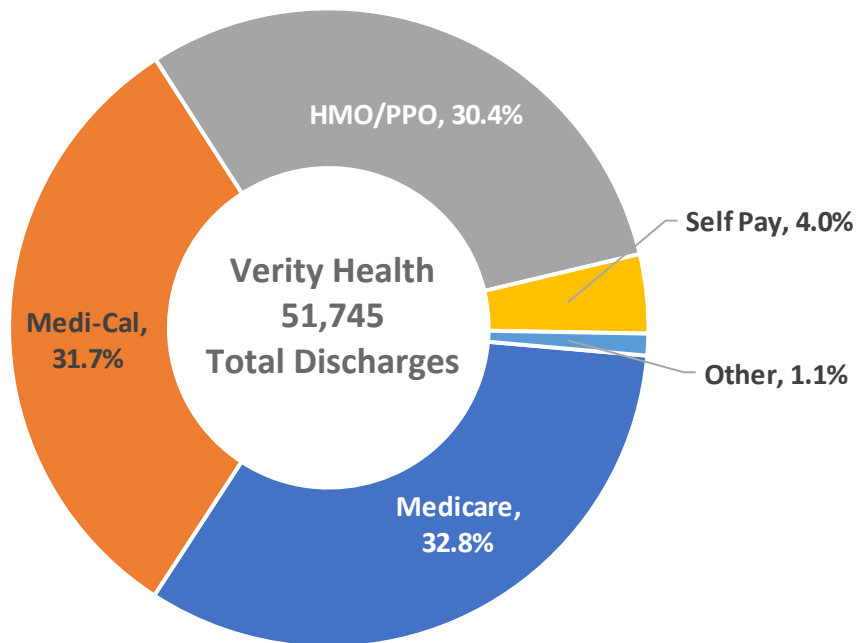
Category	Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments.
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors.
B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable and expects default to be a virtual certainty, regardless of the anticipated time to default.
R	An obligor rated 'R' is under regulatory supervision owing to its financial condition.
D	A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due.

Source: Standard & Poor's

An issuers' credit quality is generally reflective of its financial condition and ability to meet ongoing debt service obligations. A downgrade can pose future challenges for an issuer to raise capital in the debt markets as the cost of debt rises because buyers of lower rated bonds require higher rates of return to justify the greater relative risk incurred.

Verity Health Payer Mix

In FY 2018, 64% of Verity Health's inpatient payer mix consisted of Medicare (33%) and Medi-Cal (32%) patients. Approximately 30% of Verity Health's inpatient payer mix consisted of Private Pay (HMO/PPO) patients. The remaining 5% of Verity Health's inpatient discharges consisted of Self Pay (4%), and Other Payers* (1%).



* "Other" includes self-pay, workers' compensation, other government, and other payers

Source: Verity Health Internal Unaudited Financial Statements, FY 2018 (based on inpatient discharges)

Unionized Employees

Verity Health has relationships with various unions across the State of California. In addition, each of the Verity Health Hospitals have collective bargaining agreements (CBAs) with unions, including with Service Employees International Union, National Union of Healthcare Workers, California Nurses Association, United Nurses Association of California, International Union of Operating Engineers, Local 39, and Engineering Scientists of California, Local 20. Approximately 77% of Verity Health's employees are covered under CBAs.

UNION PARTICIPATION AMONG VERITY HEALTH EMPLOYEES						
Union	Seton Medical Center & Seton Medical Center Coastside	St. Francis Medical Center	St. Vincent Medical Center	Verity Business Services	Verity Corporate	Total
National Union of Healthcare Workers	736					736
California Nurses Association	391		413			804
Engineering Scientists of California, Local 20	30					30
International Union of Operating Engineers, Local 39	26					26
Service Employees International Union		890	399			1,289
United Nurses Association of California		820				820
Total Represented by Unions	1,183	1,710	812	0	0	3,705
Total Non-Union Employees	216	298	193	219	207	1,133
Total Employees	1,399	2,008	1,005	219		4,838
Total Percentage of Employees Represented by Unions	85%	85%	81%	0%		77%

EXPIRATION DATES			
Union	Seton Medical Center & Seton Medical Center Coastside	St. Francis Medical Center	St. Vincent Medical Center
National Union of Healthcare Workers	11/1/2016-10/31/2019		
California Nurses Association	12/22/2016-12/21/2020		12/22/2016-12/21/2020
Service Employees International Union		11/1/2018-10/31/2021	11/1/2018-10/31/2021
United Nurses Association of California		12/29/2017-12/29/2021	

Source: Verity Health

Profile of Purchaser

Overview

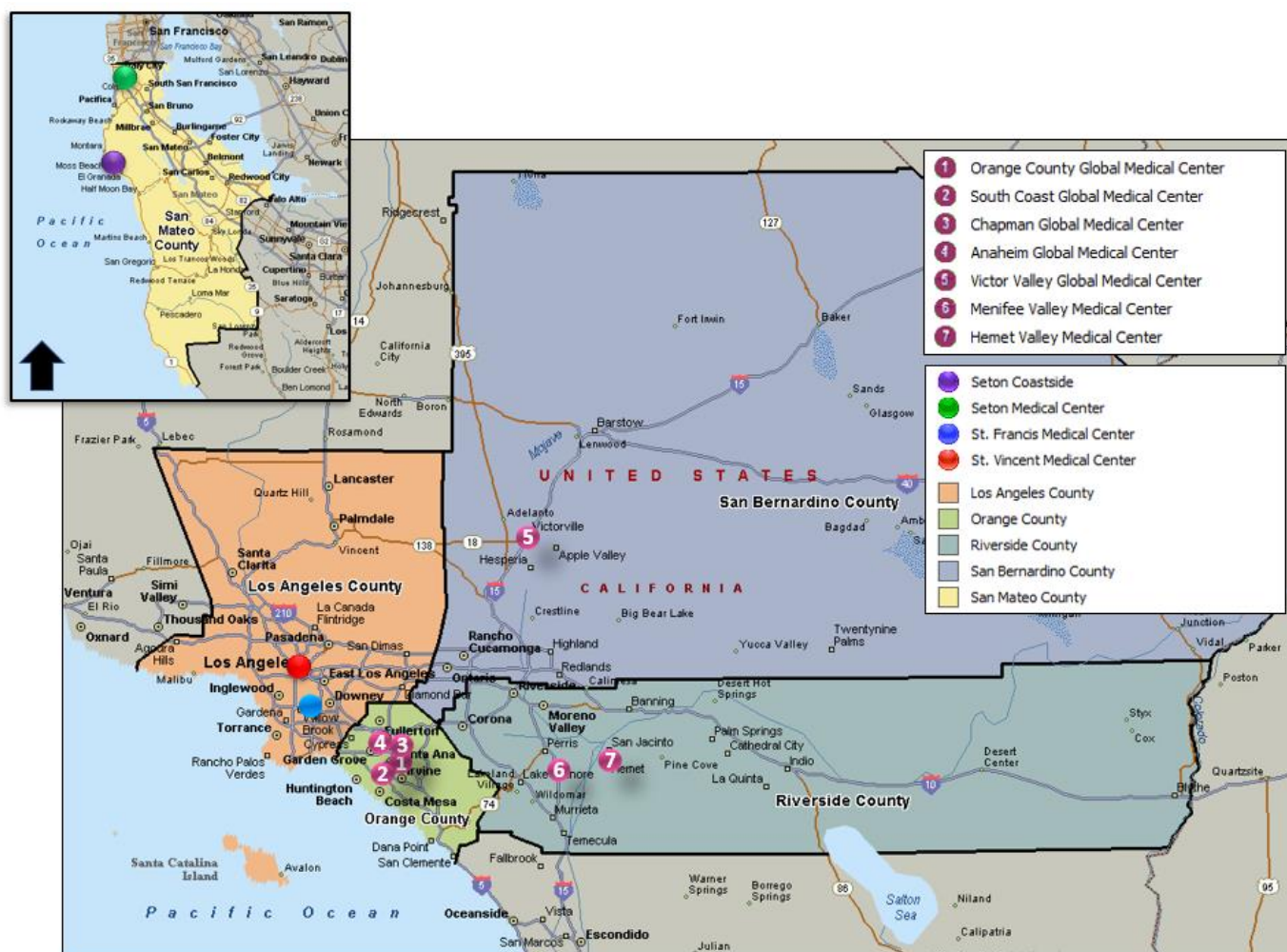
Dr. Kali Chaudhuri is the owner and CEO of SGM, headquartered in Riverside County, California. Dr. Chaudhuri is also majority owner or shareholder of several other healthcare entities including:

- KPC Healthcare, Inc. (“KPC”), a for-profit private health system that owns and operates four hospitals in Orange County. KPC recently completed the purchase of seven of Promise Healthcare’s long-term acute care facilities³⁰, as well as two of its skilled nursing facilities³¹, with locations in Arizona, Kansas, Louisiana, Mississippi, Texas, and Utah;
- Physicians for Healthy Hospitals (“PHH”) owns and operates two hospitals located in Hemet and Menifee. PHH completed a \$163 million transaction on October 13, 2010 to acquire the hospitals from bankruptcy. A corporation controlled by Dr. Chaudhuri had previously held a management contract for several years before bankruptcy;
- Victor Valley Hospital Acquisition, Inc. a California for-profit corporation, and Victor Valley Hospital Real Estate, LLC, a California limited liability corporation operate Victor Valley Global Medical Center (formally Victor Valley Community Hospital). Dr. Chaudhuri is the Chief Executive Officer and sole shareholder of Victor Valley Hospital Acquisition, Inc. He is also the manager of Victor Valley Hospital Real Estate, LLC and currently holds 100% interest. The Victor Valley Community Hospital Board initiated bankruptcy proceedings in September 2010, with an intention to sell the hospital’s assets as a means to keep the hospital open. As a result of proceedings before the United States Bankruptcy Court, an auction was held on November 5, 2010. Victor Valley Hospital Acquisition, Inc. and Victor Valley Hospital Real Estate, LLC were the highest bidders and subsequently approved by the Victor Valley Community Hospital Board and accepted by the Court on November 9, 2010; and
- In April 2019, KPC acquired seven Promise Healthcare’s long-term acute care facilities, as well as two of its skilled nursing facilities. The facilities are located in Arizona, Kansas, Louisiana, Mississippi, Texas, and Utah. Long-term acute care facilities are for critically ill patients with major complications which require hospitalization for extended periods of time. A skilled nursing facility is a healthcare facility that provides medically necessary professional services from nurses, physical and occupational therapists, speech pathologists and audiologists to senior and other patients.

³⁰ Long-term acute care facilities are for critically ill patients with major complications or failure which require hospitalization for extended periods of time.

³¹ A skilled nursing facility is a healthcare facility that provides medically necessary professional services by nurses, physical and occupational therapists, speech pathologists, and audiologists to senior patients.

A map of the locations of hospitals in California that are related to SGM is shown below.



KPC Hospitals

- KPC consists of four hospitals with a total of 708 licensed beds;
- KPC realized \$19.6 million in net income FY 2016, however, lost \$6.8 million in net income in FY 2017. This was due to net patient revenue decreasing 1%, from \$381 million in FY 2016 to \$377.6 million in FY 2017, while total expenses increased nearly 6%, from \$365.2 million to \$386 million, over the same period;
- Orange County Global Medical Center was the only KPC hospital with a positive net income in the last two reported fiscal years. In FY 2017, losses at the remaining three KPC hospitals ranged from a loss of \$5.6 million at Anaheim Global Medical Center to a loss of \$9.4 million at South Coast Global Medical Center;

- All the hospitals serve a significant number of Medicare and Medi-Cal patients, ranging between 53% and 82% of total hospital discharges; and
- The proportion of uncompensated care charges (bad debt and charity care) provided by the hospitals is significantly higher than the statewide average of 1.4%.
 - Anaheim Global Medical Center: 4.0%;
 - Orange County Global Medical Center: 3.7%;
 - Chapman Global Medical Center: 1.8%; and
 - South Coast Global Medical Center: 2.4%.

PHH Hospitals

- PHH consists of two hospitals (Hemet Valley Medical Center and Menifee Valley Medical Center) with a total of 501 licensed beds;
- PHH acquired the hospitals out of bankruptcy in October 2010;
- In FY 2017 the hospitals recorded \$11.4 million in net income, down \$5.7 million from FY 2016;
- Both the hospitals serve a significant number of Medicare and Medi-Cal patients, ranging between 88% and 91% of total hospital discharges; and
- The proportion of uncompensated care charges (bad debt and charity care) provided by the hospitals is slightly higher than the statewide average of 1.4%.
 - Hemet Valley Medical Center: 1.5%; and
 - Menifee Valley Medical Center: 1.9%.

Victor Valley Hospital Acquisition, Inc. and Victor Valley Hospital Real Estate, LLC

- Victor Valley Hospital Acquisition, Inc. and Victor Valley Hospital Real Estate, LLC owns Victor Valley Global Medical Center, a 101 licensed bed general acute care hospital located in Victorville, California;
- Victor Valley Hospital Acquisition, Inc. and Victor Valley Hospital Real Estate, LLC acquired the hospital out of bankruptcy in November 2010;
- In 2017 the hospital recorded a net income of \$25.5 million, up \$7.8 million from FY 2016; and
- The proportion of uncompensated care charges provided by Victor Valley Global Medical Center, at 2.1%, is slightly higher than the statewide average of 1.4%.

A detailed profile of hospitals related to SGM are provided in the following tables.

HOSPITALS RELATED TO PURCHASER								
	Anaheim Global Medical Center General Acute		Orange County Global Medical Center General Acute		Chapman Global Medical Center General Acute		South Coast Global Medical Center General Acute	
	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
City	Anaheim		Santa Ana		Orange		Santa Ana	
Licensed Beds	188	188	228	228	114	114	178	178
Patient Days	43,004	41,691	38,322	40,218	20,191	18,884	32,680	33,160
Discharges	5,681	4,684	8,451	8,625	2,211	1,969	3,400	3,709
ALOS	7.6	8.9	4.5	4.7	9.1	9.6	9.6	8.9
Average Daily Census	118	114	105	110	55	52	90	91
Occupancy	62.7%	60.8%	46.0%	48.3%	48.5%	45.4%	50.3%	51.0%
ED Visits	34,459	17,340	36,122	31,903	8,323	7,946	20,364	20,223
Inpatient Surgeries	699	787	2,690	2,636	615	594	731	731
Outpatient Surgeries	1,045	941	1,373	1,334	1,144	890	743	637
Births	782	2,614	1,118	1,091	0	0	553	752
Payer Mix (Based on Discharges):								
Traditional Medicare	11.7%	13.7%	15.1%	15.3%	29.3%	26.4%	23.6%	17.2%
Managed Medicare	10.6%	10.8%	12.0%	12.6%	12.9%	14.4%	7.5%	6.4%
Traditional Medi-Cal	40.9%	41.0%	23.5%	21.4%	3.6%	4.4%	33.6%	20.7%
Managed Medi-Cal	19.2%	16.1%	27.9%	28.8%	12.1%	8.5%	23.8%	27.7%
County Indigent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Traditional Third Party	8.3%	4.9%	3.8%	2.3%	10.3%	14.1%	0.4%	0.6%
Managed Third Party	6.1%	1.4%	15.5%	14.9%	30.6%	30.6%	1.8%	5.4%
Other Indigent	0.2%	0.2%	0.4%	0.3%	0.1%	0.2%	0.1%	0.2%
Other	3.1%	12.0%	1.8%	4.5%	1.1%	1.5%	9.2%	21.8%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Income Statement:								
Net Pt. Revenue	\$74,704,903	\$77,965,172	\$204,090,801	\$202,881,568	\$45,665,642	\$40,215,421	\$56,493,466	\$56,576,936
Other Operating Rev.	\$864,309	\$214,528	\$1,471,897	\$874,554	\$608,196	\$258,847	\$955,083	\$238,730
Total Operating Rev.	\$75,569,212	\$78,179,700	\$205,562,698	\$203,756,122	\$46,273,838	\$40,474,268	\$57,448,549	\$56,815,666
Total Operating Exp.	\$77,726,028	\$83,832,665	\$175,330,427	\$188,905,628	\$49,593,277	\$47,117,192	\$62,579,872	\$66,186,376
Net From Operations	(\$2,156,816)	(\$5,652,965)	\$30,232,271	\$14,850,494	(\$3,319,439)	(\$6,642,924)	(\$5,131,323)	(\$9,370,710)
Non-operating Rev.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-operating Exp.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	(\$2,156,816)	(\$5,652,965)	\$30,232,271	\$14,850,494	(\$3,319,439)	(\$6,642,924)	(\$5,131,323)	(\$9,370,710)
Other Financial:								
Charity Care Charges	\$2,531,447	\$1,468,837	\$3,225,599	\$2,818,418	\$216,515	\$182,149	\$1,396,161	\$1,086,993
Bad Debt Charges	\$8,074,243	\$10,308,997	\$18,996,527	\$31,312,804	\$4,488,250	\$3,520,538	\$8,586,772	\$6,195,831
Total Uncompensated Care	\$10,605,690	\$11,777,834	\$22,222,126	\$34,131,222	\$4,704,765	\$3,702,687	\$9,982,933	\$7,282,824
Cost to Charge Ratio	27.9%	28.7%	18.5%	20.4%	22.8%	23.2%	19.7%	22.2%
Cost of Charity	\$705,527	\$421,188	\$596,917	\$573,936	\$49,389	\$42,231	\$275,175	\$241,050
Uncompensated Care as % of Chgs.	3.8%	4.0%	2.4%	3.7%	2.2%	1.8%	3.2%	2.4%
State of Calif. Uncompensated Care	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Disproportionate Share Hospital	YES		YES		NO		YES	
Fiscal Year Ending	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017

Source: OSHPD Pivot Profile, FY 2016 & 2017

HOSPITALS RELATED TO PURCHASER						
	Hemet Valley Medical Center General Acute		Menifee Valley Medical Center General Acute		Victor Valley Global Medical Center General Acute	
	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
City	Hemet		Menifee		Victorville	
Licensed Beds	417	417	84	84	101	101
Patient Days	56,258	61,537	10,921	11,861	24,401	22,801
Discharges	10,254	10,659	2,677	2,900	5,500	5,687
ALOS	5.5	5.8	4.1	4.1	4.4	4.0
Average Daily Census	154	169	30	32	67	62
Occupancy	37.0%	40.4%	35.6%	38.7%	66.2%	61.8%
ED Visits	49,475	57,169	19,458	20,342	40,035	35,570
Inpatient Surgeries	2,101	2,024	589	758	2,089	1,838
Outpatient Surgeries	1,107	1,023	573	739	3,306	5,164
Births	660	650	0	0	749	713
Payer Mix (Based on Discharges):						
Traditional Medicare	26.3%	20.2%	23.3%	20.4%	18.5%	13.8%
Managed Medicare	15.6%	31.9%	42.6%	44.2%	17.7%	14.6%
Traditional Medi-Cal	6.1%	6.1%	12.3%	7.3%	8.3%	7.8%
Managed Medi-Cal	23.1%	29.4%	11.6%	19.4%	40.0%	45.0%
County Indigent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Traditional Third Party	3.0%	3.1%	0.0%	3.0%	11.5%	12.2%
Managed Third Party	24.4%	8.2%	9.9%	5.2%	3.7%	5.5%
Other Indigent	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%
Other	1.5%	1.0%	0.4%	0.4%	0.0%	1.2%
Total	100%	100%	100%	100%	100%	100%
Income Statement:						
Net Pt. Revenue	\$153,709,097	\$184,562,541	\$40,599,832	\$41,131,995	\$100,967,017	\$111,154,734
Other Operating Rev.	\$490,718	\$155,714	\$2,809	\$1,539	\$1,434,955	\$2,445,163
Total Operating Rev.	\$154,199,815	\$184,718,255	\$40,602,641	\$41,133,534	\$102,401,972	\$113,599,897
Total Operating Exp.	\$156,409,865	\$164,696,724	\$42,104,657	\$50,965,685	\$84,722,939	\$88,071,613
Net From Operations	(\$2,210,050)	\$20,021,531	(\$1,502,016)	(\$9,832,151)	\$17,679,033	\$25,528,284
Non-operating Rev.	\$20,251,064	\$472,204	\$605,799	\$753,251	\$0	\$0
Non-operating Exp.	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$18,041,014	\$20,493,735	(\$896,217)	(\$9,078,900)	\$17,679,033	\$25,528,284
Other Financial:						
Charity Care Charges	\$3,068,877	\$0	\$0	\$0	\$1,503,364	\$144,275
Bad Debt Charges	\$10,926,096	\$12,415,197	\$4,447,829	\$4,834,124	\$4,380,945	\$7,363,001
Total Uncompensated Care	\$13,994,973	\$12,415,197	\$4,447,829	\$4,834,124	\$5,884,309	\$7,507,276
Cost to Charge Ratio	18.7%	19.8%	19.1%	19.7%	22.7%	23.4%
Cost of Charity	\$572,554	\$0	\$0	\$0	\$341,783	\$33,736
Uncompensated Care as % of Chgs.	1.7%	1.5%	2.0%	1.9%	1.6%	2.1%
State of Calif. Uncompensated Care	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Disproportionate Share Hospital	NO		NO		YES	
Fiscal Year Ending	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017

Source: OSHPD Pivot Profile, FY 2016 & 2017

Hospital Compare

U.S. Centers for Medicare & Medicaid Services' (CMS) Hospital Compare is a hospital rating system that summarizes 57 quality measures into a single quality Star Rating in order to rank and provide information about the quality of care at over 4,000 Medicare-certified hospitals, including over 130 Veterans Administration (VA) medical centers, across the country. The information assists the public in making decisions about where to get health care services and encourages hospitals to improve the quality of care they provide.

The 57 quality measures are summarized into seven cohorts. These include:

- **General information:** Name, address, telephone number, type of hospital, and other general information about the hospital;
- **Survey of patients' experiences:** How patients recently discharged from the hospital responded to a survey about their hospital experience. The survey asked questions such as how well a hospital's doctors and nurses communicated with the patient;
- **Timely and effective care:** How often or how quickly hospitals give recommended treatments known to get the best results for people with certain common conditions;
- **Complications and deaths:** How likely it is that patients will have complications while in the hospital or after certain inpatient surgical procedures, and how often patients died within 30 days of being in the hospital for a specific condition;
- **Unplanned hospital visits:** Whether patients return to a hospital after an initial hospital stay or outpatient procedure, and how much time they spend back in the hospital;
- **Use of medical imaging:** How a hospital uses outpatient medical imaging tests (like CT scans and MRIs); and
- **Payment and value of care:** How payments made by patients treated at individual hospitals compare to hospitals nationally.

CMS updated its overall hospital Quality Star Ratings in February 2019, recognizing 293 hospitals country-wide with 5-Star Ratings. Below is a breakdown of the Star Ratings:

- **1-Star:** 282 hospitals
- **2-Stars:** 800 hospitals
- **3-Stars:** 1,264 hospitals
- **4-Stars:** 1,086 hospitals
- **5-Stars:** 293 hospitals

SGM and Verity Health's hospitals Star Ratings are as follows:

Hospital Compare Star Ratings by Hospital						
	Hospital	One Star	Two Star	Three Star	Four Star	Five Star
Purchaser Hospitals	Orange County Global Medical Center		★★			
	Anaheim Global Medical Center		★★			
	South Coast Global Medical Center		★★			
	Victor Valley Global Medical Center	★				
	Chapman Global Medical Center		★★			
	Hemet Valley Medical Center	★				
	Menifee Valley Medical Center		★★			
Verity Health	St. Francis Medical Center		★★			
	St. Vincent Medical Center				★★★★	
	Seton Medical Center			★★★		

Source: Medicare.gov, February 28, 2019.

