

Effect of the Asset Purchase Agreement between Verity Health and Strategic Global Management on the Availability and Accessibility of Healthcare Services to the Communities Served by St. Vincent 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. Vincent 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 366 beds, located in the city of Los Angeles, California. 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 Hospitals² 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. SGM agrees to close the transaction so long as any conditions imposed by the California Attorney General are substantially consistent with the Conditions³ 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.

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

³ 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.

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's 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 (OSHDP); 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 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 expenditures⁴;
- November 2008 – Bonds⁵ 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;
- 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;

⁴ This amount is gross of an estimated \$26 million in the debt service reserved funds that were used to defease the 2005 Bonds.

⁵ 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.

- August 5, 2013 – Daughters solicits offers for Seton Medical Center and Seton Medical Center Coastside, 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 retired⁶;
- 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;
- 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);

⁶ 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.

- October 9, 2014 – St. Francis Medical Center’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 – 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 Capital 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 horse⁷ 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.

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 Date⁸ 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;

⁷ 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.

⁸ The day on which the consummation of the transactions contemplated by the Asset Purchase Agreement occurs.

- 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 Property⁹ and all Verity Health Hospital's interest, to the extent assignable or transferable, in and to all Assumed Leases¹⁰;
- All of Verity Health Hospitals' Assumed Contracts¹¹;
- Other than the Excluded Settlements and Actions¹², 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 health plans with respect to periods prior to the Effective Time¹³ except with respect to any causes of action or proceeds thereof arising under Chapter 5 of the Bankruptcy Code¹⁴ 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 Deposits¹⁵, 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;

⁹ Real property, together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon duly executed by Seller.

¹⁰ (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

¹¹ 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

¹² All pre-Closing settlements or settlements pursuant to adversary proceedings in the Bankruptcy Cases.

¹³ The Effective Time occurs at 12:00 am Pacific Time on the day immediately after the Closing Date.

¹⁴ Section 501 through 562 of the United States Bankruptcy Code that focuses on creditors, debtors and the estate.

¹⁵ All deposits made with any entity that provides utilities to the 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 B¹⁶ trauma funding received after the Signing Date¹⁷ 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 payments¹⁸, 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");
- 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;

¹⁶ A Measure passed in 2002 that raised property taxes to help fund emergency departments and trauma centers operating in Los Angeles County.

¹⁷ The date the Asset Purchase Agreement was made and entered into (January 8, 2019).

¹⁸ 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.

- The right to use the names "St. Francis Medical Center", "St. Vincent Medical Center", "Seton Medical Center" and "Seton Medical Center Coastsides", 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 Energy¹⁹ (PACE) Obligations; and
- All QAF Program²⁰ payments received after the Closing.
- Excluded assets, notwithstanding anything to the contrary listed above, pertaining to each Seller includes, but is not limited to, the following:
 - Cash, cash equivalents and short-term investments;
 - 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

¹⁹ 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.

²⁰ 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.

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; and
- Payment of Cure Costs²¹ associated with any assumed leases and/or contracts and assumption of the other assumed obligations.
- At Closing, SGM shall pay to Sellers an aggregate amount equal to the purchase price minus the Net QAF Reduction Amount²², if any, plus the Net QAF Increase Amount²³, 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':

²¹ 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.

²² 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.

²³ 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.

- 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.
- 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 Sale²⁴ or the Assumption Agreement²⁵;
 - 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

²⁴ 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.

²⁵ 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.

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 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 of the Asset Purchase Agreement;
- 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.

California Attorney General Conditions from Schedule 8.6 of the Asset Purchase Agreement²⁶