- Of SGM's seven general acute care hospitals, five achieved a 2-Star Rating (Orange County Global Medical Center, Anaheim Global Medical Center, South Coast Global Medical Center, Chapman Global Medical Center, and Menifee Valley Medical Center) and two hospitals achieved a 1-Star Rating (Victor Valley Global Medical Center and Hemet Valley Medical Center); and
- Of Verity Health's three general acute care hospitals, St. Francis Medical Center achieved a 2-Star Rating, Seton Medical Center achieved a 3-Star Rating, and St. Vincent Medical Center achieved a 4-Star Rating.

Profile of St. Francis Medical Center

Overview of the Hospital

The Hospital was established in 1945 and gained sponsorship from Daughters of Charity, Province of the West, in 1981. The Hospital, located at 3630 East Imperial Highway in Lynwood, California, is a 384-bed general acute care facility that provides comprehensive healthcare services and operates one of the busiest emergency trauma centers in Los Angeles County. The Hospital serves nearly 1.7 million residents of Southeast Los Angeles, located in the communities of Lynwood, South Gate, Downey, Huntington Park, Bell Gardens, Maywood, and Compton.

As a provider of healthcare services for many Medi-Cal and uninsured patients, the Hospital receives significant disproportionate share hospital funding.

BED DISTRIBUTION 2019	
Bed Type	Number of Beds
General Acute Care	164
Intensive Care	36
Neonatal Intensive Care	29
Pediatric	14
Perinatal	71
Total General Acute Care Beds	314
Acute Psychiatric (D/P)	40
Skilled Nursing (D/P)	30
Total Licensed Beds	384

Source: Hospital License 2019

The Hospital has a “basic” emergency department³² with 46 licensed emergency treatment stations and is a Level II Trauma Center³³. It also has nine surgical operating rooms and three cardiac catheterization labs for inpatient and outpatient cardiac catheterization services.

³² A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

³³ A Level II Trauma Center is able to initiate definitive care for all injured patients. Level II Trauma requirements include 24-hour immediate coverage by general surgeons, as well as coverage by the specialties of orthopedic surgery, neurosurgery, anesthesiology, emergency medicine, radiology and critical care.

Key Statistics

For FY 2018, the Hospital had a total of 22,687 inpatient discharges, 105,646 patient days, and an average daily census of 289 patients per day (approximately 75% occupancy on 384 total licensed beds).

ST. FRANCIS MEDICAL CENTER			
KEY STATISTICS FY 2016 - FY 2018 ¹			
	FY 2016	FY 2017	FY 2018
Inpatient Discharges	20,063	21,049	22,687
Licensed Beds	384	384	384
Patient Days	92,158	103,599	105,646
Average Daily Census	252	284	289
Occupancy	65.8%	73.9%	75.4%
Average Length of Stay	4.6	4.9	4.7
Cardiac Catheterization Procedures	3,630	3,803	3,874
Emergency Service Visits ²	67,627	81,643	76,383*
Coronary Artery Bypass Graft (CABG) ²	52	44	N/A
Total Live Births	4,980	4,723	4,457

Sources: OSHPD Disclosure Reports, FY 2016 - FY 2018

¹ FY 2014 to FY 2017 data is from audited OSHPD Disclosure Reports whereas FY 2018 is from unaudited.

² OSHPD Alerts Annual Utilization Reports

* 2018 Disclosure Reports shown, Alerts Annual Utilization Reports unavailable.

N/A: Data unavailable

- Since FY 2018, inpatient discharges have increased by 13%, from 20,063 discharges in FY 2016 to 22,687 discharges in FY 2018. Over the same period, patient days have increased by 14% to 105,646 patient days in FY 2018;
- Between FY 2016 and FY 2018, emergency department visits increased by 13% to 76,383 visits in FY 2018;
- Between FY 2016 and FY 2018, total live births decreased by 11% from 4,980 to 4,457 in FY 2018; and
- Cardiac catheterization procedures increased by 7% to 3,874 in FY 2018.

Programs and Services

The Hospital offers a comprehensive range of services, including emergency and trauma care, neonatal intensive, cardiovascular, oncology, pediatrics, behavioral health, and maternity and children's services.

- Cardiac services include: Inpatient non-invasive and minimally invasive surgical techniques, diagnostic and interventional catheterizations, angioplasty, open heart surgery, drug-eluting stent implantation, and pacemaker monitoring at the Pacemaker Clinic. The Hospital is also a designated STEMI Receiving Center;
- Behavioral health services include: A licensed 40-bed acute psychiatric unit that provides inpatient stabilization and outpatient treatments. The Hospital has a Psychiatric Evaluation Team that has 5150³⁴ authority and conducts mobile crisis evaluation services for patients who are experiencing, or are at risk of experiencing, a psychotic episode;
- Cancer services include: Radiation oncology and intensity modulated radiation therapy, a technique to provide cancer treatment for stomach, lung, prostate, and other cancers;
- Imaging services include: Mammography, CT, MRI, ultrasound, X-ray, nuclear medicine, and radiation therapy;
- Emergency and trauma services include: An Emergency Department with 46 treatment stations, Fast Track services, a Rapid Medical Evaluation area, heliport, and a Level II Trauma Center. The Hospital's Emergency Department is one of the busiest emergency trauma centers in Los Angeles County and has the following designations:
 - Emergency Department Approved for Pediatrics (EDAP);
 - Certified Primary Stroke Center;
 - Designation as a 5150 Receiving Facility for behavioral health patients under involuntary evaluation; and
 - Designated Paramedic Base Station.
- Designated Level II Trauma Center that meets the essential criteria by providing the necessary resources and scope of specialty physician services in order to provide comprehensive trauma coverage, as verified by the American College of Surgeons;
- Women's health services include: Obstetrics and maternity, Level II neonatal intensive care unit services, imaging, oncology, and cardiovascular services;

³⁴ Welfare and Institutions Code, Section 5150: When a person, as a result of a mental health disorder, is a danger to oneself or others, a peace officer, professional person, or member of the staff at a designated 5150 Receiving Center may, upon probable cause, hold the person at the 5150 facility for evaluation and treatment over a 72-hour period.

- Intensive care/critical care services include: A 36-bed unit that is a combined intensive medical, surgical, and cardiac care unit;
- Rehabilitation services include: Physical therapy, occupational therapy, and speech therapy provided for inpatient, outpatient, and skilled nursing unit patients;
- Skilled nursing services include: A 30-bed unit that provides skilled nursing care to an adult and geriatric patient population. The skilled nursing unit offers basic nursing care, oxygen administration, medication and fluid administration, tube feedings, physical therapy, social work services, and patient/family education;
- Pediatric services include: A 14-bed unit that provides general acute care pediatric services;
- Surgical services include: General, trauma, cardiac, thoracic, neurological, orthopedic, ophthalmologic, otolaryngologic, laparoscopic, urological, gastrointestinal, and vascular surgical services; and
- Wound Care services include: Inpatient services and an outpatient clinic that provides treatment for patients with chronic, non-healing wounds.

Accreditation

The Hospital is accredited for three years by The Joint Commission, effective October 2018. Over the years, the Hospital received several awards and accolades including the following:

- Accredited by The Joint Commission as a Primary Stroke Center effective June, 2018 through September, 2020;
- In 2018, the Hospital received Performance Excellence Awards from Collaborative Alliance for Nursing Outcomes (CALNOC); and
- In 2017, the Hospital received the Supply Chain Excellence award from Premier, Inc.

Quality Measures

The Value-Based Purchasing Program, established by the Federal Patient Protection and Affordable Care Act in 2012, encourages hospitals to improve the quality and safety of care. The Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on four domains that reflect hospital quality: the clinical process of care and outcomes domain, the patient and caregiver centered experience of care/care coordination domain, the safety domain, and the efficiency and cost reduction domain. In FY 2018, the Centers for Medicare & Medicaid Services increased Medicare

payments to the Hospital by 0.10%. For FY 2018, the Centers for Medicare & Medicaid Services decreased payments to the Hospital by 0.39%.

The following table reports the Hospital's performance compared to all hospitals across the nation for the seven categories that comprise Hospital Compare's overall quality rating:

QUALITY MEASURES	
Condition/Procedure	National Average
Mortality	Same as the national average
Safety of Care	Above the national average
Readmission	Below the national average
Patient Experience	Below the national average
Effectiveness of Care	Same as the national average
Timeliness of Care	Below the national average
Efficient Use of Medical Imaging	Same as the national average

Source: Data.medicare.gov Hospital Compare, June 2019

The Federal Hospital Readmissions Reduction Program³⁵, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following six applicable conditions: chronic obstructive pulmonary disease, heart attack, heart failure, pneumonia, stroke and hospital wide readmissions. The penalty is administered by reducing all of a hospital's reimbursement payments under the Medicare program by a certain percentage for the entire year.

In FY 2018, the Hospital was penalized with a 0.6% reduction in reimbursement. For FY 2019, the Hospital is penalized with a 0.15% reduction in reimbursement. The following table shows the Hospital's 30-day readmission rates for chronic obstructive pulmonary disease, heart attack, heart failure, pneumonia, stroke, hip/knee replacement, and all causes hospital-wide. The Hospital's 30-day readmission rate is higher than the national average for heart attack.

30-DAY READMISSION RATES		
Condition/Procedure	St. Francis Medical Center	National Average
Chronic Obstructive Pulmonary Disease	18.7%	19.6%
Heart Attack	16.5%	16.0%
Heart Failure	21.4%	21.7%
Pneumonia	16.1%	16.7%
Stroke	10.9%	11.9%
Hospital-Wide	15.3%	15.3%

Source: Data.medicare.gov Hospital Compare, June 2019

³⁵ The formula for determining hospital reimbursement payments under the Hospital Readmissions Reduction Program varies by hospital and geographic location and may not correspond directly to state and national hospital averages.

Seismic Issues

Using the HAZUS seismic criteria³⁶, the Hospital's structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as shown in the table below.

ST. FRANCIS MEDICAL CENTER SEISMIC OVERVIEW		
Building Name	SPC Compliance	NPC Compliance
	Status	Status
Family Life Center	5	2
Health Services Pavilion	3	2
Central Plant	4	2
New Hospital Tower	5	2
Psychiatric Care Unit	N/A	-

Source: OSHPD

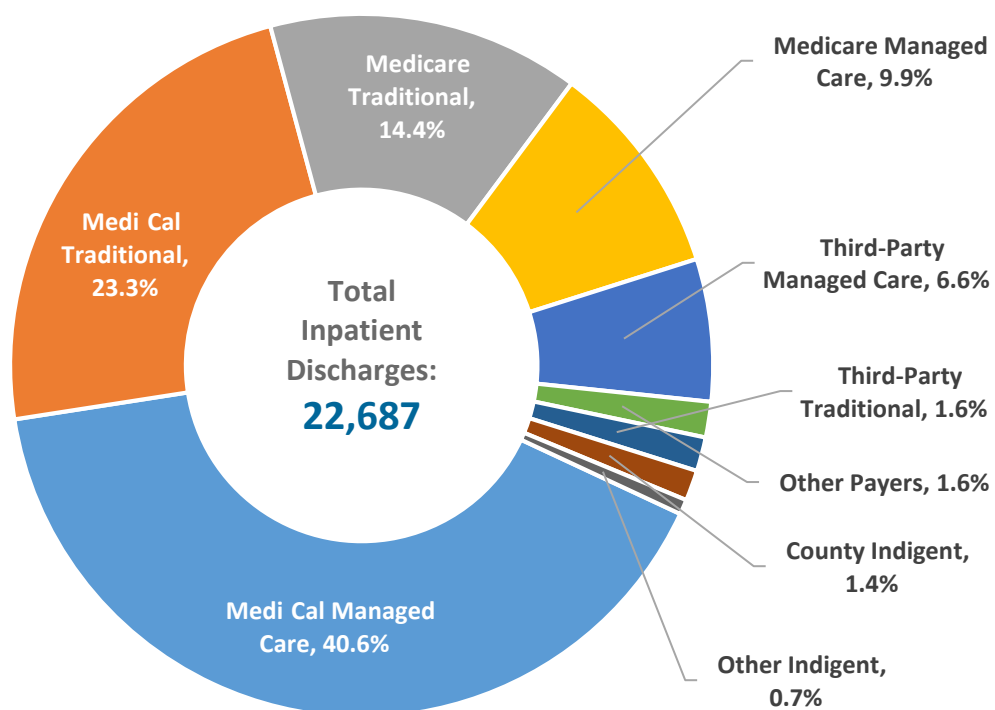
- The Hospital has two building rated as SPC-5. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used without restriction to January 1, 2030, and beyond;
- The Hospital has three buildings rated SPC-4 or higher. These buildings are in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act (SBC 1953). Buildings in this category will have been constructed, or reconstructed, under a building permit obtained through OSHPD and may be used for inpatient services through to January 1, 2030, and beyond;
- The Hospital has one building rated as SPC-3. This building may experience structural damage which does not significantly jeopardize life but may not be repairable or functional following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used to January 1, 2030, and beyond; and
- The Hospital has four buildings rated as NPC-2. The following systems including: communication systems, emergency power supply, bulk medical gas systems, fire alarm systems and emergency lighting equipment for the building are either anchored in accordance with the Part 2, Title 24 of the California Building Code or approved by the Department of General Services, Office of Architecture and Construction, Structural Safety Section.

³⁶OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

Payer Mix

The Hospital's payer mix for FY 2018 consisted of a large proportion of Medi-Cal patients that accounted for nearly 65% of all inpatient hospital discharges. Medicare patients accounted for over 24% of all inpatient discharges, with Medicare Traditional at 14% and Medicare Managed Care at 10%. Third-Party Managed Care (7%) and Third-Party Traditional (2%) accounted for nearly 9% of all inpatient hospital discharges. Additionally, 2% of all inpatient hospital discharges were County Indigent and Other Indigent patients (uninsured/poor).

St. Francis Medical Center Payer Mix, FY 2018



*"Other" includes self-pay, workers' compensation, other government, and other payers

Source: OSHPD Financial Disclosure Report (unaudited), FY 2018 (based on inpatient discharges)

The following table provides the Hospital's FY 2018 inpatient discharge payer mix compared to Los Angeles County and the State of California for FY 2017. The comparison shows that the Hospital has much higher percentages of Medi-Cal Managed Care patients (40.6%) and Medi-Cal Traditional Patients (23.3%) relative to Los Angeles County and California overall. The table also shows that the Hospital has a very low percentage of Third Party Traditional and Managed Care patients (8.2%) relative to Los Angeles County (20.8%) and California overall (23.4%). For Other Indigent and County Indigent, Los Angeles County had 0.9%, and the State of California had 0.7% & whereas the Hospital had 2.1%.

PAYER MIX COMPARISON						
	Hospital (FY 2018)		Los Angeles County (FY 2017)		California (FY 2017)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi - Cal Traditional	5,279	23.3%	150,497	17.3%	379,332	13.2%
Medi - Cal Managed Care	9,211	40.6%	179,688	20.7%	611,389	21.3%
Medi-Cal Total	14,490	63.9%	330,185	38.0%	990,721	34.6%
Medicare Traditional	3,261	14.4%	233,708	26.9%	821,181	28.7%
Medicare Managed Care	2,250	9.9%	102,859	11.8%	321,579	11.2%
Medicare Total	5,511	24.3%	336,567	38.7%	1,142,760	39.9%
Third - Party Traditional	355	1.5%	26,517	3.0%	95,981	3.3%
Third - Party Managed Care	186	6.6%	154,335	17.7%	574,058	20.0%
Third-Party Total	1,841	8.2%	180,852	20.8%	670,039	23.4%
Other Payers	37	1.6%	14,922	1.7%	40,046	1.4%
Other Indigent	155	0.7%	3,068	0.4%	14,881	0.5%
County Indigent	319	1.4%	4,033	0.5%	6,746	0.2%
Other Total	845	3.7%	22,023	2.5%	61,673	2.2%
Total	22,687	100%	869,627	100%	2,865,193	100%

Source: OSHPD Disclosure Reports, FY 2017 - FY 2018

Managed Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Over 12 million Medi-Cal beneficiaries in all 58 counties in California receive their healthcare through six models of managed care, including: County Organized Health Systems, the Two-Plan Model, Geographic Managed Care, the Regional Model, the Imperial Model, and the San Benito Model.

Los Angeles County has a Two-Plan Model that offers a local initiative plan and a commercial plan. The Two-Plan Model is provided by L.A. Care Health Plan and Health Net Community Solutions, Inc. The local initiative and commercial plans contract with the Medi-Cal Managed Care program. The percentage of Los Angeles County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the Affordable Care Act (ACA) and California initiatives to expand managed care. Since 2014, the Medi-Cal eligibles count in Los Angeles County has increased by 8% from 3,622,367 Medi-Cal eligibles in 2014 to 3,895,310 Medi-Cal eligibles in 2018.

Medical Staff

According to OSHPD, the Hospital has 323 physicians on its medical staff with statuses including: active, honorary/emeritus, provisionals and affiliates. The table below lists active medical at the Hospital. The four largest active specialties, comprising nearly 40% of the medical staff, include: general practice, obstetrics/ gynecology, pediatrics, and radiology.

ACTIVE MEDICAL STAFF PROFILE 2018		
Specialty	Count	% of Total
Allergy and Immunology	2	0.6%
Anesthesiology	12	3.7%
Cardiovascular Disease	11	3.4%
Dental & Dermatology	4	1.2%
Gastroenterology	6	1.9%
General Practice	34	10.5%
General Surgery	17	5.3%
Internal Medicine	17	5.3%
Neurology	8	2.5%
Neurosurgery	5	1.5%
Obstetrics/Gynecology	41	12.7%
Oncology	1	0.3%
Ophthalmology	9	2.8%
Oral/Max Surgery	1	0.3%
Orthopedic Surgery	2	0.6%
Otolaryngology	6	1.9%
Pathology	8	2.5%
Pediatric Cardiology	8	2.5%
Pediatric Surgery	1	0.3%
Pediatrics	27	8.4%
Plastic Surgery	3	0.9%
Podiatry	6	1.9%
Psychiatry	12	3.7%
Pulmonary Diseases	5	1.5%
Radiology	20	6.2%
Urology	3	0.9%
Vascular Surgery	7	2.2%
Other Specialties	47	14.6%
Total Active Physicians	323	100%

Source: OSHPD

Patient Utilization Trends

The table below shows volume trends at the Hospital from FY 2014 through FY 2018:

ST. FRANCIS MEDICAL CENTER SERVICE VOLUMES FY 2014- FY 2018*					
PATIENT DAYS	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Medical/Surgical ¹	38,896	40,492	43,979	52,502	57,220
Neonatal Intensive Care	7,397	7,996	6,793	7,088	6,082
Intensive Care	9,214	8,689	8,569	10,221	10,923
Obstetrics	12,395	12,645	12,182	11,644	10,990
Pediatrics Acute	1,780	1,593	1,190	1,399	1,191
Skilled Nursing	5,758	6,110	6,910	7,879	5,410
Psychiatric Acute - Adult	12,253	12,102	12,535	12,866	13,622
Total	87,693	89,627	92,158	103,599	105,438
DISCHARGES					
Medical/Surgical ¹	9,099	9,448	10,619	11,539	13,157
Neonatal Intensive Care	528	529	571	546	524
Intensive Care	653	813	842	891	853
Obstetrics	5,433	5,425	5,282	5,203	5,066
Pediatrics Acute	1,246	1,120	413	474	419
Skilled Nursing	296	295	312	292	264
Psychiatric Acute - Adult	2,225	2,493	2,024	2,104	2,404
Total	19,480	20,123	20,063	21,049	22,687
AVERAGE LENGTH OF STAY					
Medical/Surgical ¹	4.3	4.3	4.1	4.5	4.3
Neonatal Intensive Care	14.0	15.1	11.9	13.0	11.6
Intensive Care	14.1	10.7	10.2	11.5	12.8
Obstetrics	2.3	2.3	2.3	2.2	2.2
Pediatrics Acute	1.4	1.4	2.9	3.0	3.3
Skilled Nursing	19.5	20.7	22.1	27.0	20.5
Psychiatric Acute - Adult	5.5	4.9	6.2	6.1	5.7
Total	4.5	4.5	4.6	4.9	4.7
AVERAGE DAILY CENSUS					
Medical/Surgical ¹	106.6	110.9	120.5	143.8	156.8
Neonatal Intensive Care	20.3	21.9	18.6	19.4	16.7
Intensive Care	25.2	23.8	23.5	28.0	29.9
Obstetrics	34.0	34.6	33.4	31.9	30.1
Pediatrics Acute	4.9	4.4	3.3	3.8	3.8
Skilled Nursing	15.8	16.7	18.9	21.6	14.8
Psychiatric Acute - Adult	33.6	33.2	34.3	35.2	37.3
Total	240.0	246.0	252.0	283.8	289.0
OTHER SERVICES					
Inpatient Surgeries	3,081	2,766	3,140	3,216	3,356
Outpatient Surgeries	2,282	2,606	2,433	2,157	2,756
Emergency Service Visits ²	75,222	70,855	67,627	81,643	76,383**
Total Live Births	5,103	5,120	4,980	4,723	4,457

Sources: OSHPD Disclosure Reports, FY 2014 - FY 2018

* FY 2014 to FY 2017 data is from audited OSHPD Disclosure Reports whereas FY 2018 is from unaudited.

** 2018 Disclosure Reports shown, Alirts Annual Utilization Reports unavailable.

¹ Includes Definitive Observation Beds

² OSHPD Alirts Annual Utilization Reports

A review of the Hospital's historical utilization trends, between FY 2014 and FY 2018, supports the following conclusions:

- Total patient days and discharges have increased by approximately 20%;
- Pediatric Acute discharges have decreased by approximately 66%;
- Neonatal intensive care days have decreased 18% resulting in an average daily census of 16.7 patients in FY 2018;
- Psychiatric Acute discharges have increased by 8%; and
- Total live births have decreased by 13% to 4,457 births in FY 2018.

Financial Profile

Over the last four fiscal years, the Hospital has maintained a positive net income ranging from approximately \$28.9 million in FY 2016 to \$70.5 million in FY 2015. Net income fell from \$69.2 million in FY 2017 to \$64.3 million in FY 2018. Net patient revenue has consistently increased over the last three fiscal years from \$500.1 million FY 2015 to \$573.2 million in FY 2018. Over the same period, the Hospital's operating expenses increased by approximately 20% to \$514.7 million in FY 2018.

A significant portion of the Hospital's revenue is derived from the federal government through the Hospital's designation as a disproportionate share hospital and through Hospital Quality Assurance Fees. Hospitals designated as a disproportionate share hospital are eligible to receive matching qualified Medi-Cal expenditures and additional revenue from the federal government for the unrecovered costs associated with providing care to Medi-Cal and other indigent patients. The Hospital Quality Assurance Fees provide supplemental payments to California hospitals that serve Medi-Cal and uninsured patients. The Hospital is dependent on these two programs to operate with a positive net income. The Hospital received over \$50 million in combined Hospital Quality Assurance Fees and disproportionate share payments for FY 2017 and FY 2018 alone. If these funding sources reduced or eliminated their payments, the Hospital may not remain profitable.

ST. FRANCIS MEDICAL CENTER						
FINANCIAL AND RATIO ANALYSIS FY 2014 - FY 2018 ¹						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	
Patient Days	87,693	89,627	92,158	103,599	105,438	
Discharges	18,857	19,563	20,063	21,049	22,687	
ALOS	4.7	4.6	4.6	4.9	4.6	
Net Patient Revenue	\$338,899,064	\$500,134,977	\$451,126,605	\$525,691,564	\$573,239,344	
Other Operating Revenue	\$2,534,246	\$5,208,536	\$3,828,322	\$2,128,596	\$1,951,513	
Total Operating Revenue	\$341,433,310	\$505,343,513	\$454,954,927	\$527,820,160	\$575,190,857	
Operating Expenses	\$369,587,775	\$441,735,229	\$429,594,350	\$461,182,231	\$514,663,838	
Net from Operations	(\$28,154,465)	\$63,608,284	\$25,360,577	\$66,637,929	\$60,527,019	
Net Non-Operating Revenues and Expenses	\$12,558,537	\$6,852,134	\$3,523,883	\$2,560,797	\$3,820,882	
Net Income	(\$15,595,928)	\$70,460,418	\$28,884,460	\$69,198,726	\$64,347,901	
						2017 California Data ²
Current Ratio	1.94	2.19	2.45	2.48	3.33	1.56
Days in A/R	59.8	41.5	47.9	60.6	41.7	54.6
Bad Debt Rate	0.80%	0.70%	0.60%	0.70%	1.20%	0.80%
Operating Margin	-8.25%	12.59%	5.57%	12.63%	10.52%	3.13%

Source: OSHPD Disclosure Reports, FY 2014 - FY 2018

¹ FY 2014 to FY 2017 data is from audited OSHPD Disclosure Reports whereas FY 2018 is from unaudited.

² FY 2018 California data was not available when the data was collected to prepare this report.

The Hospital's current ratio³⁷ has increased over the last five years from 1.94 in FY 2014 to 3.33 in FY 2018 (the California average in FY 2017 was 1.56). The Hospital's percentage of bad debt is 1.2% and higher than the statewide average of 0.8%.

³⁷The current ratio compares a company's current assets to its current liabilities to measure its ability to pay short-term and long-term debt obligations. A low current ratio of less than 1.0 could indicate that a company may have difficulty meeting its current obligations. The higher the current ratio, the more capable the company is of paying its obligations as it has a larger proportion of assets relative to its liabilities.

Cost of Hospital Services

The Hospital's cost of services includes both inpatient and outpatient care. In FY 2018, 27% of total costs were associated with Medi-Cal, followed by 41% with Medicare, and 31% with Third – Party.

ST. FRANCIS MEDICAL CENTER					
OPERATING EXPENSES BY PAYER CATEGORY FY 2014 - FY 2018 ¹					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Operating Expenses	\$369,587,775	\$441,735,229	\$429,594,350	\$461,182,231	\$514,663,838
Cost of Services By Payer:					
Medicare	\$101,888,865	\$126,286,779	\$128,478,055	\$126,472,788	\$139,612,914
Medi-Cal	\$203,542,408	\$256,909,202	\$244,990,912	\$276,005,994	\$274,021,008
County Indigent	\$20,172,904	\$8,231,127	\$5,693,386	\$3,718,446	\$11,199,702
Third-Party	\$22,474,695	\$30,422,252	\$36,650,263	\$39,933,966	\$67,287,476
Other Indigent	\$12,017,399	\$12,150,202	\$7,342,704	\$7,924,607	\$8,746,975
All Other Payers	\$9,491,504	\$7,735,666	\$6,439,030	\$7,126,430	\$13,795,763

Source: OSHPD Disclosure Reports, FY 2014 - FY 2018

¹ FY 2014 to FY 2017 data is from audited OSHPD Disclosure Reports whereas FY 2018 is from unaudited.

Charity Care

The following table shows a comparison of charity care and bad debt for the Hospital to all general acute care hospitals in the State of California. The five-year (FY 2014 – FY 2018) average of charity care and bad debt, as a percentage of gross patient revenue, was 2.9% and higher than the four-year statewide average of 1.9%. According to OSHPD, "...the determination of what is classified as charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

ST. FRANCIS MEDICAL CENTER										
CHARITY CARE COMPARISON FY 2014 - FY 2018 ¹ (In Thousands)										
	FY 2014		FY 2015		FY 2016		FY 2017		FY 2018	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$1,452,923	\$338,322,364	\$1,501,137	\$365,501,463	\$1,554,371	\$396,427,743	\$1,742,574	\$408,188,146	\$1,923,223	
Charity	\$61,600	\$5,113,965	\$61,003	\$3,441,227	\$39,640	\$3,457,868	\$42,079	\$2,864,615	\$32,686	
Bad Debt	\$12,128	\$4,365,936	\$9,903	\$3,262,642	\$9,210	\$3,108,971	\$12,742	\$2,762,692	\$23,483	
Total Charity & Bad Debt	\$73,728	\$9,479,902	\$70,906	\$6,703,869	\$48,850	\$6,566,839	\$54,822	\$5,627	\$56,170	
Charity Care as a % of Gross Patient Revenue	4.20%	1.50%	4.10%	0.90%	2.60%	0.90%	2.40%	0.70%	1.70%	
Bad Debt as a % of Gross Patient Revenue	0.80%	1.30%	0.70%	0.90%	0.60%	0.80%	0.70%	0.70%	1.20%	
Total as a % of Gross Patient Revenue	5.10%	2.80%	4.70%	1.80%	3.10%	1.70%	3.10%	1.40%	2.90%	
Uncompensated Care										
Cost to Charge Ratio	25.30%	23.60%	29.10%	24.10%	27.40%	23.80%	26.30%	23.00%	26.70%	
Charity	\$15,562	\$1,207,919	\$17,740	\$828,647	\$10,858	\$822,627	\$11,085	\$658,891	\$8,714	
Bad Debt	\$3,064	\$1,031,234	\$2,880	\$785,644	\$2,523	\$739,624	\$3,357	\$635,448	\$6,260	
Total	\$18,626	\$2,239,153	\$20,619	\$1,614,292	\$13,381	\$1,562,251	\$14,442	\$1,294,339	\$14,974	

Source: OSHPD Disclosure Reports FY 2014 - FY 2018

¹ FY 2014 to FY 2017 data is from audited OSHPD Disclosure Reports whereas FY 2018 is from unaudited.

² California data unavailable

The table on the following page shows the Hospital's historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$15,560,162 in FY 2014 to \$8,714,129 in FY 2018. The average cost of charity care for the last five-year period was \$12,793,435 while the three-year average cost of charity care was \$10,218,358.

ST. FRANCIS MEDICAL CENTER			
COST OF CHARITY CARE FY 2014 - FY 2018 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2018	\$32,686,155	26.66%	\$8,714,129
FY 2017	\$42,079,027	26.34%	\$11,083,616
FY 2016	\$39,639,760	27.39%	\$10,857,330
FY 2015	\$61,003,226	29.10%	\$17,751,939
FY 2014	\$61,600,007	25.26%	\$15,560,162
FY 2016 - FY 2018 Average			\$10,218,358
FY 2014 - FY 2018 Average			\$12,793,435

Source: OSHPD Disclosure Reports FY 2014 - FY 2018

¹ FY 2014 to FY 2017 data is from audited OSHPD Disclosure Reports whereas FY 2018 is from unaudited.

In the written notice to the California Attorney General, the Hospital reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room visits. Note that these totals are different than what the Hospital reported to OSHPD. The Hospital's Charity Care and Discount Policy states that persons with family income at or below 200% of the federal policy level, and without other sources to pay for care received, qualify to receive free care. Persons with family income between 201% and 350% of the federal policy level, and without other sources to pay for care received, qualify to receive care at 22% of the amount generally billed for inpatient care and 9% of the amount generally billed for outpatient care where both are determined each fiscal year.

ST. FRANCIS MEDICAL CENTER				
COST OF CHARITY CARE BY SERVICE FY 2014 - FY 2018				
	Inpatient	Emergency	Outpatient	Total Costs
FY 2018:				
Cost of Charity	\$1,706,396	\$6,805,186	\$215,621	\$8,727,203
Visits/Discharges	198	5,120	141	5,459
FY 2017:				
Cost of Charity	\$2,552,655	\$4,815,759	\$230,161	\$7,598,575
Visits/Discharges	449	5,443	488	6,380
FY 2016:				
Cost of Charity	\$1,967,641	\$8,294,152	\$2,772,119	\$13,033,912
Visits/Discharges	371	8,961	1,244	10,576
FY 2015:				
Cost of Charity	\$37,736,941	\$9,128,037	\$645,514	\$47,510,492
Visits/Discharges	320	10,991	1,547	12,858
FY 2014:				
Cost of Charity	\$5,964,835	\$9,343,736	\$720,285	\$16,028,856
Visits/Discharges	544	11,501	1,961	14,006

Source: Verity Health

Community Benefit Services

In the last five fiscal years, the Hospital has provided several community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years was \$1,139,301.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year Average	Total
Benefits for Persons Living in Poverty	\$466,268	\$308,184	\$296,923	\$259,120	\$1,421,448	\$550,389	\$2,751,943
Benefits for Broader Community	\$508,188	\$368,616	\$254,798	\$796,376	\$1,016,586	\$588,913	\$2,944,564
Total*	\$974,456	\$676,800	\$551,721	\$1,055,496	\$2,438,034	\$1,139,301	\$5,696,507

Source: Verity Health, FY 2014-2018

(1) Grant funds and grant supported programs not included

The following table lists the Hospital's community benefit services over the past five fiscal years that cost over \$10,000, followed by descriptions of these community benefit services:

COST OF COMMUNITY BENEFIT SERVICES FY 2014-2018					
Services over \$10,000 in cost:	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Baby Friendly	\$135,928	\$43,673	\$0	\$0	\$0
Bet Tzedek Legal Services	\$87,397	\$104,876	\$0	\$0	\$0
Casa de Esperanza	\$16,861	\$0	\$0	\$0	\$0
Children's Counseling Center	\$100,000	\$112,932	\$66,275	\$93,002	\$117,230
Community Benefit Planning and Reporting	\$12,720	\$12,768	\$9,500	\$16,958	\$5,656
South Los Angeles Access to Care - SFMC Compton Clinic	\$202,241	\$255,059	\$0	\$0	\$0
COPE Clinical Health Extenders	\$119,377	\$93,986	\$91,900	\$94,400	\$42,199
Footprints	\$32,944	\$15,906	\$0	\$0	\$0
Health Benefits Resource Center	\$1,240,510	\$1,172,733	\$651,094	\$340,590	\$1,888,468
Healthy Community Initiatives	\$812,067	\$900,511	\$813,971	\$385,591	\$363,483
Naseau Reading Program	\$31,291	\$0	\$0	\$0	\$0
Paramedic Training and Education	\$164,450	\$62,065	\$98,189	\$503,978	\$842,192
Patient Transportation - SFMC Vehicles	\$8,934	\$1,587	\$0	\$0	\$0
Patient Transportation - Taxi Vouchers	\$45,169	\$44,950	\$45,826	\$48,980	\$66,325
Senior Wellness and Educational Program	\$18,883	\$22,389	\$6,025	\$323	\$650
Southern California Crossroads Program	\$73,711	\$95,655	\$91,065	\$98,325	\$83,956
Support Groups	\$74,794	\$63,861	\$8,535	\$4,492	\$0
Trauma Injury Prevention Program	\$48,750	\$65,000	\$65,000	\$110,602	\$99,744
Welcome Baby	\$1,527,169	\$1,404,358	\$1,811,567	\$1,712,808	\$1,692,927
Vincentian Service Corp	\$14,912	\$0	\$0	\$0	\$0

Source: Verity Health

Note: Includes grant dollars

The Hospital's community benefit services have supported many important programs for the community including: Baby Friendly, Healthy Community Initiatives, Vida Sana/Healthy Life Community Wellness Program, Trauma & Injury Prevention Program, Children's Counseling Center, Welcome Baby, and others as described below:

- **Baby Friendly Hospital Initiative:** The Baby Friendly Hospital Initiative program's purpose is to encourage breastfeeding rates to reduce childhood illness and death. The three-year grant provided by First 5 LA to fund the program and help the Hospital to achieve its Baby Friendly designation ended in FY 2015. Although the program is closed, the Hospital continues to maintain its Baby Friendly Hospital designation;

- **Children's Counseling Center:** The Children's Counseling Center, located on the Hospital's main campus and in a satellite office in South Gate, provides mental health, case management, and medication services to decrease emotional and behavioral distress. The school-based counselor addresses emotional and behavioral distress and helps reduce barriers to successful learning;
- **COPE Clinical Health Extenders:** The program provides pre-health clinical interns with the opportunity to act as part of a patient-care team to gain clinical experience. The program closed in FY 2018;
- **Health Benefits Resource Center (HBRC):** This grant supported program assists individuals and families to enroll in health insurance and social services programs to improve access to ongoing healthcare coverage. The HBRC also educates residents about the Covered California Medi-Cal program;
- **Healthy Community Initiatives (HCI):** The HCI program brings health screenings, immunizations, and health education directly to area schools, churches, businesses, and community organizations. The HCI program depends in-part on grant funds to support the various health screening initiatives;
- **Paramedic Training and Education:** The program provides paramedic training through the Hospital's emergency department;
- **Patient Transportation – Taxi Vouchers:** The program provides taxi vouchers for individuals without any means for transportation in order to access outpatient care and treatment;
- **Senior Wellness and Educational Program:** The program provides activities and educational sessions that are tailored for seniors. Monthly dinners on the Hospital's main campus offer nutritious and balanced meals and entertainment. Wellness programs address health concerns specific to seniors and flu immunization are also held. Through these activities, seniors benefit from opportunities for regular socialization and health education;
- **Southern California Crossroads Program:** The non-profit organization is committed to assisting young people living in at-risk neighborhoods lead healthy, peaceful, productive lives through prevention and intervention. St. Francis Medical Center partners with Southern California Crossroads as part of the hospital's trauma and injury prevention efforts;
- **St. Francis Career College:** The St. Francis Career College prepares students interested in healthcare professions by providing education and career training, including vocational nursing and certified nurse assistant training. In June 2013, the Hospital transferred

ownership to American Career College. This past year, the American Career College at St. Francis campus closed, however, the Hospital continues to provide on-site clinical rotations for nursing students of American Career College;

- **Trauma and Injury Prevention Program:** The program, which is supported through grant funding, works with schools, hospitals, and other organizations to help prevent traumatic injury. The Hospital collaborates with organizations including Violence Prevention Coalition, HAVEN (Hospitals Against Violence-Empowering Neighborhoods, Every 15 Minutes drunk-driving prevention, ICAN (Inter-Agency Council on Child Abuse and Neglect), Walk This Way safe street crossing, Los Angeles Violence Intervention Training Academy, Urban Peace Academy, and local safety fairs; and
- **Welcome Baby:** The program provides primary care health prevention, parent education, and social services to the Hospital's maternity patients. Services include personalized prenatal care, post-partum care, and hospital visits with a Parent Coach. First 5 LA, a nonprofit child-advocacy organization, fully funds the Hospital's Welcome Baby program.

Reproductive Health

For Calendar Year (CY) 2017, the Hospital reported 262 inpatient discharges related to reproductive health services. The table below lists reproductive services by diagnostic related group discharges for CY 2017.

ST. FRANCIS MEDICAL CENTER	
CY 2017 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	CY 2017
778-Threatened Abortion	77
767-Vaginal Delivery with Sterilization &/or D&C ¹	36
776-Postpartum & Post Abortion Diagnoses without O.R. Procedure	33
777-Ectopic Pregnancy	32
770-Abortion with D&C, Aspiration Curettage or Hysterotomy ¹	20
779-Abortion without D&C ¹	20
776-Postpartum and Post Abortion Diagnoses without O.R. Procedure	12
769-Postpartum & Post Abortion Diagnoses with O.R. Procedure	11
767-Vaginal Delivery with Sterilization and/or D&C ¹	8
770-Abortion With D&C, Aspiration Curettage or Hysterotomy ¹	6
769-Postpartum and Post Abortion Diagnoses with O.R. Procedure	4
779-Abortion Without D&C ¹	2
768-Vaginal Delivery with O.R. Proc Except Sterilization &/Or D&C ¹	1
Total Discharges	262

Source: OSHPD Inpatient Discharge Database, CY 2017

¹D&C is an abbreviation for Dilation and Curettage

- Out of the 13 diagnostic related groups, 778-Threatened Abortion has the highest number of inpatient reproductive health discharges at the Hospital.

Analysis of the Hospital's Service Area

Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

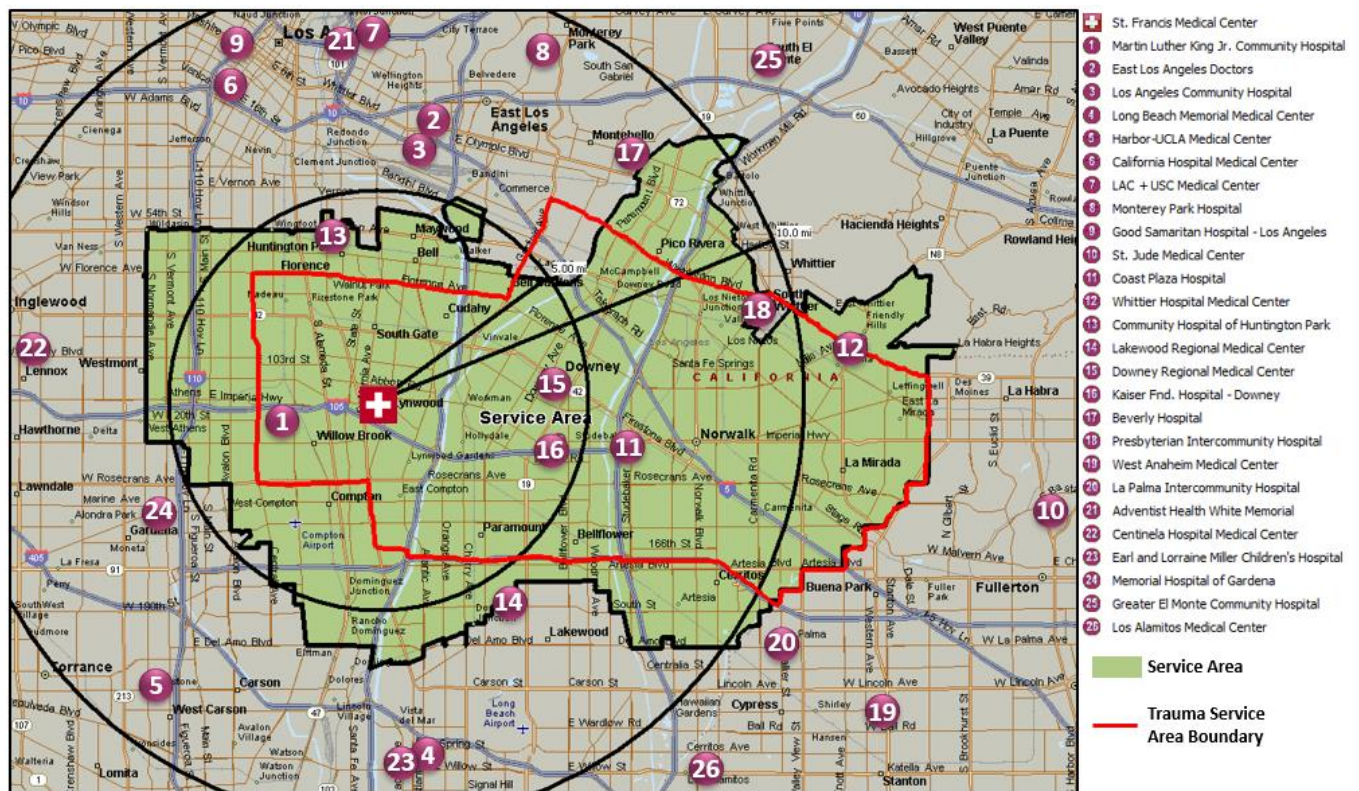
PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
Sub-Total		16,845	75.4%	75.4%	10.5%	160,828
All Other		5,504	24.6%	100%		
Grand Total		22,349	100%			

Source: OSHPD Discharge Database, CY 2017

Service Area Map

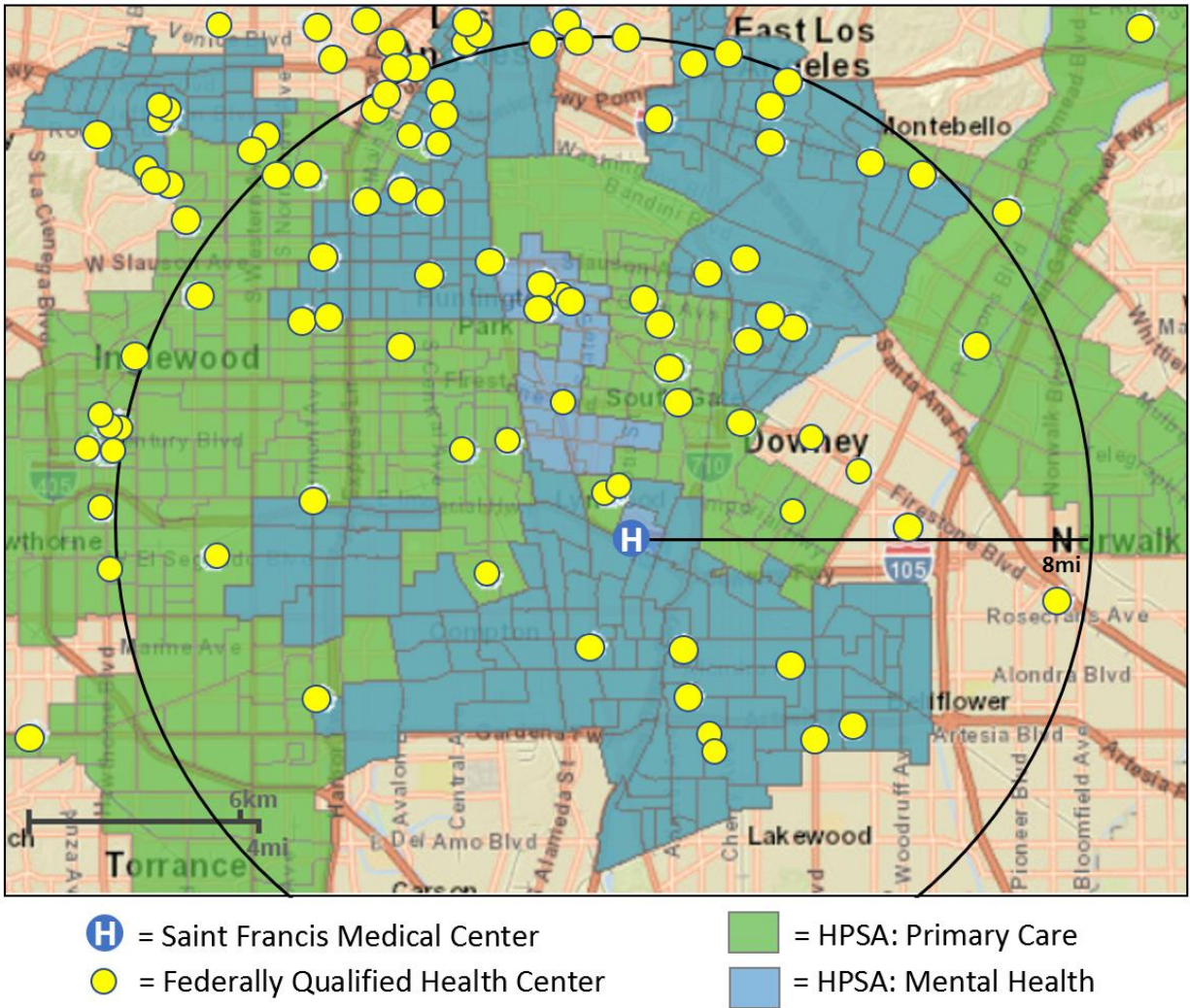
The Hospital's service area, with approximately 1.7 million residents, includes the communities of Lynwood, South Gate, Los Angeles, Compton, Bell Gardens, Huntington Park, Paramount, Maywood, Long Beach, Downey, Bellflower, Whittier, La Mirada, Artesia, Santa Fe Springs, and Pico Rivera.

There are eight other hospitals located within the Hospital's service area, including Downey Regional Medical Center, Community Hospital of Huntington Park, Martin Luther King, Jr. Community Hospital, and Whittier Hospital Medical Center. Lakewood Regional Medical Center, Memorial Hospital of Gardena, Presbyterian Intercommunity Hospital, Los Angeles Community Hospital, and Centinela Hospital Medical Center are located just outside of the service area but provide healthcare services to service area residents. The Hospital is the inpatient market share leader in the service area.