St. Vincent 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 five years from the Closing Date, St. Vincent Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and <ul style="list-style-type: none"> Twenty-four hour emergency medical services, including a minimum of 8 emergency beds/stations and 6 Fast Track treatment stations, and the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals; Intensive care/critical care services, including a minimum of 30 licensed intensive care beds; Cardiac services, including cardiac surgery and a minimum of 4 cardiac Cancer services, including radiation therapy; Gastroenterology services; Imaging and laboratory services; Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments; Neurology and neurotology services, including neurosurgery; Orthopedics, joint replacement, and spine care services; Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants; and Outpatient dialysis services within 5 miles of St. Vincent Medical Center by either (1) operating St. Vincent Dialysis Center, or (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the Closing Date and to participate in the Medi-Cal and Medicare programs, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the Closing Date and that such center(s) participate in the Medi-Cal and Medicare programs. 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p>
<ul style="list-style-type: none"> If St. Vincent Medical Center provides obstetrical services within five years from the Closing Date, St. Vincent Medical Center shall also provide reproductive health services including such services prohibited by the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops; 	Yes	-	-
<ul style="list-style-type: none"> For five years from the Closing Date, St. Vincent Medical Center shall either: (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the 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 as required in Condition VII, 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 full-time equivalents and require the third party to maintain such services for 5 years from the Closing Date and to participate in the Medi-Cal and Medicare programs as required in Condition VII. For any of these options, each clinic can be moved to a different location within a two-mile radius of each clinic’s current location, and St. Vincent Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services. The following 1206 (d) clinics are subject to this condition: <ul style="list-style-type: none"> Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles; Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles; Spine Institute, located at 2200 West 3rd Street in Los Angeles; Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles. 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p>

²⁶ Schedule 8.6 of the Asset Purchase Agreement is included in the Appendix of this report.

St. Vincent 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 five years from the Closing Date, St. Vincent Medical Center shall: <ul style="list-style-type: none"> Be certified to participate in the Medi-Cal program; Maintain and have Medi-Cal Managed Care contracts with Medi-Cal Managed Care Plans (Local Initiative Plan: LA Care Health Plan or its successor, and Commercial Plan: Health Net Community Solutions, Inc. or its successor) to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center; and 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. Vincent Medical Center. 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p>
<ul style="list-style-type: none"> For six fiscal years from the Closing Date, St. Vincent Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Vincent Medical Center equal to or greater than \$407,513 (the Minimum Charity Care Amount). St. Vincent Medical Center shall use and maintain a charity care policy that is no less favorable than St. Vincent Medical Center's current charity care policy and in compliance with California and Federal law; 	<p>Conditionally: Provide an annual amount of Charity Care equal to or greater than \$430,384. Purchaser will not make any deficiency payments related to Charity Care spending into pensions.</p>	<p>2</p>	<p>2021</p>
<ul style="list-style-type: none"> For six fiscal years from the Closing Date, St. Vincent Medical Center shall provide an annual amount of Community Benefit Services equal to or greater than \$1,018,762 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered: <ul style="list-style-type: none"> Health Benefits Resource Center or similar services; and Asian Pacific Liver Center. 	<p>Conditionally: Provide an annual amount of community benefit service equal to or greater than \$1,076,459.</p> <p>Yes</p> <p>Yes</p>	<p>2</p> <p>2</p> <p>2</p>	<p>2021</p> <p>2021</p> <p>2021</p>
<ul style="list-style-type: none"> For at least five years from the Closing Date, St. Vincent Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following: <ul style="list-style-type: none"> Hospital Preparedness Program Agreement; Radiation Therapy Services Agreement; and Physician Post Graduate Training Agreement. 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>2020</p> <p>2020</p> <p>2020</p> <p>2020</p>
<ul style="list-style-type: none"> For at least five years from the Closing Date, St. Vincent Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent Medical Center; 	<p>Yes</p>	<p>1</p>	<p>2020</p>
<ul style="list-style-type: none"> Reserve or expend the \$180 million capital commitment; 	<p>Conditionally¹</p>	<p>-</p>	<p>-</p>
<ul style="list-style-type: none"> Comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement; 	<p>No</p>	<p>-</p>	<p>-</p>
<ul style="list-style-type: none"> Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Vincent Medical Center 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 & Saf. Code, § 129675-130070); and 	<p>Conditionally: Purchaser accepts this condition subject to completion of project to refurbish 6 elevators prior to Closing.</p>	<p>-</p>	<p>-</p>
<ul style="list-style-type: none"> There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at St. Vincent Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Vincent Medical Center. 	<p>Yes</p>	<p>-</p>	<p>-</p>

¹Capital commitment will be adjusted as follows:

-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;

-The capital commitment will be reduced by the amount Seller has already expended for capital from the Closing Date of the Blue Mountain transaction through Closing under the Agreement.

-All to be paid or reserved over a five (5) year period after Closing Date of the Agreement.

-The total capital requirements for St. Francis Medical Center, Seton Medical Center / Coastsides, and St. Vincent Medical Center will not exceed Seventy-Five Million Dollars (\$75,000,000).

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 System

Verity Health System

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 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.