Health Professional Shortage Areas (HPSA)

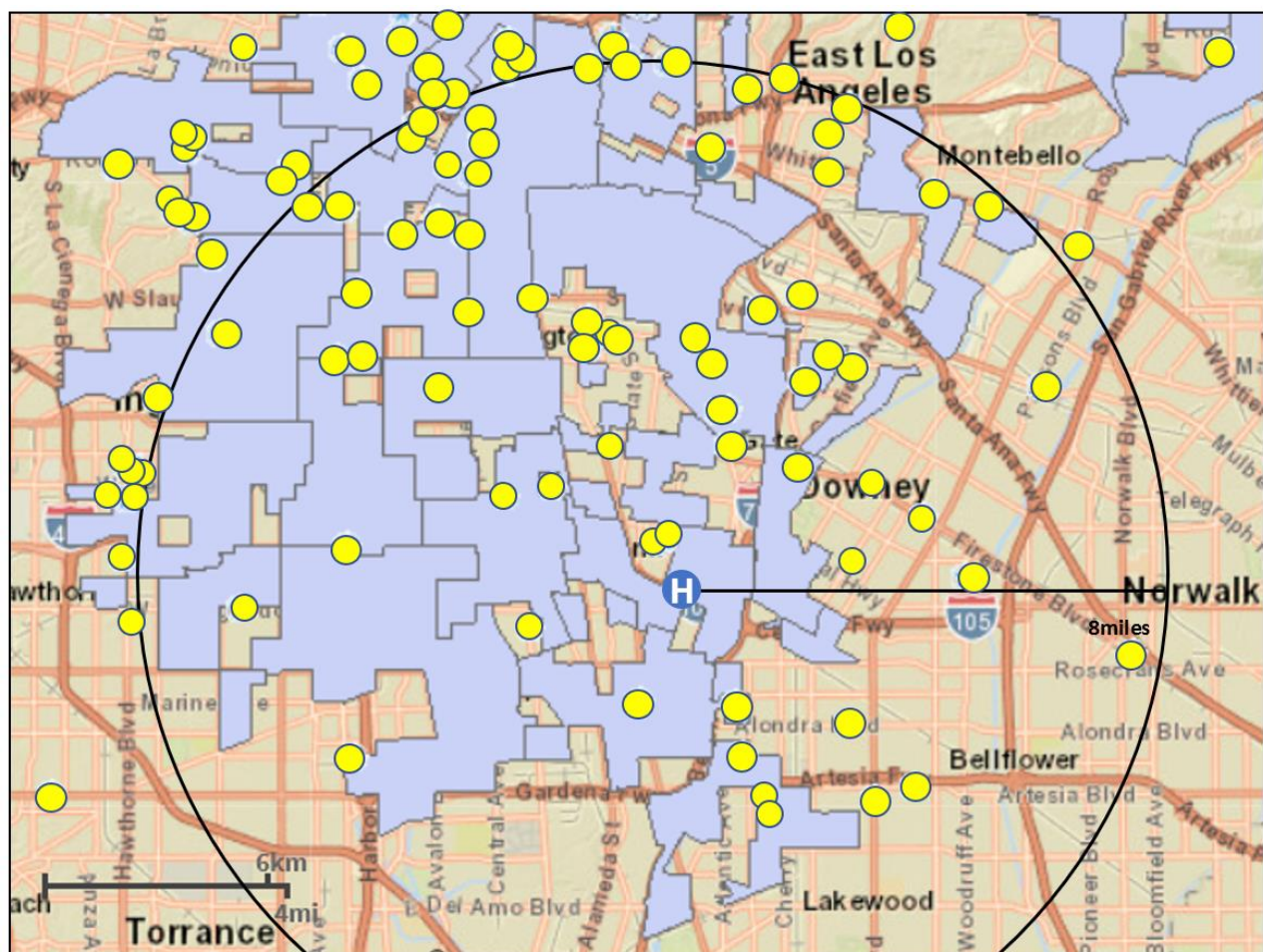
The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). The Hospital's location, and the majority of its service area, is designated as a Health Professional Shortage Area. The map below depicts these shortage areas relative to the Hospital's location.



Source: Health Resource & Services Administration & The California Department of Health and Human Services

Medically Underserved Areas & Medically Underserved Populations

Medically Underserved Areas and Medically Underserved Populations are defined by the Federal Government to include areas or population groups that demonstrate a shortage of healthcare services. This designation process was originally established to assist the government in allocating community health center grant funds to the areas of greatest need. Medically Underserved Areas are identified by calculating a composite index of need indicators compiled and compared with national averages to determine an area's level of medical "under service." Medically Underserved Populations are identified based on documentation of unusual local conditions that result in access barriers to medical services. Medically Underserved Areas and Medically Underserved Populations are permanently set and no renewal process is necessary. The map below depicts the Medically Underserved Areas /Medically Underserved Populations relative to the Hospital's location.



 = St. Francis Medical Center

 = Medically Underserved Area/Populations

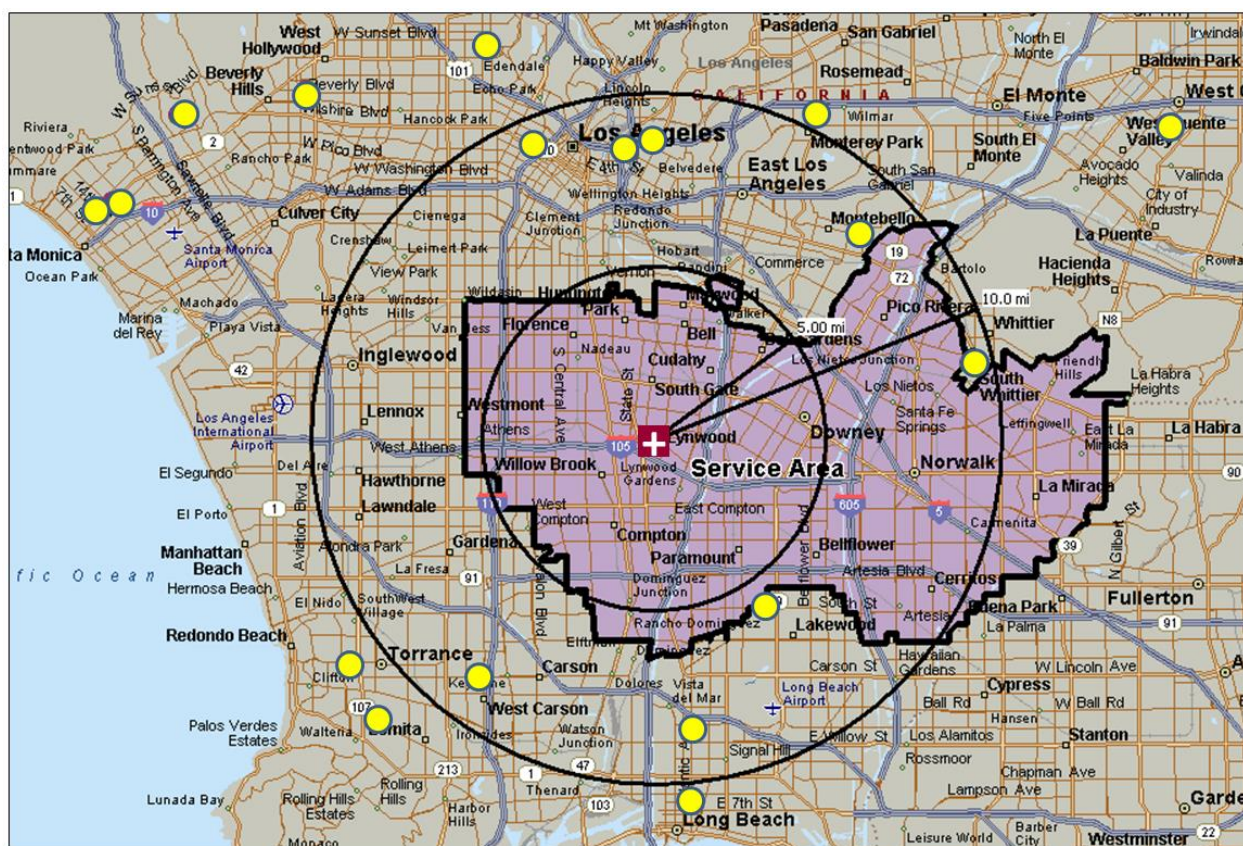
 = Federally Qualified Health Center

The census tract in which the Hospital is located is in a designated Medically Underserved Areas/Medically Underserved Populations area.

There are over 50 Federally Qualified Health Centers within an 8-mile radius of the Hospital. They are health clinics that qualify for enhanced reimbursement from Medicare and Medicaid. They must provide primary care services to an underserved area or population, offer a sliding fee scale, have an ongoing quality assurance program, and have a governing board of directors. The ACA included provisions that increased federal funding to Federally Qualified Health Centers to help meet the anticipated demand for healthcare services by those individuals who gained healthcare coverage through the various health exchanges. Many of the area Federally Qualified Health Centers' patients utilize the services of the Hospital.

STEMI Receiving Centers in Los Angeles County

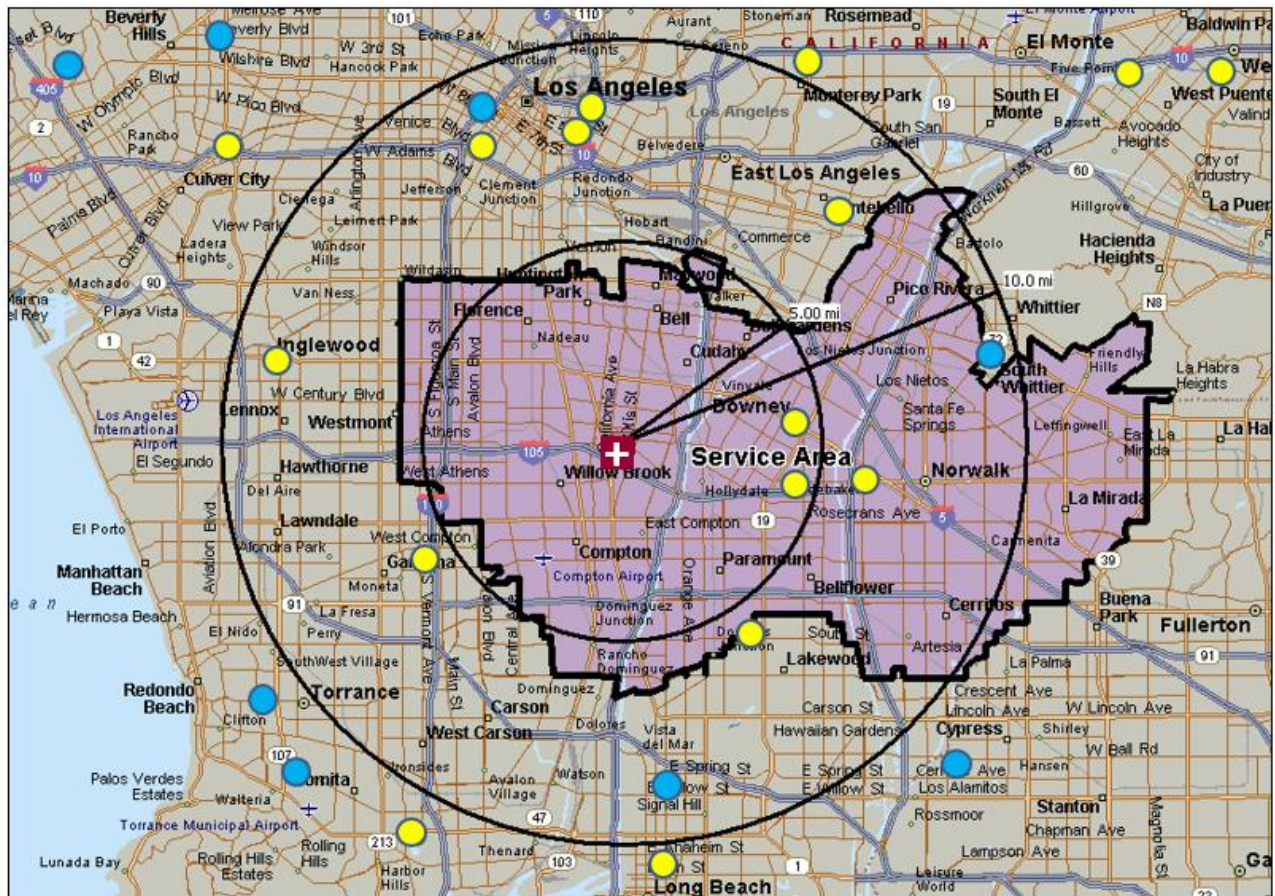
Within Los Angeles County, there are 36 STEMI Receiving Centers that administer percutaneous coronary intervention for patients experiencing an acute heart attack. The Hospital is the only STEMI Receiving Center within the Hospital's service area and is an important provider of percutaneous coronary intervention treatment services for service area residents.



- + = St. Francis Medical Center
- = Service Area
- = STEMI Receiving Center

Certified Stroke Centers in Los Angeles County

As of May 2019, there were 49 stroke centers certified through the Joint Commission within Los Angeles County. This includes 15 Comprehensive Stroke Centers and 34 Primary Stroke Centers. The Hospital, Downey Regional Medical Center, Coast Plaza Doctors Hospital, and Kaiser Foundation Hospital – Downey are the other certified Primary Stroke Centers within the Hospital's service area.

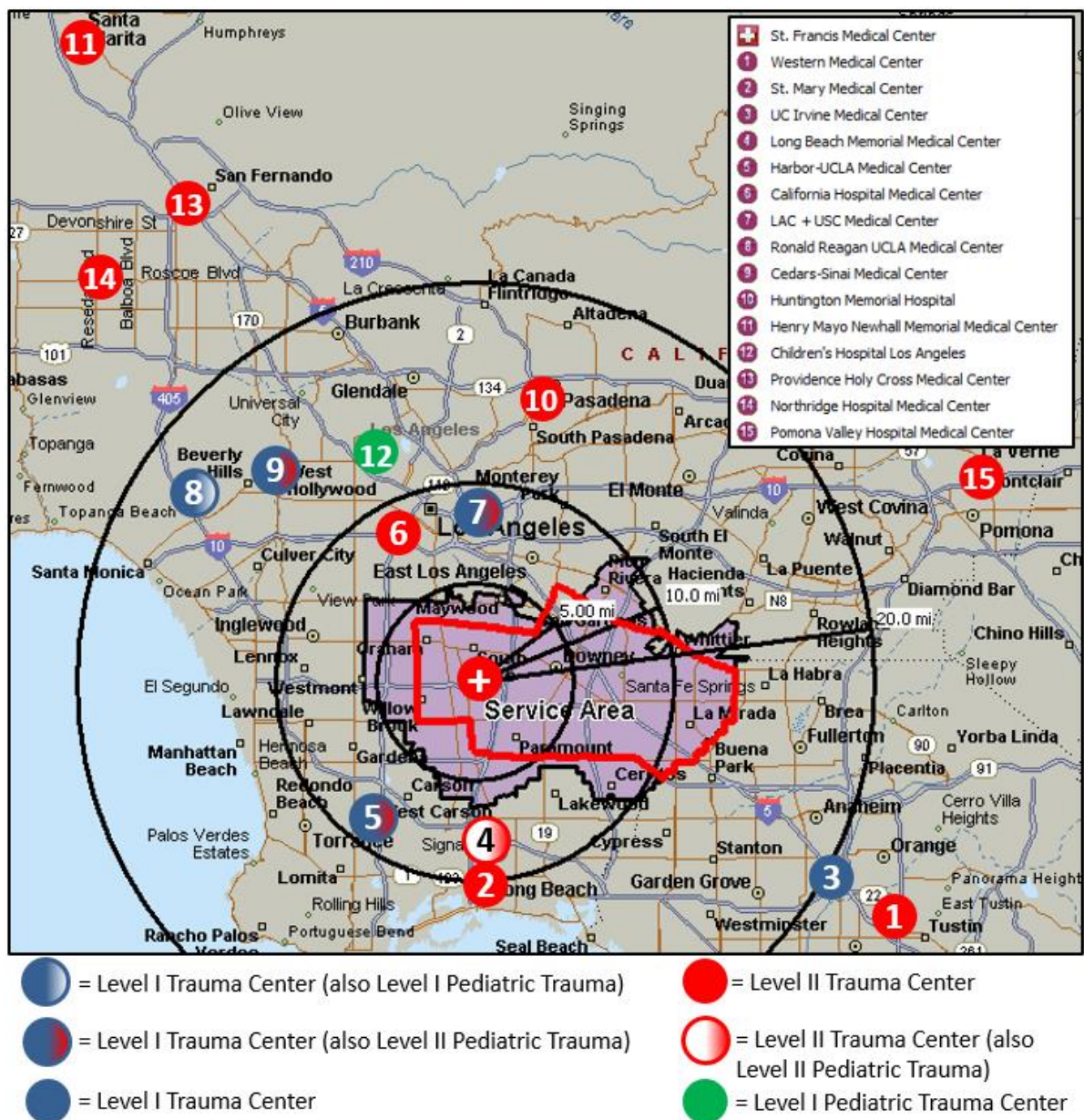


- + = St. Francis Medical Center
- = Primary Stroke Center
- = Service Area
- = Comprehensive Stroke Center

Service Area Trauma Services

The American College of Surgeons' Committee on Trauma classifies trauma centers as Level I through Level IV. Level I Trauma Centers provide the highest level of trauma care, while those designated as Level IV provide initial trauma care and transfer trauma patients to a higher-level trauma center if necessary.

The map below illustrates the Hospital's trauma service area boundary, as defined by the Emergency Medical Services Agency – Los Angeles County, relative to other area trauma centers within Los Angeles and north Orange County.



The Hospital is a Level II Trauma Center and is thus required to have emergency and surgical services available 24 hours a day and on-call coverage in place for select specialists including neurosurgeons, pulmonologists, intensivists, trauma surgeons, anesthesiologists, and orthopedists. A Level II Trauma Center must also have an in-house lab and be able to provide immediate advanced life support for air and ambulance transport, as well as have the necessary equipment and staff available in the intensive care unit, emergency department, and operating rooms.

- The Hospital is the only trauma center in the service area;
- There are four other trauma centers located within 10 miles of the Hospital: Long Beach Memorial Medical Center, Harbor – UCLA Medical Center, California Hospital Medical Center, and LAC+USC Medical Center;
- The Hospital's trauma boundary includes the cities of Bellflower, Bell Gardens, Cerritos, Compton, Downey, La Mirada, Lynwood, Norwalk, Paramount, Pico Rivera, and South Gate; and
- As one of the busiest emergency trauma centers in Los Angeles County, the Hospital provides care to over 2,200 trauma patients per year via a network of air and ground transportation capabilities.

Demographic Profile

The Hospital's service area population is projected to grow 2% over the next five years. This is lower than the expected growth rate for Los Angeles County (2.7%) and lower than the State of California (4.1%).

SERVICE AREA POPULATION STATISTICS			
	2018 Estimate	2023 Projection	% Change
Total Population	1,661,973	1,695,615	2.0%
Total Households	429,860	436,044	1.4%
Percentage Female	50.9%	50.7%	-

Source: Esri

The ethnicity with the largest population in the Hospital's service area is White (42.2%) followed by Some Other Race (34.6%) and Black (11.5%). Approximately 73.5% of the service area population is of Hispanic origin. This is higher than Los Angeles County (48.0%) and higher than the California non-Hispanic population of (61.0%).

SERVICE AREA POPULATION RACE/ETHNICITY		
	2018 Estimate	2023 Projection
White	42.2%	42.5%
Black	11.5%	10.9%
Asian Indian Alone	0.8%	0.8%
Asian Alone	6.4%	6.7%
Pacific Islander Alone	0.4%	0.4%
Some Other Race Alone	34.6%	34.7%
Two or More Races	4.1%	4.1%
Total	100%	100%
Hispanic Origin	73.5%	74.6%
Non-Hispanic or Latino	26.5%	25.4%
Total	100%	100%

Source: Esri

The median age of the population in the Hospital's service area is 31.1 years and is younger than the statewide median age of 34.3 years. The percentage of adults over the age of 65 is the fastest growing age cohort, increasing by approximately 18.4% between 2018 and 2023.

SERVICE AREA POPULATION AGE DISTRIBUTION				
	2018 Estimate		2023 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	387,132	23.3%	382,971	22.6%
Age 15-44	755,041	45.4%	756,687	44.6%
Age 45-64	354,304	21.3%	361,387	21.3%
Age 65+	165,496	10.0%	194,570	11.5%
Total	1,661,973	100.0%	1,695,615	100.0%
Female 15-44	378,803	22.8%	376,267	22.2%
Median Age	31.1		33	

Source: Esri

The Hospital's service area households have an average median household income of \$51,424. This is 22% lower than the Los Angeles County average of \$62,751 and 35% lower than the State of California average of \$69,051. The percentage of higher-income households (\$150,000+) in the Hospital's service area is projected to grow at a faster rate (7%) than the Los Angeles County rate of (5.8%) and the State of California rate of approximately (6.0%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION						
	2018 Estimate			2023 Projection		
	Service Area	Los Angeles County	California	Service Area	Los Angeles County	California
\$0 - \$15,000	12.2%	11.0%	9.6%	10.4%	9.1%	8.0%
\$15 - \$24,999	11.3%	9.2%	8.3%	9.6%	7.6%	6.8%
\$25 - \$34,999	10.6%	8.3%	7.8%	9.2%	7.1%	6.5%
\$35 - \$49,999	14.6%	11.6%	11.1%	13.5%	10.4%	9.9%
\$50 - \$74,999	18.6%	16.5%	16.1%	18.5%	15.8%	15.2%
\$75 - \$99,999	12.1%	11.7%	12.2%	13.0%	12.1%	12.3%
\$100 - \$149,999	12.9%	14.9%	16.1%	15.4%	16.7%	17.7%
\$150,000 - \$199,999	4.4%	7.2%	8.1%	5.6%	8.5%	9.6%
\$200,000+	3.2%	9.6%	10.7%	4.6%	12.6%	14.0%
Total	100%	100%	100%	100%	100%	100%
Median Household Income	\$51,242	\$62,751	\$69,051	\$57,444	\$74,905	\$81,023

Source: Esri

Medi-Cal Eligibility

With the implementation of the ACA and the statewide expansion of Medi-Cal, 13.2 million of the State of California's population are eligible for Medi-Cal (33% of California's population). In Los Angeles County, the California Department of Health Care Services estimated 3,895,310 people were eligible for Medi-Cal in September 2018 (37% of Los Angeles County's population). Out of the total estimated population in Los Angeles County, 29% of the population was enrolled for Medi-Cal Managed Care. Since the population in the Hospital's service area is poorer than Los Angeles County, it is expected that the percent eligible for Medi-Cal would exceed 29%. Medi-Cal eligibility could be significantly affected in the coming years by the potential change or repeal of the ACA.

Selected Health Indicators

A review of health indicators for Los Angeles County (deaths, diseases, and births) is shown below.

NATALITY STATISTICS: 2019			
Health Status Indicator	Los Angeles County	California	National Goal
Low Birth Weight Infants	7.2%	6.8%	7.8%
First Trimester Prenatal Care	84.8%	83.6%	77.9%
Adequate/Adequate Plus Care	80.7%	79.2%	77.6%

Source: California Department of Public Health

Los Angeles County had higher morbidity rates for six of the eight health status indicators than the State of California;

MORBIDITY STATISTICS: 2019 RATE PER 100,000 POPULATION			
Health Status Indicator	Los Angeles County	California	National Goal
HIV/AIDS Incidence (Age 13 and Over) ¹	595.9	397.7	a
Chlamydia Incidence	589.4	514.6	c
Gonorrhea Incidence Female Age 15-44	277.3	252.4	251.9
Gonorrhea Incidence Male Age 15-44	616.7	444.8	194.8
Tuberculosis Incidence	5.8	5.3	1
Congenital Syphilis	29.4	44.4	9.6
Primary Secondary Syphilis Female	2.4	3.5	1.3
Primary Secondary Syphilis Male	33.4	26.2	6.7

Source: California Department of Public Health. Note: Crude death rates, crude case rates, and age-adjusted death rates are per 100,000 population.