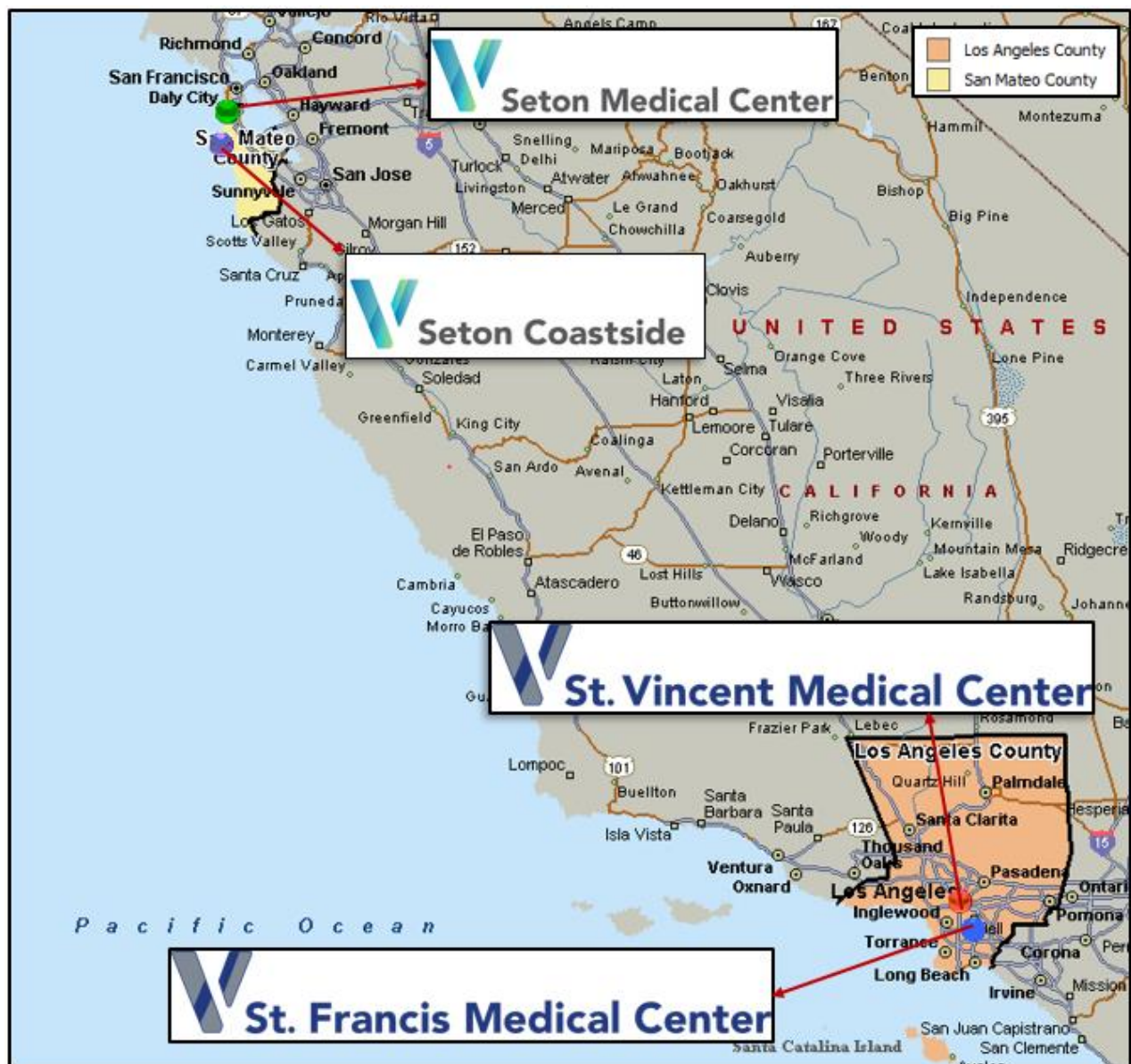
As of August 31, 2018, Verity Health had approximately 7,385 employees, of which 4,733 are full-time employees. Approximately 72%, or 5,300 employees, of Verity Health's employees, are represented by California Nurses Associations ("CNA"), Service Employees International Union ("SEIU"), National Union 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. St. Francis Medical Center 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 \$57.6 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 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 notes. 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".