¹ California Department of Public Health, Office of AIDS, Surveillance Section reporting periods are: Current Period 2014-2016, Previous Period 2011-2013.

a: Healthy People 2020 (HP 2020) National Objective has not been established.

b: National Objective is based on both underlying and contributing cause of death which requires use of multiple cause of death files. California's data exclude multiple/contributing causes of death.

c: Prevalence data are not available in all California counties to evaluate the Healthy People 2020 National Objective STD-1, as the Healthy People objective is restricted to females who are 15-24 years old and identified at a family planning clinic, and males and females under 24 years old who participate in a national job-training program.

The overall age-adjusted mortality rate for Los Angeles County is higher than that of the State of California. Los Angeles County reported higher age-adjusted mortality rates on 17 of the 18 causes.

MORTALITY STATISTICS: 2019				
RATE PER 100,000 POPULATION				
Selected Cause	Los Angeles County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	615.7	574.1	641.1	N/A
- All Cancers	142.2	132.8	151.0	161.4
- Colorectal Cancer	14.0	13.1	13.9	14.5
- Lung Cancer	26.4	24.8	33.6	45.5
- Female Breast Cancer	21.7	18.5	20.7	20.7
- Prostate Cancer	16.8	19.2	20.2	21.8
- Diabetes	24.6	22.9	20.8	N/A
- Alzheimer's Disease	39.1	35.6	30.8	N/A
- Coronary Heart Disease	110.7	101.7	103.8	103.4
- Cerebrovascular Disease (Stroke)	36.3	34.0	35.9	34.8
- Influenza/Pneumonia	20.1	18.7	16.3	N/A
- Chronic Lower Respiratory Disease	29.9	28.2	35.9	N/A
- Chronic Liver Disease And Cirrhosis	14.4	13.2	11.7	8.2
- Accidents (Unintentional Injuries)	24.7	23.7	27.9	36.4
- Motor Vehicle Traffic Crashes	8.2	7.9	7.6	12.4
- Suicide	8.3	8.0	10.2	10.2
- Homicide	6.1	6.1	5.1	5.5
- Firearm-Related Deaths	7.6	7.4	7.8	9.3
- Drug-Induced Deaths	8.8	8.5	11.1	11.3

Source: California Department of Public Health

2016 Community Health Needs Assessment

In an effort to understand the communities served by the Hospital, their most critical healthcare needs, and the resources available to meet those needs, the Hospital conducts a Community Health Needs Assessment every three years. The Hospital's most recent 2016 assessment incorporated primary data collected through interviews, focus groups and surveys. Secondary data was gathered from a variety of studies and reports compiled by numerous organizations at the local, state, and national levels.

The Hospital defined its service area for purposes of the assessment to include the communities that correspond to Service Planning Areas 6, 7, and 8.

- The communities of Service Planning Area 6 include: Athens, Compton, Crenshaw, Florence, Hyde Park, Lynwood, Paramount, and Watts;
- The communities of Service Planning Area 7 include: Artesia, Bell, Bellflower, Bell Gardens, Cerritos, City of Commerce, City Terrace, Cudahy, Downey, East Los Angeles, Hawaiian Gardens, Huntington Park, La Habra Heights, Lakewood, La Mirada, Los Nietos, Maywood, Montebello, Norwalk, Pico Rivera, Santa Fe Springs, Signal Hill, South Gate, Vernon, Walnut Park, Whittier, and others; and
- The communities of Service Planning Area 8 include: Athens, Avalon, Carson, Catalina Island, El Segundo, Gardena, Harbor City, Hawthorne, Inglewood, Lawndale, Lennox, Long Beach, Hermosa Beach, Manhattan Beach, Palos Verdes Estates, Rancho Dominguez, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, San Pedro, and Wilmington.

Based on findings from the 2016 Community Health Needs Assessment, the following priorities were identified as the most important health and socioeconomic needs:

- Primary Issues: Homelessness, diabetes, obesity, high blood pressure, high cholesterol and allergies/influenza were among the primary issues the communities faced;
- Health Outcomes: Coronary heart disease, stroke, lung cancer, diabetes, COPD and Alzheimer's were the top five leading causes of death and premature deaths per 100,000 individuals. All of the conditions except Alzheimer's had the highest rates among African Americans;
- Social Determinants: High rates of individuals below the federal poverty level, air pollution, high unemployment rates, lower median household incomes and lower educational attainment, substance abuse, obesity, HIV/AIDS/STDs, and environmental health; and
- Clinical Care: Poor access to primary care and behavioral health, untreated mental health issues, lack of preventive screenings for cancer, and inadequate prenatal care.

Hospital Supply, Demand & Market Share

There are nine other general acute care hospitals within the Hospital's service area that, together with the Hospital, have a combined total of 2,334 licensed beds and an aggregate occupancy rate of approximately 53%. Hospitals in the service area run at occupancy rates that range between 29% at Coast Plaza Hospital to approximately 82% at College Hospital.

An analysis of the services offered by the Hospital in comparison to services offered by other providers is shown on the following pages. The hospitals listed in the table below were analyzed to determine area hospital available bed capacity by service.

SERVICE AREA HOSPITAL DATA 2018								
Hospital	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles from Hospital
St. Francis Medical Center	Lynwood	X	384	22,687	105,438	268.9	75.2%	-
Martin Luther King, Jr Community Hospital	Los Angeles	X	131	8,170	33,646	92.2	70.4%	2.9
Kaiser Foundation Hospital - Downey*	Downey	X	352	15,809	50,868	139.4	39.6%	4.8
PIH Health Hospital - Downey	Downey	X	199	8,155	28,986	79.4	39.9%	5.0
Community Hospital of Huntington Park*	Huntington Park	X	81	3,421	14,514	39.8	49.1%	5.4
Coast Plaza Hospital*	Norwalk	X	117	2,841	12,304	33.7	28.8%	6.6
College Hospital*	Cerritos	X	187	5,645	56,012	153.0	82.1%	8.0
Lakewood Regional Medical Center	Lakewood	X	172	8,884	40,369	110.6	64.3%	9.1
PIH Health Hospital - Whittier	Whittier	X	533	19,148	78,841	215.4	40.5%	10.9
Whittier Hospital Medical Center	Whittier	X	178	7,629	34,282	93.9	52.8%	12.8
SUB-TOTAL			2,334	102,389	455,260	1,247.3	53.4%	
Memorial Hospital of Gardena*	Gardena		172	6,266	47,038	128.9	74.9%	7.9
Los Angeles Community Hospital	Los Angeles		212	11,031	64,359	176.3	83.2%	9.0
Centinel Hospital Medical Center*	Inglewood		369	15,767	61,353	168.1	45.6%	9.0
Miller Children's & Women's Hospital	Long Beach		357	15,233	15,097	41.4	11.6%	9.1
MemorialCare Long Beach Medical Center	Long Beach		453	20,815	103,416	283.3	62.5%	9.2
Beverly Hospital*	Montebello		224	9,217	37,375	102.4	45.7%	9.7
Monterey Park Hospital	Monterey Park		101	5,286	19,407	53.2	52.6%	9.9
Los Angeles County/Harbor-UCLA Medical Center	Torrance		453	17,147	96,001	263.0	58.1%	11.1
California Hospital Medical Center	Los Angeles		318	18,544	66,139	181.2	57.0%	13.2
Gardens Regional Hospital & Medical Center*	Hawaiian Gardens		137	1,928	9,881	27.1	19.8%	13.2
East Los Angeles Doctor's Hospital*	Los Angeles		127	3,209	22,551	61.8	48.6%	13.5
Good Samaritan Hospital - Los Angeles	Los Angeles		408	12,856	58,392	160.0	39.2%	13.9
Adventist Health White Memorial*	Los Angeles		345	19,531	74,138	203.1	58.9%	14.1
LAC+USC Medical Center	Los Angeles		670	30,206	177,506	486.3	72.6%	14.5
La Palma Intercommunity Hospital*	La Palma		140	3,429	15,961	43.7	31.2%	15.3
Pacific Alliance Medical Center*	Los Angeles		138	4,516	17,204	47.1	34.2%	15.3
Children's Hospital Los Angeles	Los Angeles		495	17,202	115,105	315.4	63.7%	18.6
Cedars - Sinai Medical Center	Los Angeles		886	20,136	250,672	686.8	77.5%	21.4
TOTAL			8,339	334,708	1,706,855	4,676.3	56.1%	

Source: OSHPD Disclosure Reports

* 2017 Data

- The Hospital's 384 licensed beds represent approximately 16% of the area's beds, and inpatient volume accounts for approximately 22% of discharges and 23% of patient days; and
- The Hospital's occupancy rate of 75% is averaged over the entire year and is likely much higher in the winter months when flu season is in effect.

An analysis of the services and capacity of the Hospital in comparison to other hospitals is shown on the following pages.

Hospital Market Share

The table below shows inpatient service area market share by hospital from CY 2013 to CY 2017.

SERVICE AREA MARKET SHARE BY HOSPITAL, CY 2013-2017						
Hospital	2013	2014	2015	2016	2017	Trend
St. Francis Medical Center	9.8%	9.8%	10.1%	10.2%	10.5%	↗
Kaiser Foundation Hospital - Downey	8.4%	8.4%	8.3%	7.8%	7.7%	↘
PIH Hospital - Whittier	6.8%	6.9%	7.0%	6.4%	6.5%	→
Miller Childrens Hospital	4.3%	4.3%	4.2%	4.4%	4.4%	→
PIH Hospital - Downey	5.2%	5.2%	4.2%	4.1%	4.2%	↘
Martin Luther King, Jr. Community Hospital	-	-	0.9%	3.4%	4.0%	↗
LAC/Harbor-UCLA Medical Center	4.2%	4.2%	3.6%	3.6%	3.5%	↘
Lakewood Regional Medical Center	3.3%	3.3%	3.4%	3.3%	3.5%	↗
Long Beach Memorial Medical Center	3.3%	3.3%	3.3%	3.3%	3.3%	→
California Hospital Medical Center - Los Angeles	2.5%	2.5%	2.6%	2.7%	2.8%	↗
LAC+USC Medical Center	3.1%	3.1%	2.8%	2.9%	2.8%	→
Adventist Health White Memorial	2.7%	2.5%	2.6%	2.5%	2.6%	→
Centinela Hospital Medical Center	3.0%	3.0%	2.8%	2.4%	2.1%	↘
Whittier Hospital Medical Center	2.1%	2.1%	2.3%	2.2%	2.1%	→
Beverly Hospital	1.7%	1.7%	1.6%	1.6%	1.7%	→
Community Hospital of Huntington Park	2.0%	2.0%	1.6%	1.5%	1.6%	→
Coast Plaza Hospital	1.7%	1.7%	1.8%	1.7%	1.5%	↘
St. Mary Medical Center - Long Beach	1.2%	1.2%	1.3%	1.5%	1.5%	↗
Children's Hospital of Los Angeles	1.1%	1.1%	1.3%	1.4%	1.4%	↗
Memorial Hospital Of Gardena	1.7%	1.7%	1.8%	1.5%	1.4%	↘
Norwalk Community Hospital	1.3%	1.3%	1.2%	1.2%	1.2%	→
Kaiser Foundation Hospital - Los Angeles	1.1%	1.1%	1.1%	1.1%	1.2%	→
Kaiser Foundation Hospital - South Bay	1.2%	1.3%	1.3%	1.2%	1.1%	→
Cedars Sinai Medical Center	1.0%	1.0%	1.0%	1.1%	1.1%	→
Los Angeles Community Hospital	1.2%	1.2%	1.1%	1.0%	1.0%	→
All Other	26.1%	26.1%	26.8%	26.0%	25.4%	↘
Total Percentage	100%	100%	100%	100%	100%	
Total Discharges	160,786	160,356	161,005	162,830	160,828	→

Source: OSHPD Discharge Database, CY 2013-2017

Note: Excludes normal newborns

- From CY 2013 to CY 2017, the Hospital has ranked first in overall service area market share based on discharges. The Hospital grew market share from 9.8% in CY 2013 to 10.5% in CY 2017 in a relatively stable market reporting about 160,000 inpatient discharges annually;
- PIH Hospital - Whittier, located 11 miles away, is third in market share (Kaiser Foundation Hospital is second) in the service area with 6.5% market share;

- Martin Luther King, Jr. Community Hospital has increased service area market share considerably, from 0.9% in CY 2015 to 4.0% in CY 2017 (the hospital reopened in July 2015); and
- No SGM hospitals have any significant inpatient market share in the Hospital's service area.

Market Share by Payer Type

The following table shows service area inpatient market share by payer type for CY 2017.

HOSPITAL MARKET SHARE BY PAYOR TYPE, CY 2017											
Payor Type	Total Discharges	St. Francis Medical Center	Kaiser Foundation Hospital - Downey	PIH Hospital - Whittier	Miller Childrens Hospital	PIH Hospital - Downey	Martin Luther King, Jr. Community Hospital	LAC/Harbor-UCLA Medical Center	Lakewood Regional Medical Center	All Others	Total
Medi-Cal	74,571	14.1%	1.9%	2.5%	7.3%	2.4%	6.0%	6.1%	1.7%	57.9%	100%
Medicare	49,258	9.1%	8.0%	11.9%	0.0%	7.1%	3.3%	1.1%	6.0%	53.6%	100%
Private Coverage	31,523	3.6%	22.1%	8.2%	4.9%	3.9%	0.6%	0.5%	3.8%	52.4%	100%
All Other	3,175	4.3%	0.4%	2.9%	1.5%	1.4%	3.5%	7.9%	1.7%	76.4%	100%
Self Pay	2,301	24.8%	5.2%	3.9%	1.3%	3.8%	1.8%	4.1%	2.1%	53.1%	100%
Total Percentage		10.5%	7.7%	6.5%	4.4%	4.2%	4.0%	3.5%	3.5%	55.8%	100%
Total Discharges	160,828	16,845	12,417	10,496	7,111	6,680	6,405	5,577	5,556	89,741	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest payer category of service area inpatient discharges is Medi-Cal with 74,571 inpatient discharges (46%), followed by Medicare with 49,258 inpatient discharges (31%), and Private Coverage with 31,523 inpatient discharges (20%);
- The Hospital is the market share leader for Medi-Cal (14%) and Self-Pay (25%);
- Kaiser Foundation Hospital - Downey is the inpatient leader for Private Coverage with over 22% market share; and
- PIH Hospital - Whittier is the inpatient leader for Medicare with 12% market share.

Market Share by Service Line

The following table shows service area inpatient market share by service line for CY 2017.

HOSPITAL MARKET SHARE BY SERVICE LINE, CY 2017											
Service Line	Total Discharges	St. Francis Medical Center	Kaiser Foundation Hospital - Downey	PIH Hospital - Whittier	Miller Childrens Hospital	PIH Hospital - Downey	Martin Luther King, Jr. Community Hospital	LAC/Harbor-UCLA Medical Center	Lakewood Regional Medical Center	All Others	Total
General Medicine	51,344	9.0%	6.3%	6.8%	3.3%	5.4%	6.0%	2.9%	4.7%	55.6%	100%
Obstetrics	24,227	16.8%	13.9%	4.6%	11.2%	3.7%	2.3%	1.6%	0.1%	45.9%	100%
Cardiac Services	17,755	11.0%	5.4%	9.1%	0.4%	5.5%	6.0%	2.8%	6.0%	53.6%	100%
General Surgery	13,087	7.7%	7.1%	7.7%	3.1%	4.0%	3.9%	6.8%	3.8%	56.0%	100%
Behavioral Health	12,261	10.2%	0.4%	0.5%	0.1%	0.2%	1.0%	1.2%	0.7%	85.7%	100%
Neurology	8,120	10.9%	5.5%	8.9%	2.0%	4.1%	4.8%	2.9%	4.5%	56.4%	100%
Neonatology	7,641	11.2%	20.6%	4.0%	16.3%	1.5%	1.4%	2.9%	0.0%	42.1%	100%
Orthopedics	7,536	6.9%	9.8%	11.7%	2.2%	5.6%	1.8%	4.7%	5.7%	51.6%	100%
Oncology/Hematology	5,012	7.2%	7.9%	5.2%	3.9%	4.4%	2.5%	8.2%	3.6%	57.0%	100%
Gynecology	2,358	8.4%	6.9%	5.0%	1.4%	4.5%	1.5%	11.3%	2.8%	58.1%	100%
Other	2,255	13.5%	5.3%	7.6%	4.6%	3.2%	2.3%	6.8%	3.9%	52.7%	100%
ENT	1,997	10.0%	2.4%	3.8%	9.8%	3.2%	2.0%	8.2%	2.6%	58.1%	100%
Vascular Services	1,941	12.5%	5.5%	9.1%	0.3%	3.1%	3.0%	4.4%	5.7%	56.4%	100%
Urology	1,840	6.8%	7.3%	5.9%	2.0%	4.2%	3.2%	6.7%	3.6%	60.3%	100%
Spine	1,799	8.6%	7.6%	12.8%	1.3%	1.6%	0.9%	2.9%	4.8%	59.5%	100%
Neurosurgery	1,008	5.1%	1.0%	10.2%	3.9%	1.8%	0.5%	3.7%	2.2%	71.7%	100%
Ophthalmology	282	9.6%	2.1%	4.3%	4.3%	2.1%	3.5%	14.9%	0.4%	58.9%	100%
No-match-found	260	3.8%	1.9%	4.6%	1.5%	0.4%	2.3%	5.8%	2.3%	77.3%	100%
Total Percentage		10.5%	7.7%	6.5%	4.4%	4.2%	4.0%	3.5%	3.5%	55.8%	100%
Total Discharges	160,828	16,845	12,417	10,496	7,111	6,680	6,405	5,577	5,556	89,741	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is a service line leader in 7 of 19 service lines including: general medicine (9.0%), obstetrics (16.8%), cardiac services (11.0%), behavioral health (10.2%), neurology (10.9%), ear/nose/throat (10.0%), and vascular services (12.5%);
- Kaiser Foundation Hospital – Downey is the service line leader in neonatology (20.6%) and urology (7.3%);
- PIH Hospital – Whittier is the service line leader in 4 of 19 service lines including: general surgery (7.7%), orthopedics (11.7%), spine (12.8%), and neurosurgery (10.2%) and ophthalmology (50%); and
- LAC/ Harbor UCLA Medical Center is the service line leader in oncology/hematology (8.2%), gynecology (11.3%), and ophthalmology (14.9%).

Market Share by ZIP Code

The following table shows service area inpatient market share by ZIP Code for CY 2017.

HOSPITAL MARKET SHARE BY ZIP CODE, CY 2017												
ZIP Code	Community	Total Discharges	St. Francis Medical Center	Kaiser Foundation Hospital - Downey	PIH Hospital - Whittier	Miller Childrens Hospital	PIH Hospital - Downey	Martin Luther King, Jr. Community Hospital	LAC/Harbor-UCLA Medical Center	Lakewood Regional Medical Center	All Others	Total
90044	Los Angeles	11,994	4.5%	1.1%	0.1%	1.8%	0.3%	5.9%	6.4%	0.2%	79.7%	100%
90650	Norwalk	10,373	3.3%	11.6%	8.9%	3.4%	6.4%	0.2%	1.8%	3.9%	60.6%	100%
90805	Long Beach	9,940	2.7%	6.0%	0.2%	15.0%	0.6%	0.4%	3.1%	11.4%	60.5%	100%
90201	Bell	8,363	16.3%	7.7%	1.9%	3.4%	12.0%	0.7%	2.2%	1.2%	54.5%	100%
90003	Los Angeles	8,209	7.6%	1.9%	0.1%	1.5%	0.3%	11.4%	6.1%	0.3%	70.7%	100%
90280	South Gate	7,554	29.0%	11.4%	1.3%	4.4%	9.4%	2.0%	3.2%	1.6%	37.7%	100%
90706	Bellflower	7,223	3.6%	14.7%	1.3%	8.5%	4.2%	0.5%	2.8%	18.2%	46.2%	100%
90660	Pico Rivera	6,608	1.4%	8.0%	24.6%	1.2%	2.1%	0.0%	0.5%	0.5%	61.7%	100%
90262	Lynwood	6,538	38.1%	9.3%	0.5%	5.2%	3.7%	2.9%	3.9%	2.0%	34.5%	100%
90255	Huntington Park	6,172	15.5%	7.3%	0.6%	2.0%	4.0%	1.0%	2.3%	0.8%	66.4%	100%
90001	Los Angeles	5,901	15.6%	4.9%	0.5%	2.2%	1.6%	5.4%	3.0%	0.6%	66.2%	100%
90221	Compton	5,812	24.1%	8.3%	0.5%	11.0%	1.4%	5.0%	5.0%	5.4%	39.5%	100%
90002	Los Angeles	5,797	18.4%	4.4%	0.3%	3.5%	0.8%	14.3%	6.0%	0.6%	51.9%	100%
90220	Compton	5,554	12.7%	5.4%	0.1%	7.4%	0.4%	7.7%	7.5%	3.2%	55.5%	100%
90059	Los Angeles	5,527	17.2%	4.2%	0.1%	3.4%	0.6%	19.8%	7.1%	0.7%	47.0%	100%
90723	Paramount	4,483	11.7%	11.9%	1.3%	10.5%	5.6%	0.5%	4.4%	14.6%	39.4%	100%
90638	La Mirada	4,274	0.7%	7.0%	25.2%	1.4%	0.9%	0.0%	0.4%	0.9%	63.5%	100%
90605	Whittier	4,082	1.1%	7.6%	39.2%	1.1%	0.9%	0.0%	0.5%	0.4%	49.1%	100%
90242	Downey	4,038	6.2%	14.2%	2.1%	4.1%	20.0%	0.4%	1.5%	3.0%	48.5%	100%
90703	Cerritos	4,026	0.9%	11.8%	1.3%	3.0%	2.1%	0.1%	0.9%	7.2%	72.6%	100%
90222	Compton	3,868	18.1%	5.9%	0.2%	6.1%	1.0%	17.1%	6.8%	1.6%	43.1%	100%
90061	Los Angeles	3,764	9.5%	1.5%	0.1%	2.6%	0.2%	13.0%	8.3%	0.3%	64.4%	100%
90241	Downey	3,726	6.0%	15.1%	4.1%	3.7%	25.3%	0.4%	1.7%	2.8%	40.8%	100%
90604	Whittier	3,698	0.9%	9.5%	31.9%	0.9%	0.9%	0.0%	0.3%	0.5%	55.1%	100%
90606	Whittier	3,244	1.4%	9.7%	43.5%	1.2%	0.7%	0.1%	0.9%	0.6%	42.0%	100%
90270	Maywood	2,309	12.2%	6.5%	1.7%	1.3%	4.4%	0.8%	1.4%	0.3%	71.2%	100%
90603	Whittier	2,152	0.1%	6.5%	40.2%	0.2%	0.2%	0.0%	0.2%	0.4%	52.1%	100%
90240	Downey	2,073	3.3%	15.6%	7.2%	2.9%	23.2%	0.1%	1.1%	3.6%	43.0%	100%
90701	Artesia	1,813	1.7%	6.8%	2.8%	3.6%	2.8%	0.0%	2.4%	9.2%	70.7%	100%
90670	Santa Fe Springs	1,703	2.7%	10.0%	38.5%	1.2%	4.1%	0.1%	0.8%	1.8%	40.8%	100%
90639	La Mirada	10	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	100%
Grand Total		160,828	10.5%	7.7%	6.5%	4.4%	4.2%	4.0%	3.5%	3.5%	55.8%	100.0%

Note: Excludes normal new births

Source: OSHPD Patient Discharge Database

- The Hospital is the inpatient market share leader in 10 of the service area ZIP Codes representing the cities of Bell, South Gate, Lynwood, Huntington Park, Los Angeles, Compton, and Maywood; and
- PIH Hospital – Whittier is the inpatient market share leader in eight ZIP Codes ranging in market share between 24% and 50%.