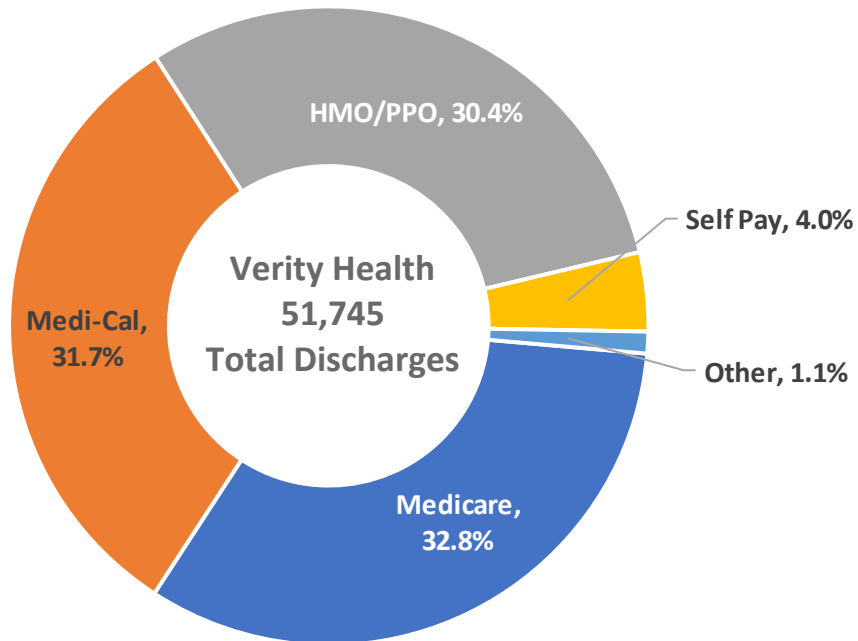
Category	Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible 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

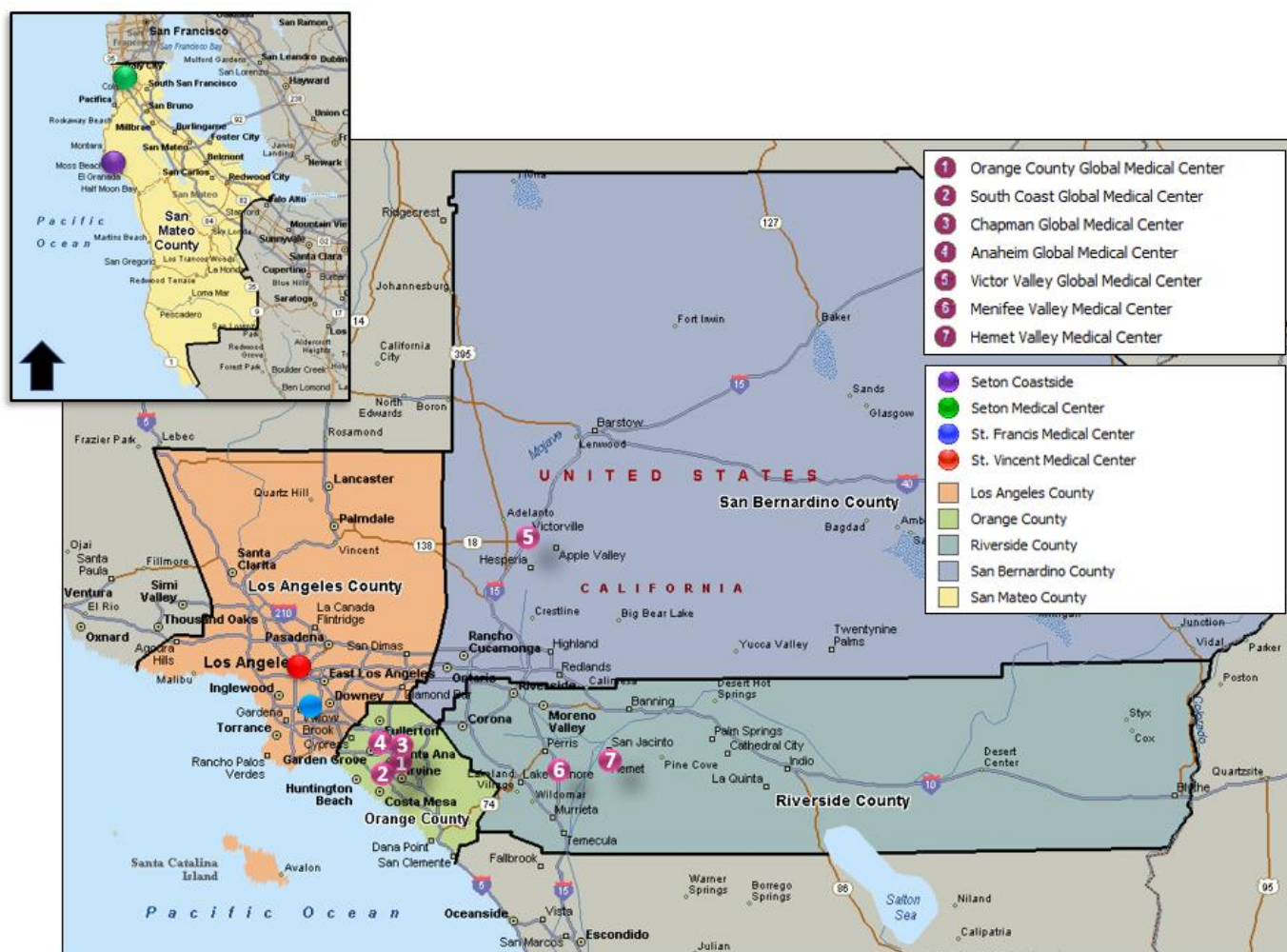
Dr. Kali Chaudhuri is the owner and CEO of SGM, headquartered in Riverside County, California. Dr. Chaudhuri is also majority owner or shareholder of several other healthcare entities including:

- KPC Healthcare, Inc. (“KPC”), a for-profit private health system that owns and operates four hospitals in Orange County. KPC also 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		Meniffee 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		Meniffee		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. Vincent Medical Center

Overview of the Hospital

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, and multi-organ transplant 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. In CY 2016, the Hospital opened an eight-bed emergency department to meet the needs of the local community. The emergency department has contributed to an approximate 25% increase in inpatient admits to the Hospital.

St. Vincent Foundation

St. Vincent Foundation was incorporated in 1989 as a nonprofit public benefit corporation. Charitable donations and endowments raised by St. Vincent Foundation help fund the acquisition of new equipment, the expansion of the Hospital's facilities, healthcare services, and community outreach programs. St. Vincent Foundation raises funds through grants, special events, and individual donors. St. Vincent is governed by a Board of Trustees, and St. Vincent is the sole corporate member of the Foundation.

St. Vincent, as well as St. Vincent Foundation, holds donor-restricted funds. As of May 31, 2018, St. Vincent Foundation had a balance of approximately \$1,590,149.89 in temporarily restricted assets and a balance of approximately \$136,159 in board designated temporarily restricted assets for the purpose of funding programs such as bone mineral density research, transportation for low income patients, the organ transplantation program, and oncology research and treatment.

St. Vincent Dialysis Center, Inc.

St. Vincent is the sole corporate member of the St. Vincent Dialysis Center, located on the Hospital's campus. The St. Vincent Dialysis Center provides dialysis services for kidney disease patients, including hemodialysis and isolated ultrafiltration treatments as part of the Hospital's end-stage renal disease program.

Key Statistics

St. Vincent operates a 366 licensed bed, general acute care hospital that primarily serves residents in central Los Angeles.

BED DISTRIBUTION 2019	
Bed Type	Number of Beds
General Acute Care	253
Intensive Care	67
Rehabilitation	19
Total Acute Care Beds	339
Skilled Nursing (D/P)	27
Total Beds	366

Source: Hospital License 2019

The Hospital has a “basic” emergency department³² with 8 licensed emergency treatment, 18 surgical operating rooms and three functioning cardiac catheterization labs for inpatient and outpatient cardiac catheterization services.

For FY 2018, the Hospital had a total of 11,289 inpatient discharges, 65,289 patient days, and an average daily census of 179 patients per day (approximately 49% occupancy on 366 total licensed beds).

ST. VINCENT MEDICAL CENTER KEY STATISTICS FY 2016 - FY 2018 ¹			
	FY 2016	FY 2017	FY 2018
Inpatient Discharges	10,044	11,088	11,289
Licensed Beds	366	366	366
Patient Days	56,987	64,539	65,289
Average Daily Census	156	177	179
Occupancy	42.7%	48.3%	48.9%
Average Length of Stay	5.7	5.8	5.8
Cardiac Catheterization Procedures	1,526	1,831	1,482
Emergency Service Visits ²	30,740	30,468	29,802*

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.