St. Francis Medical Center Analysis by Bed Type

The tables on the following pages show existing hospital bed capacity, occupancy, and bed availability for medical/surgical, intensive/coronary care, obstetrics, pediatrics, neonatal intensive care, acute psychiatric care, skilled nursing, and emergency services using FY 2018 data.

Medical/Surgical Capacity Analysis

The Hospital has 185 medical/surgical beds. Within the service area, there are 812 additional medical/surgical beds that provide care to patients from the service area. Combined, the service area hospitals operated with an occupancy rate of nearly 55%.

SERVICE AREA HOSPITAL DATA : MEDICAL/SURGICAL, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	185	13,157	57,220	156.8	84.7%
Martin Luther King, Jr Community Hospital	2.9	X	53	4,157	17,728	48.6	91.6%
Kaiser Foundation Hospital - Downey*	4.8	X	182	9,800	37,070	101.6	55.8%
PIH Health Hospital - Downey	5.0	X	76	4,048	12,756	34.9	46.0%
Community Hospital of Huntington Park*	5.4	X	22	950	3,719	10.2	46.3%
Coast Plaza Hospital*	6.6	X	90	1,223	4,731	13.0	14.4%
College Hospital*	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	73	2,922	10,615	29.1	39.8%
PIH Health Hospital - Whittier	10.9	X	253	12,374	45,445	124.5	49.2%
Whittier Hospital Medical Center	12.8	X	63	2,713	8,512	23.3	37.0%
SUB-TOTAL			997	51,344	197,796	541.9	54.4%
Memorial Hospital of Gardena*	7.9		38	2,091	8,597	23.6	62.0%
Los Angeles Community Hospital	9.0		122	8,906	38,590	105.7	86.7%
Centinel Hospital Medical Center*	9.0		244	14,235	49,771	136.4	55.9%
Miller Children's & Women's Hospital	9.1		-	-	-	-	-
MemorialCare Long Beach Medical Center	9.2		189	14,818	61,635	168.9	89.3%
Beverly Hospital*	9.7		156	7,471	31,125	85.3	54.7%
Monterey Park Hospital	9.9		85	3,719	14,686	40.2	47.3%
Los Angeles County/Harbor-UCLA Medical Center	11.1		270	12,717	66,887	183.3	67.9%
California Hospital Medical Center	13.2		132	8,035	25,706	70.4	53.4%
Gardens Regional Hospital & Medical Center*	13.2		119	1,769	8,264	22.6	19.0%
East Los Angeles Doctor's Hospital*	13.5		54	1,102	3,611	9.9	18.3%
Good Samaritan Hospital - Los Angeles	13.9		121	4,377	20,563	56.3	46.6%
Adventist Health White Memorial*	14.1		70	5,557	21,534	59.0	84.3%
LAC+USC Medical Center	14.5		298	22,614	117,404	321.7	107.9%
La Palma Intercommunity Hospital*	15.3		105	2,901	10,280	28.2	26.8%
Pacific Alliance Medical Center*	15.3		116	3,402	13,467	36.8	31.8%
Children's Hospital Los Angeles	18.6		-	-	-	-	-
Cedars - Sinai Medical Center	21.4		395	25,730	130,093	356.4	90.2%
TOTAL			3,511	190,788	820,009	2,246.6	63.8%

Source: OSHPD Disclosure Reports

* 2017 Data

- In FY 2018, the Hospital's medical/surgical beds represented nearly 20% of beds in the service area;
- In FY 2018, Martin Luther King, Jr Community Hospital, the closest general acute care facility to the Hospital, ran at a high occupancy rate of nearly 92% and would not have the capacity to accept additional medical/surgical patients; and

- The Hospital reported 13,157 inpatient hospital discharges for its medical/surgical beds with 57,220 patient days resulting in a high occupancy rate of 85% and an average daily census of 157 patients.

Intensive Care Capacity Analysis

The Hospital has 36 intensive care beds. Within the service area, there are 171 additional intensive care beds that provide care service area residents. Combined they operated at an occupancy rate of about 53%.

SERVICE AREA HOSPITAL DATA : INTENSIVE CARE, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	36	853	10,923	29.9	83.1%
Martin Luther King, Jr Community Hospital	2.9	X	26	770	3,464	9.5	36.5%
Kaiser Foundation Hospital - Downey*	4.8	X	30	327	5,623	15.4	51.4%
PIH Health Hospital - Downey	5.0	X	18	256	3,648	10.0	55.5%
Community Hospital of Huntington Park*	5.4	X	4	130	1,626	4.5	111.4%
Coast Plaza Hospital*	6.6	X	7	150	1,898	5.2	74.3%
College Hospital*	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	22	390	3,986	10.9	49.6%
PIH Health Hospital - Whittier	10.9	X	48	422	5,803	15.9	33.1%
Whittier Hospital Medical Center	12.8	X	16	264	2,957	8.1	50.6%
SUB-TOTAL			207	3,562	39,928	109.4	52.8%
Memorial Hospital of Gardena*	7.9		10	314	2,820	7.7	77.3%
Los Angeles Community Hospital	9		12	237	3,727	10.2	85.1%
Centinel Hospital Medical Center*	9		19	401	3,959	10.8	57.1%
Miller Children's & Women's Hospital	9.1		-	-	-	-	-
MemorialCare Long Beach Medical Center	9.2		60	654	14,111	38.7	64.4%
Beverly Hospital*	9.7		25	427	4,537	12.4	49.7%
Monterey Park Hospital	9.9		4	93	1,315	3.6	90.1%
Los Angeles County/Harbor-UCLA Medical Center	11.1		36	674	10,793	29.6	82.1%
California Hospital Medical Center	13.2		36	1,005	7,015	19.2	53.4%
Gardens Regional Hospital & Medical Center*	13.2		18	159	1,617	4.4	24.6%
East Los Angeles Doctor's Hospital*	13.5		10	111	2,130	5.8	58.4%
Good Samaritan Hospital - Los Angeles	13.9		58	675	9,906	27.1	46.8%
Adventist Health White Memorial*	14.1		34	232	4,155	11.4	33.5%
LAC+USC Medical Center	14.5		110	1,665	27,037	74.1	67.3%
La Palma Intercommunity Hospital*	15.3		8	148	1,511	4.1	51.7%
Pacific Alliance Medical Center*	15.3		9	67	891	2.4	27.1%
Children's Hospital Los Angeles	18.6		-	-	-	-	-
Cedars - Sinai Medical Center	21.4		72	1,057	19,586	53.7	74.5%
TOTAL			728	11,481	155,038	424.8	58.2%

Source: OSHPD Disclosure Reports

* 2017 Data

- In FY 2018, the Hospital's intensive care beds had a high occupancy rate of 83% and an average daily census of 30 patients;
- Martin Luther King, Jr Community Hospital, located approximately 3 miles from the Hospital, is operating at an occupancy rate of 37% on its intensive care beds; and
- The Hospital's intensive care beds are an important resource for supporting the Hospital's designation as a Level II trauma center.

Obstetrics Capacity Analysis

In FY 2018, there were 247 obstetrics beds located in the service area with an aggregate occupancy rate of 38%. The Hospital reported 50 licensed obstetric beds with an occupancy rate of 60%.

SERVICE AREA HOSPITAL DATA : OBSTETRICS, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	50	5,066	10,990	30.1	60.2%
Martin Luther King, Jr Community Hospital	2.9	X	17	677	1,603	4.4	25.8%
Kaiser Foundation Hospital - Downey*	4.8	X	66	4,508	8,175	22.4	33.9%
PIH Health Hospital - Downey	5.0	X	20	997	2,139	5.9	29.3%
Community Hospital of Huntington Park*	5.4	X	-	-	-	-	-
Coast Plaza Hospital*	6.6	X	-	-	-	-	-
College Hospital*	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	-	-	-	-	-
PIH Health Hospital - Whittier	10.9	X	66	1,988	5,536	15.2	23.0%
Whittier Hospital Medical Center	12.8	X	28	2,218	5,401	14.8	52.8%
SUB-TOTAL			247	15,454	33,844	92.7	37.5%
Memorial Hospital of Gardena*	7.9		23	802	2,606	7.1	31.0%
Los Angeles Community Hospital	9.0		-	-	-	-	-
Centinela Hospital Medical Center*	9.0		29	467	1,311	3.6	12.4%
Miller Children's & Women's Hospital	9.1		59	5,387	15,097	41.2	70.1%
MemorialCare Long Beach Medical Center	9.2		-	-	-	-	-
Beverly Hospital*	9.7		18	826	1,713	4.7	26.1%
Monterey Park Hospital	9.9		12	1,474	3,406	9.3	77.8%
Los Angeles County/Harbor-UCLA Medical Center	11.1		29	1,011	3,130	8.6	29.6%
California Hospital Medical Center	13.2		37	3,914	9,132	25.0	67.6%
Gardens Regional Hospital & Medical Center*	13.2		-	-	-	-	-
East Los Angeles Doctor's Hospital*	13.5		13	476	1,344	3.7	28.3%
Good Samaritan Hospital - Los Angeles	13.9		69	2,800	8,047	22.0	32.0%
Adventist Health White Memorial*	14.1		24	3,816	7,719	21.1	88.1%
LAC+USC Medical Center	14.5		11	760	2,954	8.1	73.6%
La Palma Intercommunity Hospital*	15.3		11	174	358	1.0	8.9%
Pacific Alliance Medical Center*	15.3		13	1,047	2,846	7.8	60.0%
Children's Hospital Los Angeles	18.6		-	-	-	-	-
Cedars - Sinai Medical Center	21.4		82	9,043	18,783	51.5	62.8%
TOTAL			677	47,451	112,290	307.6	45.4%

Source: OSHPD Disclosure Reports

* 2017 Data

- In FY 2018, the Hospital provided 20% of licensed obstetrics beds within its service area and reported approximately 33% of the service area's 15,500 discharges;
- The hospitals within the service area have a combined occupancy rate of 37%. The two closest "non-Kaiser" hospitals offering licensed obstetrics beds, Martin Luther King, Jr Community Hospital and PIH Health Hospital – Downey, operated at an occupancy rate of 26% and 29%, respectively; and
- Martin Luther King, Jr. Community Hospital provides 17 licensed obstetric beds resulting in 1,603 patient days and an average daily census of 4.4 patients.

Pediatrics Capacity Analysis

In FY 2018, there were 65 pediatric beds located within the service area with an aggregate occupancy rate of approximately 13%. The Hospital reported 14 licensed pediatric beds with an occupancy rate of 23%.

SERVICE AREA HOSPITAL DATA: PEDIATRIC ACUTE, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	14	419	1,191	3.3	23.2%
Martin Luther King, Jr Community Hospital	2.9	X	-	-	-	-	-
Kaiser Foundation Hospital - Downey*	4.8	X	17	531	1,996	5.5	32.1%
PIH Health Hospital - Downey	5.0	X	-	-	-	-	-
Community Hospital of Huntington Park*	5.4	X	-	-	-	-	-
Coast Plaza Hospital*	6.6	X	-	-	-	-	-
College Hospital*	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	-	-	-	-	-
PIH Health Hospital - Whittier	10.9	X	34	-	-	-	-
Whittier Hospital Medical Center	12.8	X	-	-	-	-	-
SUB-TOTAL			65	950	3,187	8.7	13.4%
Memorial Hospital of Gardena*	7.9		-	-	-	-	-
Los Angeles Community Hospital	9.0		7	-	-	-	-
Centinela Hospital Medical Center*	9.0		-	-	-	-	-
Miller Children's & Women's Hospital	9.1		138	7,573	26,356	72.0	52.2%
MemorialCare Long Beach Medical Center	9.2		-	-	-	-	-
Beverly Hospital*	9.7		15	459	24,473	66.9	445.8%
Monterey Park Hospital	9.9		-	-	-	-	-
Los Angeles County/Harbor-UCLA Medical Center	11.1		25	1,550	3,908	10.7	42.7%
California Hospital Medical Center	13.2		12	2,162	1,842	5.0	41.9%
Gardens Regional Hospital & Medical Center*	13.2		-	-	-	-	-
East Los Angeles Doctor's Hospital*	13.5		-	-	-	-	-
Good Samaritan Hospital - Los Angeles	13.9		-	-	-	-	-
Adventist Health White Memorial*	14.1		28	1,166	2,395	6.6	23.4%
LAC+USC Medical Center	14.5		45	1,125	3,323	9.1	20.2%
La Palma Intercommunity Hospital*	15.3		-	-	-	-	-
Pacific Alliance Medical Center*	15.3		-	-	-	-	-
Children's Hospital Los Angeles	18.6		324	15,948	75,850	207.2	64.0%
Cedars - Sinai Medical Center	21.4		31	1,163	2,800	7.7	24.7%
TOTAL			690	32,096	144,134	394.9	57.1%

Source: OSHPD Disclosure Reports

* 2017 Data

- The Hospital is the only “non-Kaiser” provider of pediatric beds in the service area. In 2015, PIH Health Hospital – Whittier suspended pediatric services on its 34-bed unit; and
- There are two children’s hospitals within 19 miles of the Hospital. Miller Children’s & Women’s Hospital, located approximately 11 miles from the Hospital, is licensed for 138 pediatric beds and has an occupancy rate of approximately 52%. Additionally, Children’s Hospital of Los Angeles, located 19 miles from the Hospital, is licensed for 324 pediatric beds and has an occupancy rate of 64%.

Neonatal Service Capacity Analysis

As shown below, the occupancy rate for neonatal intensive care services within the service area hospitals is approximately 50% based on 119 licensed beds.

SERVICE AREA HOSPITAL DATA : NEONATAL INTENSIVE CARE, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	29	524	6,082	16.7	57.5%
Martin Luther King, Jr Community Hospital	2.9	X	-	-	-	-	-
Kaiser Foundation Hospital - Downey*	4.8	X	49	530	11,098	30.4	62.1%
PIH Health Hospital - Downey	5.0	X	7	85	345	0.9	13.5%
Community Hospital of Huntington Park*	5.4	X	-	-	-	-	-
Coast Plaza Hospital*	6.6	X	-	-	-	-	-
College Hospital*	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	-	-	-	-	-
PIH Health Hospital - Whittier	10.9	X	34	383	4,376	12.0	35.3%
Whittier Hospital Medical Center	12.8	X	-	-	-	-	-
SUB-TOTAL			119	1,522	21,901	60.0	50.4%
Memorial Hospital of Gardena*	7.9		-	-	-	-	-
Los Angeles Community Hospital	9.0		-	-	-	-	-
Centinel Hospital Medical Center*	9.0		9	72	1,454	4.0	44.3%
Miller Children's & Women's Hospital	9.1		95	1,125	20,826	57.1	60.1%
Memorialcare Long Beach Medical Center	9.2		-	-	-	-	-
Beverly Hospital*	9.7		10	34	234	-	-
Monterey Park Hospital	9.9		-	-	-	-	-
Los Angeles County/Harbor-UCLA Medical Center	11.1		27	37	2,776	7.6	28.2%
California Hospital Medical Center	13.2		26	633	5,640	15.5	59.4%
Gardens Regional Hospital & Medical Center*	13.2		-	-	-	-	-
East Los Angeles Doctor's Hospital*	13.5		-	-	-	-	-
Good Samaritan Hospital - Los Angeles	13.9		23	415	5,088	13.9	60.6%
Adventist Health White Memorial*	14.1		28	579	7,809	21.4	76.4%
LAC+USC Medical Center	14.5		40	403	5,756	15.8	39.4%
La Palma Intercommunity Hospital*	15.3		-	-	-	-	-
Pacific Alliance Medical Center*	15.3		-	-	-	-	-
Children's Hospital Los Angeles	18.6		73	408	19,860	54.4	74.5%
Cedars - Sinai Medical Center	21.4		45	585	8,613	23.6	52.4%
TOTAL			495	5,813	99,957	273.9	55.3%

Source: OSHPD Disclosure Reports

* 2017 Data

- The Hospital has 29 licensed neonatal intensive care beds, making up approximately 40% of the service area's "non-Kaiser" neonatal intensive care beds, recorded an occupancy rate of approximately 58%;
- The Hospital reported 524 inpatient hospital discharges and 6,082 patient days in FY 2018, resulting in an average daily census of approximately 17 patients; and
- The Hospital operates a Level II neonatal intensive care unit that cares for newborn infants with extreme prematurity, who are critically ill, or require surgical intervention.

Skilled Nursing/Subacute Capacity Analysis

The Hospital is licensed to operate 30 distinct part³⁸ skilled nursing beds. The Hospital is one of two general acute care hospitals in the service area that are licensed to operate inpatient skilled nursing beds. The Hospital reported an occupancy rate of nearly 50% and an average daily census of 15 patients and an average length of stay of 20 patient days.

SERVICE AREA HOSPITAL DATA : SKILLED NURSING, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	30	264	5,410	15	49.3%
Martin Luther King, Jr Community Hospital	2.9	X					
Kaiser Foundation Hospital - Downey*	4.8	X	-	-	-	-	-
PIH Health Hospital - Downey	5.0	X	-	-	-	-	-
Community Hospital of Huntington Park*	5.4	X	-	-	-	-	-
Coast Plaza Hospital*	6.6	X	-	-	-	-	-
College Hospital*	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	-	-	-	-	-
PIH Health Hospital - Whittier	10.9	X	35	610	6,627	18	51.7%
Whittier Hospital Medical Center	12.8	X	-	-	-	-	-
Distinct Part Sub-Total		X	65	874	12,037	15	50.7%
Stand-Alone Skilled Nursing Beds Sub-Total		X	4,899	15,289	1,614,415	4,423	90.3%
Total			4,964	16,163	1,626,452	4,438	89.8%

Source: OSHPD Disclosure Reports

* 2017 Data

- In FY 2018, the closest general acute care hospital with skilled nursing beds to the Hospital was PIH Health Hospital - Whittier that operated at an occupancy rate of 52% and average daily census of 18 patients on 35 beds.

³⁸ Distinct part skilled nursing facilities exist as a part of an acute-care hospital or hospital system. Distinct part skilled nursing facilities, compared to freestanding community-based skilled nursing facilities, care for more medically complex patients, and are often the only option for patients with complex medical needs and behavioral challenges living in rural areas.

Psychiatric Capacity Analysis

There are 186 acute psychiatric beds within the Hospital's service area, with an overall occupancy rate of approximately 103%. The Hospital has 40 licensed psychiatric acute beds that were 93% occupied on average in 2018 (average daily census of 37 patients).

SERVICE AREA HOSPITAL DATA : PSYCHIATRIC ACUTE, FY 2018							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Francis Medical Center	-	X	40	2,404	13,622	37	93.0%
Kaiser Foundation Hospital - Downey*	4.8	X	-	-	-	-	-
PIH Health Hospital - Downey	5	X	-	-	-	-	-
Community Hospital of Huntington Park*	5.4	X	-	-	-	-	-
Coast Plaza Hospital*	6.6	X	-	-	-	-	-
College Hospital*	8	X	146	4,758	56,012	153	104.8%
Lakewood Regional Medical Center	9.1	X	-	-	-	-	-
PIH Health Hospital - Whittier	10.9	X	-	-	-	-	-
Whittier Hospital Medical Center	12.8	X	-	-	-	-	-
SUB-TOTAL			186	7,162	69,634	191	102.6%
Memorial Hospital of Gardena*	7.9	-	-	-	-	-	-
Los Angeles Community Hospital	9	-	32	1,807	10,261	28	87.6%
Centinel Hospital Medical Center*	9	-	-	-	-	-	-
Miller Children's & Women's Hospital	9.1	-	-	-	-	-	-
MemorialCare Long Beach Medical Center	9.2	-	-	-	-	-	-
Beverly Hospital*	9.7	-	-	-	-	-	-
Monterey Park Hospital	9.9	-	-	-	-	-	-
Los Angeles County/Harbor-UCLA Medical Center	11.1	-	38	637	12,711	35	91.4%
California Hospital Medical Center	13.2	-	-	-	-	-	-
Gardens Regional Hospital & Medical Center*	13.2	-	-	-	-	-	-
East Los Angeles Doctor's Hospital*	13.5	-	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	13.9	-	-	-	-	-	-
Adventist Health White Memorial*	14.1	-	33	2,024	9,381	26	77.7%
LAC+USC Medical Center	14.5	-	60	636	16,362	45	74.5%
La Palma Intercommunity Hospital*	15.3	-	16	206	3,812	10	65.1%
Pacific Alliance Medical Center*	15.3	-	-	-	-	-	-
Children's Hospital Los Angeles	18.6	-	-	-	-	-	-
Cedars - Sinai Medical Center	21.4	-	-	-	-	-	-
TOTAL			365	12,472	122,161	335	91.4%

Source: OSHPD Disclosure Reports

* 2017 Data

There is a shortage of area beds licensed for psychiatric services, making the Hospital's inpatient psychiatric unit essential and of critical importance for the provision of behavioral health services to residents within the Hospital's service area and the rest of Los Angeles County. College Hospital, the only other provider of acute psychiatric services in the service area, operated over capacity with an occupancy rate of 105% in FY 2018. Any reduction in the level of psychiatric services provided at the Hospital's inpatient psychiatric unit and emergency department, or any reduction to the number of licensed psychiatric beds at the Hospital, would negatively impact the availability and accessibility of these types of services for service area and Los Angeles County residents.

- The average daily census for all hospitals in the service area was 191 based on 69,634 patient days; and
- The Hospital provided 22% of the service area's acute psychiatric beds in FY 2018 and discharged 34% of the service area's patients.

Emergency Services Analysis

In CY 2017, the Hospital reported 46 emergency treatment stations and nearly 82,000 total emergency department visits. The table below shows the visits by severity category for area emergency departments as reported by OSHPD's Automated Licensing Information and Report Tracking System.

EMERGENCY DEPARTMENT VISITS BY CATEGORY CY 2017												
	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
Hospital												
St. Francis Medical Center	-	X	Basic	46	81,643	3,293	7,373	25,462	28,151	17,364	18.1%	1,122
Martin Luther King, Jr Community Hospital	2.9	X	Basic	29	63,329	414	342	21,914	19,389	21,270	10.7%	1,051
Kaiser - Downey	4.8	X	Basic	63	105,865	3,878	4,694	73,416	19,405	4,472	7.7%	2,094
PIH - Downey	5.0	X	Basic	22	58,342	1,447	6,009	19,350	22,295	9,241	9.9%	879
Community Hospital of Huntington Park	5.4	X	Basic	14	38,237	661	8,667	11,002	12,588	5,319	7.1%	262
Coast Plaza Hospital	6.6	X	Basic	16	14,508	170	4,076	3,410	4,153	2,699	14.9%	1
College Hospital	8	X	-	-	-	-	-	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	Basic	14	47,407	1,134	2,875	13,607	15,723	14,068	14.1%	1,382
PIH - Whittier	10.9	X	Basic	56	77,672	1,338	9,607	24,048	29,213	13,466	11.2%	302
Whittier Hospital Medical Center	12.8	X	Basic	11	33,611	800	5,206	13,268	8,295	6,042	16.6%	145
SUBTOTAL				271	520,614	13,135	48,849	205,477	159,212	93,941	11.8%	7,238
Memorial Hospital of Gardena	7.9		Basic	10	33,366	574	11,219	8,243	9,834	3,496	8.8%	737
Los Angeles Community Hospital	9		Standby	3	8,355	583	2,762	1,893	724	2,393	24.3%	0
Centinela Hospital Medical Center	9.0		Basic	44	53,043	1,325	1,685	10,328	12,350	27,355	19.8%	14
Earl and Lorraine Miller Childrens Hospital	9.1		-	-	-	-	-	-	-	-	-	-
Long Beach Memorial Medical Center	9.2		Basic	64	106,365	5,978	26,814	40,410	21,186	11,977	13.9%	2,143
Beverly Hospital	9.7		Basic	17	35,687	3,287	783	8,605	14,881	8,131	19.7%	499
Monterey Park Hospital	9.9		Basic	6	25,829	108	5,547	8,828	7,809	3,537	10.6%	136
LAC/Harbor-UCLA Medical Center	11.1		Basic	75	84,430	2,629	22,509	41,774	16,615	903	13.3%	1,195
California Hospital Medical Center	13.2		Basic	35	91,590	7,230	11,194	30,523	20,812	21,831	12.5%	876
Tri City Regional Medical Center	13.2		Basic	-	-	-	-	-	-	-	-	-
East Los Angeles Doctors Hospital	13.5		Basic	8	11,618	79	2,001	3,497	4,113	1,928	14.2%	1
Good Samaritan Hospital-Los Angeles	13.9		Basic	12	35,271	312	2,251	8,245	11,679	12,784	14.5%	1,475
White Memorial Medical Center	14.1		Basic	28	63,210	885	10,647	19,007	18,760	13,911	15.7%	28
LAC+USC Medical Center	14.5		Comprehensive	106	150,991	6,660	32,854	82,485	26,897	2,095	13.9%	-
La Palma Intercommunity Hospital	15.3		Basic	10	18,150	813	287	3,058	5,709	8,283	16.2%	80
Pacific Alliance Medical Center, Inc	15.3		-	-	-	-	-	-	-	-	-	-
Children's Hospital Los Angeles	18.6		Basic	39	90,666	25,281	27,859	25,563	11,586	377	8.4%	30
Cedars Sinai Medical Center	21.4		Basic	51	86,639	3,280	6,929	22,522	22,462	31,446	26.8%	2,531
TOTAL				779	1,415,824	72,159	214,190	520,458	364,629	244,388	13.8%	16,983

Source: OSHPD Alirits Annual Utilization Reports, CY 2017

(1) The figures from OSHPD ALIRTS differ from the data provided by OSHPD Disclosure Reports and the Hospital

- The Hospital admitted 18% of the patients seen at the emergency room. This is higher than the service area average of 12% of emergency department visits that resulting in an admission;
- Service area hospitals experienced a high number of hours on diversion (collectively, over 7,200 hours of diversion in CY 2017). When a hospital goes on diversion, incoming ambulances are diverted to other hospital emergency department departments as a response to high emergency department congestion. Los Angeles Community Hospital was the only hospital that reported zero hours of diversion while the Hospital reported over 1,100 hours of diversion; and
- The Hospital provides a greater proportion of emergency department visits classified as “severe with/without threat” when compared to all hospitals in the service area (56% versus 49%).

Emergency Services Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in CY 2017, the Hospital's emergency department was operating at 89% of its 46-bed capacity.

EMERGENCY DEPARTMENT CAPACITY CY 2017							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
St. Francis Medical Center	-	X	Basic	46	81,643	92,000	10,357
Martin Luther King, Jr Community Hospital	2.9	X	Basic	29	63,329	58,000	(5,329)
Kaiser - Downey	4.8	X	Basic	63	105,865	126,000	20,135
PIH - Downey	5.0	X	Basic	22	58,342	44,000	(14,342)
Community Hospital of Huntington Park	5.4	X	Basic	14	38,237	28,000	(10,237)
Coast Plaza Hospital	6.6	X	Basic	16	14,508	32,000	17,492
College Hospital	8.0	X	-	-	-	-	-
Lakewood Regional Medical Center	9.1	X	Basic	14	47,407	28,000	(19,407)
PIH - Whittier	10.9	X	Basic	56	77,672	112,000	34,328
Whittier Hospital Medical Center	12.8	X	Basic	11	33,611	22,000	(11,611)
SUBTOTAL				271	520,614	542,000	21,386
Memorial Hospital of Gardena	7.9		Basic	10	33,366	20,000	(13,366)
Los Angeles Community Hospital	9		Standby	3	8,355	6,000	(2,355)
Centinela Hospital Medical Center	9.0		Basic	44	53,043	88,000	34,957
Earl and Lorraine Miller Childrens Hospital	9.1		-	-	-	-	-
Long Beach Memorial Medical Center	9.2		Basic	64	106,365	128,000	21,635
Beverly Hospital	9.7		Basic	17	35,687	34,000	(1,687)
Monterey Park Hospital	9.9		Basic	6	25,829	12,000	(13,829)
LAC/Harbor-UCLA Medical Center	11.1		Basic	75	84,430	150,000	65,570
California Hospital Medical Center	13.2		Basic	35	91,590	70,000	(21,590)
Tri City Regional Medical Center	13.2		Basic	-	-	-	-
East Los Angeles Doctors Hospital	13.5		Basic	8	11,618	16,000	4,382
Good Samaritan Hospital-Los Angeles	13.9		Basic	12	35,271	24,000	(11,271)
White Memorial Medical Center	14.1		Basic	28	63,210	56,000	(7,210)
LAC+USC Medical Center	14.5		Comprehensive	106	150,991	212,000	61,009
La Palma Intercommunity Hospital	15.3		Basic	10	18,150	20,000	1,850
Pacific Alliance Medical Center, Inc.	15.3		-	-	-	-	-
Children's Hospital Los Angeles	18.6		Basic	39	90,666	78,000	(12,666)
Cedars Sinai Medical Center	21.4		Basic	51	86,639	102,000	15,361
TOTAL				779	1,415,824	1,558,000	142,176

Source: OSHPD A1irts Annual Utilization Reports, CY 2017

(1) The figures from OSHPD A1IRTS differ from the data provided by OSHPD Disclosure Reports and the Hospital

- Emergency departments in the Hospital's service area operated at over 96% capacity; and
- Martin Luther King, Jr Community Hospital, the closest hospital to St. Francis Medical Center, operated at nearly 110% of capacity. Half of the hospitals in the service area operated over capacity including PIH – Downey (132% of capacity), Community Hospital of Huntington Park (137% of capacity), Lakewood Regional Medical Center (169% of capacity), and Whittier Hospital Medical Center (153% of capacity).

Summary of Interviews

In June and July of 2019, both in-person and telephone interviews were conducted with representatives of the Hospital, Verity Health, and SGM, as well as physicians, representatives of Los Angeles County, the Hospital's employees and union representatives, and other community members. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed transaction. The list of individuals interviewed is located in the Appendix of this report. The major findings of the interviews are summarized below.

Reasons for the Proposed Transaction

Members of Verity Health and the Hospital's management team, medical staff, and Board cited a number of reasons for why the transaction is necessary, including the following:

- Verity Health does not have the financial resources required to repay outstanding debt. Additionally, Verity Health is unable to provide financial support for the underfunded pension plans, seismic related requirements, plant and equipment maintenance, and operational deficits. As such, Verity Health filed for relief under Chapter 11 of Title 11 of the United States Code. As a result of a facilitated process to find a buyer, through a sale of the assets approved by the United States Bankruptcy Court for the Central District of California, SGM was selected as the successful bidder. Almost all interviewees believe that the transaction with SGM provides the best opportunity to continue to operate the Hospital and serve the interests of patients, the community, physicians, and employees;
- Without the transaction, Verity Health would not be able to financially continue operation of the Verity Health Hospitals resulting in severely reduced health services, health system closure, or sale for other purposes. While the Hospital may be able to continue operating under Verity Health or other ownership, it would be likely that St. Vincent Medical Center and Seton Medical Center would close and be converted to other uses. Without the transaction, the affected communities' access to services could be severely impacted and closure of healthcare services would be operationally challenging for other area hospitals to meet the increased demand;
- Given the Hospital's important role in providing healthcare for the poor and indigent, without the transaction the community could be at risk of losing key services that are essential for the uninsured and under-insured patient populations;
- Almost all of those interviewed believed that the transaction is necessary to keep Verity Health Hospitals, including the Hospital, from eliminating services or closing;
- Some of those interviewed believed that the Verity Health Hospitals needed to be sold as a group rather than individually, because of the following:

- Individual sale of the Verity Health Hospitals may result in closure, reduced services, or repurposing;
 - A commitment to Verity Health's services and patients is more likely to continue with a single buyer;
 - Selling individual Verity Health Hospitals would be complicated and not result in the highest potential value; and
 - The timeframe required to sell individual Verity Health Hospitals would extend beyond the time that Verity Health could financially sustain continuous losses on operations.
- Many interviewed believe that the Hospital provided significant financial support to Verity Health and could be sustainable on its own without Verity Health or an alternative owner.

Importance of the Hospital to the Community

According to all who were interviewed, the Hospital is a critically important provider of healthcare services to the local community and known for providing essential services to the uninsured and under-served populations. The Hospital holds the largest market share of hospital inpatient discharges in its service area. Some of the programs and services that were mentioned in the interviews as especially important include the following:

- Emergency services and designation as a Level II Trauma Center;
- Behavioral health and psychiatric services;
- Obstetrics and the Level II NICU;
- Cardiac services, including designation as a STEMI Receiving Center;
- Stroke services, including certification as a Primary Stroke Center;
- Health Benefits Resource Center;
- Cancer services including radiation oncology;
- Women and children's services, including the Welcome Baby Program and women's diagnostic services;
- Orthopedic services; and

- Various community benefits services.

Representatives of Federally Qualified Health Centers, Los Angeles County, and community representatives all believed that it was essential for the Hospital to retain all or most of the services that it currently offers, especially obstetrics, emergency services, cardiology, stroke services, and designation as a Level II Trauma Center.

If the Hospital does not maintain its current level of healthcare services, severe accessibility and availability issues would be created for residents of the communities served by the Hospital.

Selection of Strategic Global Management for the Proposed Transaction

While other organizations submitted alternative proposals to Verity Health for consideration, representatives of Verity Health explained that a number of factors were involved in finalizing the selection of SGM including the following:

- SGM provided the largest bid (\$610 million) and a commitment to continue the operation of the hospitals and accept the majority of conditions required by the Office of the California Attorney General from the prior transaction between Daughters and BlueMountain Capital Management, LLC and Integrity Healthcare, LLC that was approved on December 3, 2015;
- Willingness to purchase and operate all four Verity Health Hospitals;
- Enhanced financial support and access to capital;
- Plans to expand some services;
- Experience with safety net hospitals and distressed hospital turnarounds; and
- Experience operating community hospitals efficiently and profitably.

Almost all of those interviewed from Verity Health, the Hospital's management and medical staff, and the community were supportive of the proposed transaction and the selection of SGM and expressed a strong desire for the transaction to be finalized. Additionally, most people also conveyed an overall understanding and knowledge of the pressing financial issues and the necessity for a transaction to occur in order for Verity Health to become financially sustainable, and to ensure continued operation of the Verity Health Hospitals.

The majority of people interviewed were very concerned that if the Office of the California Attorney General required conditions for approval of the transaction that were not acceptable to SGM, then they would walk away from the transaction and, without a viable alternative

immediately available, the Verity Health Hospitals would close. Many of those interviewed believed that if SGM did not have the ability to fundamentally change the way in which the Verity Health Hospitals operated, SGM would be unable to successfully improve the hospitals financial performance. Many believed that it would be necessary for SGM to change or eliminate services in order to make the hospitals financially viable.

While the majority of those interviewed expressed support for the transaction with SGM, some individuals also expressed concerns regarding the potential effects that the proposed transaction could have on the Hospital if the transaction were approved. Some of the concerns with the selection of SGM included the following:

- The motivations of SGM to make a profit may be in conflict with the interests of the community to operate the Hospital and all of its services. Some are concerned that SGM is interested in St. Vincent Medical Center and Seton Medical Center for their real estate value and does not intend to operate the hospitals long term;
- The lack of history and experience of SGM in operating a general acute care facility of similar magnitude to the Hospital;
- The ability of SGM to raise sufficient capital to finance the acquisition and make capital investments;
- SGM may reduce or eliminate unprofitable services, and in doing so, negatively impact the accessibility and availability of healthcare services for the communities served by the Hospital;
- SGM may reduce staffing and other types of infrastructure, which in turn, could have a negative impact on the quality and delivery of patient care;
- SGM will not accept the underfunded pension liability;
- SGM may not provide all current services including oncology; and
- SGM may not negotiate market rate union contracts.

Most of the Hospital employees interviewed, some of whom were also members of unions, understood the reasons for the transaction, and expressed cautious optimism towards SGM as a buyer as long as employees are treated well, union contracts are fairly negotiated and honored, and the surrounding communities continue to be served by the Hospital.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the proposed transaction would lead to some level of change in regard to access and/or the availability of certain services. While many believed that the transaction was necessary, they also believed there would be further reductions and elimination of some unprofitable services, resulting in a negative impact on the availability or accessibility of some healthcare services to lower-income and underserved populations historically served by the Hospital. However, many also believed that SGM would develop new service lines based on community needs and/or grow profitable services as part of its turnaround strategy.

Alternatives

Almost all of those interviewed believed that a transaction was necessary in order to avoid insolvency and the closure of services. Most believed that if a transaction were not to occur, services would be curtailed and some of the hospitals would immediately close. However, many also expressed that if this transaction was not finalized, the Hospital would likely be acquired by another organization due its history of financial success.

While many interviewed were not familiar with SGM, most were cautiously optimistic that SGM's ownership would ensure the future financial sustainability and operation of the hospitals as general acute care hospitals. Many individuals mentioned their belief that SGM's operational experience and ownership of other distressed hospitals in Southern California would be valuable for a turnaround of Verity Health.

Assessment of Potential Issues Associated with the Availability or Accessibility of Healthcare Services

Importance of the Hospital to the Community

The Hospital is a critically important safety-net provider of healthcare services to the residents of the surrounding communities. The Hospital is essential for its provision of emergency, trauma, obstetrics, and mental health services to residents within the service area, as well as for the broader community. Other key services offered at the Hospital include cardiac care, cancer services, imaging services, women's health services, the Level II Neonatal Intensive Care Unit, designation as a STEMI Center, certification as a Primary Stroke Receiving Center, rehabilitation services, surgical services, wound care services, as well as other programs and services. In addition to the provision of key medical services, the Hospital also has provided a significant level of charity care and community benefits for low-income, uninsured, and under-insured populations residing in the surrounding communities.

Continuation as a General Acute Care Hospital

SGM has agreed to complete the transaction agreement so long as any conditions imposed by the California Attorney General are substantially consistent with the conditions set forth in Schedule 8.6 of the Asset Purchase Agreement. Acceptance of these conditions includes operation of the Hospital for at least the six remaining years of the condition as a general acute care hospital.

Emergency Services

The Hospital is an important provider of emergency services to the residents of its surrounding communities. In FY 2017, the Hospital's 46 emergency treatment stations reported 81,643 emergency service visits, operating at 89% of capacity. Additionally, the Level II Trauma Center is one of the busiest trauma centers in Los Angeles County with over 2,000 trauma cases per year.

Almost all emergency departments within the service area are operating over or close to 100% capacity. Area emergency departments are overburdened and functioning beyond desirable capacity, including Martin Luther King, Jr Community Hospital (109%), PIH-Downey (132%), Community Hospital of Huntington Park (137%), Lakewood Regional Medical Center (169%), and Whittier Hospital Medical Center (153%). Collectively, service area emergency departments are operating at over 96% of capacity. In addition, the Hospital's emergency department sees a greater percentage of high severity patients (56% of all emergency department visits are classified "Severe with/without Threat") when compared to service area hospitals overall (49% of all emergency department visits are classified "Severe with/without Threat"). A higher percentage of patients are admitted through the Hospital's emergency department (18%) when compared to the service area hospitals overall (12%).

As a result of the uncertainties of the future of the ACA and healthcare reform, aging demographics, and with the entire service area designated as having a shortage of primary care physicians, utilization of the emergency department may be expected to increase.

Keeping the Hospital's Emergency Department open, and maintaining its Level II Trauma Center, is critical to providing emergency services within the Hospital's service area.

Medical/Surgical Services

The Hospital reported an occupancy rate of 84.7%, on its 185 licensed medical/surgical beds in 2018. The next closest hospital, Martin Luther King, Jr Community Hospital, is three miles away and is operating at 91.6% capacity. Within the service area, the Hospital is the second largest provider of medical/surgical services. Keeping the Hospital's medical/surgical beds available is important to meeting the needs in the Hospital's service area.

Intensive Care Services

The Hospital's intensive care beds had an occupancy rate of about 83% in FY 2018. Intensive care services are important for supporting the emergency department, trauma center, and other surgical and medical services at the Hospital. Area hospitals are running at a combined occupancy rate of nearly 53% on 207 total intensive care beds. In FY 2018, Community Hospital of Huntington Park had occupancy rate of approximately 111% on its 4-bed intensive care unit. Maintaining intensive care services at the Hospital is important to ensure the accessibility and availability of ICU/CCU beds in the service area.

Obstetrics/Perinatal Services

The Hospital has an occupancy rate of 60% on its 50³⁹ beds used for obstetrics services based on an average daily census of approximately 30 patients. With nearly 4,500 reported deliveries in FY 2018, the Hospital is an important provider of obstetrics services, holding the largest market share in CY 2017, with approximately 17% of inpatient obstetrics discharges within its service area. The Hospital is a very important provider of obstetrics services to low-income patients, as a high percentage of obstetrics patients are Medi-Cal beneficiaries.

Neonatal Intensive Care Services

In FY 2018, the Hospital operated 29 neonatal intensive care beds, had 524 discharges, and an average daily census of 16.7 patients. The Hospital maintains a Level II NICU with an occupancy rate of nearly 60%. Excluding Kaiser, the Hospital operates the only Level II NICU in the service area (PIH – Whittier's NICU is designated as Level III). Because the Hospital has nearly 4,500 deliveries with a high percentage of births considered high-risk, it is important to continue operating the NICU.

³⁹ A request for a change in licensure from 71 to 52 perinatal beds was submitted to the California Department of Public Health on December 28, 2018.

Pediatric Care Services

In FY 2018, the Hospital reported 14 pediatric beds with 419 discharges and an average daily census of only 3.3 patients resulting in an occupancy rate of 23%. The Hospital is the only non-Kaiser hospital in the service area operating inpatient pediatric beds. In the last several years, PIH-Whittier and Community Hospital of Huntington Park both closed their inpatient pediatric units. Additionally, there are two Children's Hospitals within 19 miles of the Hospital, including Earl and Lorraine Miller Children's Hospital and Children's Hospital of Los Angeles. While the Hospital's average daily census of three pediatric patients per day is relatively low, nearly 18,000 emergency department visits (or 23%) are pediatric patients, making the Hospital's pediatric services important to the residents of the service area.

Skilled Nursing/Sub-acute Care Services

In FY 2018, the Hospital reported 30 distinct part licensed skilled nursing beds. Although the hospital is one of two general acute care hospitals in the service area that are licensed to operate inpatient skilled nursing beds, a reduction or elimination in the number of skilled nursing beds would have little impact on the availability and accessibility of skilled nursing services in the service area. This is because there are numerous other stand-alone skilled nursing facilities in the Hospital's service area that also provide skilled nursing services to area residents. Any reduction or elimination in the number of skilled nursing beds operated by the Hospital would therefore have little impact on the availability and accessibility of skilled nursing services in the service area and could adequately be accommodated elsewhere.

Psychiatric Services

In FY 2018, the Hospital operated 40 distinct part inpatient psychiatric beds, with a high occupancy rate of 93%. There is a shortage of beds in the area designated for psychiatric and behavioral health services, making the Hospital an essential provider of these types of services for the community. The Hospital is only one of two area hospitals offering inpatient behavioral health psychiatric services. College Hospital is the other provider of these services in the Hospital's service area with 146 licensed acute psychiatric beds and a high occupancy rate of 104%.

Due to the severe shortage of available psychiatric beds in the service area and in Los Angeles County overall, maintaining the current number of psychiatric beds at the Hospital at current licensure with the same type and/or level of services is critical to ensuring continued access for community residents.

Oncology/Cancer Services

The Hospital serves about 360 inpatient oncology patients and provides about 3,500 outpatient visits annually and, as such, is an important provider of oncology services to community residents. While between FY 2017 and FY 2019, the Hospital's radiation oncology patient volume decreased

by approximately 9% from 15,216 visits to 13,970 visits, excluding Kaiser the Hospital has the second largest market share for cancer services in the service area. It is especially important for the local community that the Hospital offer these services as there are few other options close by and transportation can be a hindrance when traveling to other centers. In its Application to the California Attorney General, SGM did not agree to maintain or expand cancer care services for the term that coincides with the conditions set forth in Section VI of the California Attorney General's Conditions⁴⁰. With a decreasing trend in volume for the past three fiscal years, increased drug prices, and changes in reimbursement, SGM believes that providing cancer services at the Hospital is financially unsustainable. However, Cancer is the leading cause of death in Los Angeles County and therefore providing oncology services at the Hospital is important to meeting the needs of community residents.

ST. FRANCIS MEDICAL CENTER CANCER SERVICES VOLUME			
	FY 2017	FY 2018	FY 2019
Radiation Oncology Patients	3,804	3,889	3,492
Radiation Oncology Patients Visits	15,216	15,556	13,970

Source: Verity Health

Reproductive Health Services

The Hospital is an important provider of a range of healthcare services for women. Neither the Hospital nor SGM have restrictions on the provision of any reproductive healthcare services. No changes on the availability or accessibility of these services is expected as a result of the transaction. It is therefore expected that the Hospital will continue to provide elective reproductive services including tubal ligations and sterilizations.

The Hospital provides reproductive services to a large underserved population that has low rates of prenatal care resulting in an increased number of high-risk births. This can increase instances of stillborn delivery, miscarriage, and fetal abnormalities. Below is a table showing instances where the Hospital recorded reproductive-related procedures in CY 2017.

⁴⁰ Conditions to Change in Control and Governance of St. Francis Medical Center and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC" dated December 3, 2015.

ST. FRANCIS MEDICAL CENTER CY 2017 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	CY 2017
778-Threatened Abortion	77
767-Vaginal Delivery with Sterilization &/or D&C ¹	36
776-Postpartum & Post Abortion Diagnoses without O.R. Procedure	33
777-Ectopic Pregnancy	32
770-Abortion with D&C, Aspiration Curettage or Hysterotomy ¹	20
779-Abortion without D&C ¹	20
776-Postpartum and Post Abortion Diagnoses without O.R. Procedure	12
769-Postpartum & Post Abortion Diagnoses with O.R. Procedure	11
767-Vaginal Delivery with Sterilization and/or D&C ¹	8
770-Abortion With D&C, Aspiration Curettage or Hysterotomy ¹	6
769-Postpartum and Post Abortion Diagnoses with O.R. Procedure	4
779-Abortion Without D&C ¹	2
768-Vaginal Delivery with O.R. Proc Except Sterilization &/Or D&C ¹	1
Total Discharges	262

Source: OSHPD Inpatient Discharge Database, CY 2017

¹D&C is an abbreviation for Dilation and Curettage

Effects on Services to Medi-Cal & Other Classes of Patients

Approximately 88% of the Hospital's inpatients are reimbursed through Medicare (24.3%) and Medi-Cal (63.9%). The Hospital currently participates in the Medicare and Medi-Cal program, and contracts with both of the County's Medi-Cal managed care plans (L.A. Care Health Plan and Health Net Community Solutions, Inc.). SGM has committed to maintaining the Hospital's Medicare and Medi-Cal managed care contracts through 2025. If the Hospital did not participate in the Medicare and Medi-Cal programs, eligible patients could be denied access to certain non-emergency healthcare services, thus creating a negative impact on the availability or accessibility for these patient populations

Effects on the Level & Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on the Hospital for healthcare services. Between FY 2014 and FY 2018, the Hospital provided an average of \$12,793,435 in charity care costs per year over the five-year period. Medicaid expansion and the ACA increased access to healthcare insurance coverage and therefore decreased the amount of charity care provided to uninsured patients at the Hospital. The amount of charity care costs at the Hospital has decreased from \$15.6 million in FY 2014 to \$8.7 million in FY 2018. In its Application to the Office of the California Attorney General, SGM has agreed to provide an annual amount of charity care amount of equal to or greater than \$8.0 million, not adjusting for inflation, through 2026.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging approximately \$1,139,301 per year over the last five years. Furthermore, in its Application to the Office of the California Attorney General, SGM committed to providing an annual amount of community benefit services equal to or greater than \$1,439,854, not adjusting for inflation, and committed to providing continued support for a specified number of community benefit programs, including the Health Benefit Resource Center, Welcome Baby Program, Healthy Community Initiatives, St. Francis Career College's access to onsite training, Paramedic Training and Education, and Patient Transportation Support, through 2026.

Effects on Staffing & Employee Rights

SGM agrees to make offers of employment, effective as of the Effective Time, to substantially all persons who, immediately prior to the Effective Time are employees of the Hospital. All employees who are hired shall cease to be employees of the Hospital as of the Effective Time and become employees of SGM. While SGM makes short-term commitments for employment, it is expected that SGM may lower labor costs by eliminating or reducing some positions within the Hospital.

Before Closing Date, SGM will participate with Sellers in union negotiations aimed at modifying the collective bargaining agreements to reduce the Sellers labor cost structure.

Effects on Medical Staff

The Asset Purchase Agreement states SGM has committed to retaining all current members of the Hospital's medical staff in good standing as of the Effective Date. As a result, no changes are expected.

Alternatives

If the proposed Asset Purchase Agreement is not approved, it is expected that Verity Health would evaluate alternative proposals for a transaction.

Conclusions

Based on SGM's commitments outlined in the Asset Purchase Agreement regarding the Hospital, the proposed transaction is likely to continue the availability and accessibility of most healthcare services in the communities served. It is anticipated that access for Medi-Cal, Medicare, uninsured and other classes of patients for most services will remain unchanged.

Potential Conditions for Transaction Approval by the California Attorney General

If the California Attorney General approves the proposed transaction, JD Healthcare, Inc. recommends that the following conditions be required in order to minimize any potential negative healthcare impact that might result from the transaction:

1. For at least ten years from the Closing Date, the Hospital shall continue to operate as a general acute care hospital;
2. For at least ten years from the Closing Date, the Hospital shall maintain 24-hour emergency and trauma medical services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. At a minimum, 46 emergency treatment stations;
 - b. Designation as a Level II Trauma Center;
 - c. Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, Section 5150, for behavioral health patients under involuntary evaluation;
 - d. Psychiatric evaluation team;
 - e. Designation as an Emergency Department Approved for Pediatrics (EDAP);
 - f. Designation as a Paramedic Base Station; and
 - g. Certification as a Primary Stroke Center.
3. For at least ten years from the Closing Date, the Hospital shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians at fair market value that are necessary to retain its qualification as a Level II trauma center. Trauma II designation requires 24-hour immediate coverage by general surgeons, as well as coverage by the specialties of orthopedic surgery, neurosurgery, anesthesiology, emergency medicine, radiology and critical care. Requirements for on-call and promptly available specialties include the following:
 - a. Neurology;
 - b. Obstetrics/gynecology;
 - c. Ophthalmology;
 - d. Oral or maxillofacial or head and neck;
 - e. Plastic surgery;

- f. Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
 - g. Urology.
- 4. For at least ten years from the Closing Date, the Hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;
 - b. Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
 - c. Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;
 - d. Women's health services, including women's imaging services;
 - e. Cancer services, including radiation oncology;
 - f. Pediatric services, including a designated area with at least five general acute care beds for pediatric services;
 - g. Orthopedic and rehabilitation services;
 - h. Wound care services;
 - i. Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and
 - j. Perinatal services, including a minimum of 50 perinatal beds.
- 5. For at least ten years from the Closing Date, the Hospital shall maintain the same types and/or levels of women's healthcare services and mammography services, currently provided at the location below or an equivalent location:
 - a. Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.
- 6. For at least five years from the Closing Date, the Hospital shall maintain the outpatient healthcare services provided at the locations below or a similar location with equivalent services:
 - a. Pediatric services at Children's Counseling Center, 4390 Tweedy Ave, South Gate, California;
 - b. Wound care services at Wound Care Center, 3628 E. Imperial Highway, Suite 103, Lynwood, California; and
 - c. Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.
- 7. For at least five years from the Closing Date, the Hospital shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance

with California and Federal law and shall provide an annual amount of charity care equal to or greater than \$12,793,435 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. An example would be to require a commitment based on a three-year rolling average of the most recent available data. For FY 2019, the Hospital’s required Minimum Charity Care amount using the three-year rolling average from FY 2016 to FY 2018 would be \$10,218,358. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by the Hospital in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics) The Attorney General may consider imposing other charity care protections such as improving the charity care policy and disclosure requirements as he did in the Dignity transaction issued on November 21, 2018;

8. For at least five years from the Closing Date, the Hospital shall continue to expend no less than \$1,139,301 annually in community benefit services (Minimum Community Benefits Amount). If the Hospital receives any grant funds for community benefit services, those grant funds may not be applied to the Minimum Community Benefits Amount. The Minimum Community Benefits Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). In addition, the following community benefit programs shall continue to be offered and/or supported for at least five years from the Closing Date:
 - a. Southern California Crossroads Program;
 - b. Health Benefit Resource Center;
 - c. Welcome Baby Program;
 - d. Healthy Community Initiatives;
 - e. St. Francis Career College’s access for onsite training;
 - f. Paramedic Training and Education; and
 - g. Patient Transportation support.
9. For at least ten years from the Closing Date, the Hospital shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;

10. For at least ten years from the Closing Date, the Hospital shall be certified to participate in the Medi-Cal program, providing the same type, and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries;
11. For at least ten years from the Closing Date, the Hospital shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contracts:
 - a. Local Initiative Plan: L.A. Care Health Plan; and
 - b. Commercial Plan: Health Net Community Solutions, Inc., or its successor.
12. For at least ten years from the Closing Date, the Hospital shall maintain its current city/county contracts for the programs listed below subject to the request of the appropriate city/county:
 - a. Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;
 - b. Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;
 - c. Paramedic Base Hospital Services between the Hospital and Los Angeles County;
 - d. Radiation Therapy Services between the Hospital and Los Angeles County;
 - e. Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;
 - f. Affiliation Agreement for physicians in post graduate training;
 - g. Trauma Center Service Agreement between the Hospital and Los Angeles County; and
 - h. Paramedic Training Institute Students between the Hospital and Los Angeles County.
13. The Hospital Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals;
14. SGM and the Hospital shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Safety. Code, § 129675-130070); and
15. SGM shall commit to reserve or expend capital for the Hospital, Seton Medical Center, and St. Vincent Medical Center for improvements to the hospitals over the five-year period from the Closing Date of the amount that remains unexpended from the \$180

million commitment required of BlueMountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015.

Appendix

List of Interviewees

Last Name	First Name	Position	Affiliation
Adcock	Rich	Chief Executive Officer	Verity Health
Anderson, MD	Maxine	Trauma Surgeon & Chief of Staff	St. Francis Medical Center
Baackes	John	Chief Executive Officer	L.A. Care Health Plan
Baronoff	Peter	Chief Executive Officer & Managing Director	SGM
Bergeron	Ana	Registered Nurse & Vice President	United Nurses Association of California, Union of Health Care Professionals
Bolt	Donald	Union Steward & Respiratory Therapist	Service Employees International Union & St. Francis Medical Center
Bookatz, MD	Allen	Emergency Department	St. Francis Medical Center
Bowens, MD	Karol	Obstetrics & Gynecology	St. Francis Medical Center
Byington	Scott	Union Representative	United Nurses Association of California, Union of Health Care Professionals
Calles	Edward	Senior Director of Network Development	L.A. Care Health Plan
Carrillo	Maria	Member of the Patient Family Advisory Committee	St. Francis Medical Center
Cervantes	Rosemarie	Director of Labor & Delivery	St. Francis Medical Center
Chaudhuri, MD	Kali	Chairman & Founder	SGM
Chidester	Cathy	Director	Los Angeles County Emergency Medical Services Agency
Chou	Anita	Acting Chief Financial Officer	Verity Health
Correo	Paul	Injury Prevention Coordinator	St. Francis Medical Center
Collins	John	Chief Financial Officer, Hospital Operations	SGM
Cruikshank	Deborah	Manager of Orthopedics & Multispecialty Clinics	St. Francis Medical Center
DeBeche	Jackie	Director of Emergency Department	St. Francis Medical Center
Delmar	Denise	Vice President, Human Resources	St. Francis Medical Center
Del Junco, Jr., MD	Tirso	Chief Medical Officer	Verity Health
Drake	Derek	Chief Nursing Officer	St. Francis Medical Center
Druen	Chad	Board Chair	St. Francis Medical Center
Farah, MD	Amin	Cardiologist	St. Francis Medical Center
Friedberg, MD	David	Orthopedic Surgeon	St. Francis Medical Center
Gunderson	Alice	Member of the Patient Family Advisory Committee	St. Francis Medical Center
Guzman	Noe	Union Steward & Representative	Service Employees International Union
Holland	Erica	Manager of Cardiovascular, Cath Lab & Cardiology	St. Francis Medical Center
Knighten	Mary Lynne	Member of the Patient Family Advisory Committee	St. Francis Medical Center
Moosa, MD	Andy	Newborn Intensive Care Unit	St. Francis Medical Center
Nate, MD	Cameron	Psychiatrist	St. Francis Medical Center
Nguyen-Clark, MD	Hanh	Chief of Staff-Elect	St. Francis Medical Center
Ortega	Santiago	Member of the Patient Family Advisory Committee	St. Francis Medical Center
Pallickal, MD	Leejoe	Intensive Care Unit-Intensivist	St. Francis Medical Center
Pasion	Terri	Chief Financial Officer	St. Francis Medical Center
Paul	Elspeth	General Counsel	Verity Health
Phipps	Guy	Executive Director of Perioperative Services	St. Francis Medical Center
Pratap	Rowena	Director of Maternity Center & Post Partum	St. Francis Medical Center
Ramirez	Eleanor	Interim President & CEO	St. Francis Medical Center
Sharrer	Steven	Chief Human Resources Officer	Verity Health
Shepherd, MD	Tchaka	Trauma Surgeon	St. Francis Medical Center
Thomas	William	Executive Vice President & General Counsel	SGM
Woo	Linda	Director of Marketing & Communications	St. Francis Medical Center
Ynzunza	Samuel	Board Member	St. Francis Medical Center
Young, MD	Harding	Family Medicine & Board Member	St. Francis Medical Center

Purchaser Conditions from Schedule 8.6 of the Asset Purchase Agreement

St. Francis Medical Center	AG Conditions¹	Purchaser Approved Conditions²
Binding Power	<ul style="list-style-type: none"> ● Conditions shall be binding on entities enumerated in AG Conditions. 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> ● Conform to the transaction described in the Asset Purchase Agreement between SGM and Seller to which this Schedule 8.6 is related (“Agreement”). ● SGM entities who are involved in the purchase of assets pursuant to the Agreement would agree to be bound by the prospective AG conditions substantively conforming to all the provisions herein.
Applicable Agreements	<ul style="list-style-type: none"> ● Transaction consists of the following: <ul style="list-style-type: none"> - Transitional Consulting Services Agreement dated July 17, 2015; - Health System Management Agreement with Integrity Healthcare, LLC; - Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC; - Operating Asset Purchase 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> ● Transaction consists of the Agreement and any and all other agreements contemplated and delivered pursuant to the Agreement including as may be applicable, financing, management services and similar agreements.

¹ The referenced conditions are, as a point of reference, reflective of the conditions contained in the Attorney General’s Decision dated December 3, 2015, conditionally consenting to the proposed change in governance and control of Daughters of Charity Ministry Services Corporation and Daughters of Charity Health System (the “**Prior Conditions**”).

² When reference is made for the proposed new AG conditions to conform to the transaction described in the Agreement, it means that, subject to any other applicable express qualifications, the condition is acceptable provided that the prospective AG conditions would address, and be consistent with, the proposed transaction pursuant to the proposed Agreement between SGM and Verity entities, and would eliminate references to the Blue Mountain entities and affiliate and the contractual arrangements between Verity entities and the Blue Mountain entities and affiliates (upon which the prior conditions were predicated), including without limitation, the System Restructuring and Support Agreement and documents delivered in connection therewith.

St. Francis Medical Center	AG Conditions ¹	Purchaser Approved Conditions
	<p>Option Agreement;</p> <ul style="list-style-type: none"> - Operating Asset Purchase Agreement; - Real Estate Purchase Option Agreement; - Real Estate Purchase Agreement; - Information Technology Lease Agreement; and - Deposit Escrow Agreement dated July 17, 2015. 	
Notice of Sale or Transfer	<p><i>For fifteen (15) years:</i></p> <ul style="list-style-type: none"> • Provide written notice to AG sixty (60) days prior to entering into any sale or transfer agreement. 	<p>Purchaser accepts this condition if updated to reflect current transaction and parties.</p>
Medical; Trauma Services	<p><i>For ten (10) years:</i></p> <ul style="list-style-type: none"> • Remain licensed general acute care hospital. • 24-hour emergency and trauma medical services at no less than current licensure and designation with same types and/or levels of service, including: <ul style="list-style-type: none"> - 46 emergency stations (minimum) - Level II Trauma - 5150 receiving facility - Psychiatric evaluation team - ED Approved for Pediatrics; and - Designation as a Paramedic Base Station (with same number of assigned paramedic units) • Annual maximum number of hours on diversion is 200. • Must give one-year advance written notice to LA-EMSA and CDPH if it seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after the ten (10) years 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> • For a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions. • Purchaser will not agree to an annual maximum number of hours on diversion.

St. Francis Medical Center	AG Conditions¹	Purchaser Approved Conditions
On-Call Coverage Contracts	<p><i>For at least ten (10) years:</i></p> <ul style="list-style-type: none"> ● Maintain on-call coverage (or 	<p>Purchaser accepts this condition with the following changes:</p>
	<p>comparable) contracts with physicians at FMV necessary to ensure trauma coverage, including:</p> <ul style="list-style-type: none"> - General surgery; - Trauma surgery; - Neuro-trauma surgery; - Obstetrical/gynecological surgery; - Orthopedic surgery; - Trauma orthopedic surgery; - Vascular surgery; - Cardiothoracic surgery; - Plastic surgery; - Ophthalmology; - Otolaryngology; - Anesthesia; and -Urology. 	<ul style="list-style-type: none"> ● For a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions. ● Purchaser will not agree to maintain on-call coverage (or comparable) contracts with physicians necessary to ensure trauma coverage except to the extent required by applicable laws or regulations in order for the Hospital to retain its qualification as a trauma center, for so long as maintenance of the trauma status is required. ● These qualifications are not intended to modify the following condition on Essential Medical Services.
Essential Medical Services	<p><i>For at least ten (10) years:</i></p> <ul style="list-style-type: none"> ● Maintain, provide and expand the following services at current levels: - Cardiac services, including at a minimum, three cardiac catheterization labs and the designation as a STEMI Receiving Center; - Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care unit beds and 12 System Restructuring and Support observation beds; - Advanced certification as a Primary Stroke Center; - Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II Neonatal Intensive Care Unit; - Women's health services, including women's imaging services; 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> ● For a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions. ● Purchaser will not agree to maintain, provide and expand cancer care or to not suspend or surrender beds directly supporting such services.

St. Francis Medical Center	AG Conditions ¹	Purchaser Approved Conditions
	<ul style="list-style-type: none"> - Cancer services, including radiation oncology; - Pediatric services, including a minimum of 14 pediatric beds; - Orthopedic and rehabilitation services; - Wound care and hyperbaric medicine services; - Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops; - Inpatient psychiatric services, including a minimum of 40 inpatient acute psychiatric beds; and - Obstetric services, including a minimum of 50 obstetrics beds. ● SFMC shall not place all or any portion of the above in voluntary suspension or surrender its license for any of these beds or services. 	
1206(d) clinics	<p><i>For five (5) years:</i></p> <ul style="list-style-type: none"> ● (1) Operate the 1206(d) clinics (listed below) with the same number of physician and mid-level provider FTEs; or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider FTEs and require purchaser to maintain such services for five (5) years from the Closing; or (3) ensure that a third party is operating the 1206(d) clinics (listed below) with the same number of physician and mid-level provider FTEs for five (5) years and to participate in Medi-Cal and Medicare. ● For any of these options, each 	Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.

St. Francis Medical Center	AG Conditions ¹	Purchaser Approved Conditions
	<p>clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services.</p> <p>● 1206(d) clinics</p> <ul style="list-style-type: none"> - Lynwood Clinic — Family Practice and Pediatrics, located at 3628 E. Imperial Highway, #303 in Lynwood; - Downey Clinic — Family Practice and Pediatrics, located at 7840 Imperial Highway, Unit B, in Downey; and - Orthopedics Clinic, located at 3628 E. Imperial Highway, #300, in Lynwood. 	
Charity Care	<p><i>For eleven (11) fiscal years :</i></p> <ul style="list-style-type: none"> ● Provide an annual amount of Charity Care equal to or greater than \$16,646,323. ● For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not, decreased) by an amount equal to the Annual Percent increase. ● Deficiency payments if Minimum Charity Care Amount not met. 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> ● For a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions. ● Provide an annual amount of Charity Care equal to or greater than Eight Million Dollars (\$8,000,000). ● Purchaser will not make any deficiency payments related to Charity Care spending into pensions.
Community Benefit Services	<p><i>For eleven (11) fiscal years:</i></p> <ul style="list-style-type: none"> ● Provide an annual amount of Community Benefit Services equal to or greater than \$1,362,680 and continue to offer the following services: - Health Benefits Resource Center; - Welcome Baby Program; - Healthy Community Initiatives; 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> ● For a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions. ● Provide an annual amount of Community Benefit Services equal to or greater than One Million, Four Hundred Thirty-Nine Thousand, Eight Hundred Fifty-

St. Francis Medical Center	AG Conditions ¹	Purchaser Approved Conditions
	<ul style="list-style-type: none"> - St. Francis Career College's access for onsite training; - Paramedic Training and Education; and - Patient Transportation support. ● For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change. ● Deficiency payments if Minimum Community Benefit Services Amount not met. 	Four Dollars (\$1,439,854).
Medicare and Medi-Cal and Managed Care	<p><i>For ten (10) years:</i></p> <ul style="list-style-type: none"> ● Be certified to participate in the Medi-Cal program; ● Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care), on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause: <ul style="list-style-type: none"> - Local Initiative: LA Care Health Plan or its successor; and - Commercial Plan: Health Net Community Solutions, Inc. or its successor. ● If St. Francis Medical Center questions whether it is being 	Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.

St. Francis Medical Center	AG Conditions ¹	Purchaser Approved Conditions
	<p>reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the AG's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.</p> <ul style="list-style-type: none"> ● Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care). 	
County Contracts	<p><i>For at least ten (10) years:</i></p> <ul style="list-style-type: none"> ● Maintain LA County contracts, including: <ul style="list-style-type: none"> - Radiation Therapy Services Agreement; - Impacted Hospital Program Agreement until terminated by Los Angeles County in June 2016; - Department of Mental Health Legal Entity Agreement; - Mental Health Services Agreement Contract Allowable Rate-Fee for Service Medi-Cal Acute Psychiatric Inpatient Services; - EDAP Confirmation Agreement; - Designation Agreement (72-Hours Evaluation and Intensive Treatment Facility); - Paramedic Base Hospital Services Agreement; 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> ● For a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions. ● Conform to current transaction

St. Francis Medical Center	AG Conditions ¹	Purchaser Approved Conditions
	<ul style="list-style-type: none"> - Trauma Center Services Agreement; - Trauma Center Services Augmentation Agreement until terminated by Los Angeles County in December 2015; - Nursing Affiliation Agreement; and - Hospital Preparedness Program Agreement. • Provide to LA County information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that St. Francis Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board. 	
Local Governing Board of Directors	<p><i>For ten (10) years:</i></p> <ul style="list-style-type: none"> • Have a Local Governing Board of Directors and consult with Board prior to changes. 	Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.
Capital Commitment	<ul style="list-style-type: none"> • Reserve or expend the \$180 million capital commitment. 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> • Capital commitment will be adjusted as follows: <ul style="list-style-type: none"> - Prorated to adjust commitment to reflect percentage of assets St. Francis Medical Center represents against the total value of all assets in the Verity Health System; - The capital commitment will be reduced by the amount Seller has already expended for capital from the Closing of the Blue Mountain transaction through Closing under

St. Francis Medical Center	AG Conditions¹	Purchaser Approved Conditions
		<p>the Agreement.</p> <ul style="list-style-type: none"> - All to be paid or reserved over a five (5) year period after Closing of the Agreement. - The total capital requirements for St. Francis Medical Center, Seton Medical Center / Coastside, and St. Vincent Medical Center will not exceed Seventy-Five Million Dollars (\$75,000,000).
Pension Obligations	<ul style="list-style-type: none"> ● Comply with existing pension obligations. 	Purchaser does not accept this condition.
Staff Privileges	<ul style="list-style-type: none"> ● Maintain privileges for current medical staff in good standing at Closing. ● Maintain medical staff officers, committee chairs, and independence of medical staff, and such persons shall remain in good standing for the remainder of their tenure. 	<ul style="list-style-type: none"> ● Purchaser accepts this condition consistent with the Agreement. ● Agreed to the extent reasonably within SGM's control.
Seismic Compliance	<ul style="list-style-type: none"> ● Commit necessary investments to maintain OSHPD seismic compliance requirements of hospital through 2030. 	Purchaser accepts this condition.
Update Bylaws and Conflict of Interest Policy	<ul style="list-style-type: none"> ● Within sixty (60) days, update Bylaws as specified and adopt same Conflict of Interest Policy as DCHS. ● Within ninety (90) days of closing, provide copies of amended and restated governing documents. 	Purchaser does not accept this condition because it is not applicable to a for-profit health system or consistent with this transaction.
Reproductive Health Services and LGBT Discrimination	<ul style="list-style-type: none"> ● There shall be no restriction or limitation on providing or making reproductive health services and no discrimination against LGBT individuals. Both of these must be set forth in written policies. 	Purchaser accepts this condition.

St. Francis Medical Center	AG Conditions¹	Purchaser Approved Conditions
Accounting of Charitable Assets	<ul style="list-style-type: none"> • At least thirty (30) days prior to Closing, provide to the Attorney General's Office an accounting of all charitable assets. 	Purchaser does not accept this condition because it is not acquiring the Foundations.
Compliance Reports and Provision of Information	<ul style="list-style-type: none"> • Provide reports/information as required by AG for eleven years. 	Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.
Consent to Conditions	<ul style="list-style-type: none"> • Implicit/explicit consent to conditions and waiver of any right to seek judicial relief. 	<p>Purchaser accepts this condition with the following changes:</p> <ul style="list-style-type: none"> • Implicit/explicit consent to conditions and waiver of any right to seek judicial relief as long as consistent with the Agreement.

St. Francis Medical Center License

License: 930000157
Effective: 01/01/2019
Expires: 12/31/2019
Licensed Capacity: 384

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California
and its rules and regulations, the Department of Public Health hereby issues

this License to

St. Francis Medical Center

to operate and maintain the following **General Acute Care Hospital**

SAINT FRANCIS MEDICAL CENTER

3630 E Imperial Hwy
Lynwood, CA 90262-2636

Bed Classifications/Services

314 General Acute Care
71 Perinatal
36 Intensive Care
29 Intensive Care Newborn Nursery
14 Pediatric
164 Unspecified General Acute Care
40 Acute Psychiatric (D/P)
30 Skilled Nursing (D/P)

Other Approved Services

Basic Emergency Medical
Cardiovascular Surgery
Nuclear Medicine
Occupational Therapy
Outpatient Services - Orthopedic Clinic at
Orthopedic Clinic, 3628 E. Imperial Highway,
Suite 300, Lynwood
Outpatient Services - Pediatrics at Children's
Counseling Center, 4390 Tweedy Ave.,
South Gate
Outpatient Services - Wound Care at Wound
Care Center, 3628 E. Imperial Hwy., Ste.
103, Lynwood
Physical Therapy
Radiation Therapy
Respiratory Care Services
Social Services
Speech Pathology

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:

15 Perinatal beds being utilized as LDRP rooms.

Karen L. Smith, MD, MPH

Director and State Public Health Officer


Stephanie Devlin, Staff Service Manager I

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A.
County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)312-1104

POST IN A PROMINENT PLACE