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.

- Since FY 2016, inpatient discharges have increased by 12%, from 10,044 discharges in FY 2016 to 11,289 discharges in FY 2018. Over the same period, patient days have increased by 15% to 65,289 patient days in FY 2018; and
- Between FY 2016 and FY 2018, emergency department visits decreased 4% to 29,802 visits.

Programs and Services

The Hospital is a provider of specialty and tertiary services including:

- Rehabilitation services include: An inpatient unit that provides care to stroke, burn, spinal cord injury, trauma, joint replacement, and brain injury patients. Outpatient rehabilitation services include spine stabilization, sports injury rehabilitation, self-care training, and occupational, physical, and speech language therapy;
- Cardiovascular services include: Cardiac catheterization procedures, cardiovascular surgery, including open heart surgery, pacemaker implantation, and treatment for high blood pressure, rapid heart, blocked arteries or veins, and weak valves;
- Emergency services include: STEMI Receiving designation, 24-hour ambulance receiving emergency services with eight treatment stations;
- Gastroenterology services include: Diagnosis and treatment services for conditions of the liver, pancreas, and gastrointestinal tract. Services also include endoscopy and preventive education;
- The Asian Pacific Liver Center, located on the Hospital's campus, focuses on preventive education, early detection, and treatment of chronic hepatitis B patients;
- Imaging and laboratory services include: Radiology, diagnostic imaging, and pathology;
- Transplant and Hepato-Pancreato-Biliary Institute: Kidney transplant, kidney-pancreas double transplants, live donor kidney transplants, and liver transplants.
- Nephrology services include: Inpatient and outpatient dialysis services, kidney and kidney/pancreas transplants, and an end stage renal disease program for patients with chronic kidney disease. Outpatient dialysis services are available at the St. Vincent Dialysis Center;
- Neurosurgery services include: Treatment of skull-base tumors, vascular disease, primary and metastatic tumors, trigeminal neuralgia, stroke, and stenosis;

- Oncology services include: Surgery, brachytherapy, radiation, and intensity modulation radiation therapy; and
- Skilled nursing services include: A 27 licensed bed unit that provides treatment for patients who no longer require acute care, yet require oxygen administration, medication and fluid administration, and physical, speech, and occupational therapy.

Accreditation

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

- St. Vincent Medical Center received eight top attainment and improvement awards in the clinical areas of Heart Failure, Coronary Artery Bypass Grafting (CABG), Pneumonia, and Hip and Knee; and
- St. Vincent Medical Center reports their clinical care and patient experience performance data publicly through several venues: The Centers for Medicare and Medicaid (CMS), The Joint Commission and the California Hospital Compare.

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 0.20%. For FY 2019, the Centers for Medicare & Medicaid Services is decreasing payments to the Hospital by 0.08%.

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 Program³³, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. 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 0.57% reduction in reimbursement. For FY 2019, the Hospital is penalized with a 0.60% reduction in reimbursement. The following table shows the Hospital's 30-day readmission rates for chronic obstructive pulmonary disease, heart failure, pneumonia, stroke, hip/knee replacement, and all causes hospital-wide. The Hospital's 30-day readmission rates for chronic obstructive pulmonary disease, heart failure, pneumonia and hospital wide causes are higher than the national average.

30-DAY READMISSION RATES		
Condition/Procedure	St. Vincent Medical Center	National Average
Chronic Obstructive Pulmonary Disease	20.8%	19.6%
Heart Failure	23.2%	21.7%
Pneumonia	19.1%	16.7%
Stroke	11.3%	11.9%
Coronary Artery Bypass Graft (CABG)	Number of Cases too Small	13.2%
Hospital Wide	16.1%	15.3%
Hip/Knee Replacement	4.1%	4.2%

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

³³ 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 criteria³⁴, 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. VINCENT MEDICAL CENTER SEISMIC OVERVIEW		
Building Name	SPC Compliance Status	NPC Compliance Status
Main Hospital	1	2
Central Plant / Parking Garage	2	2
Doheny Wing	1	2
Cath Lab	5s	2
ER Ambulance and Entrance Cover	5s	4s

Source: OSHPD

"s" indicates self reported

- The Hospital has two buildings rated as SPC-1. These buildings pose significant risk of collapse and danger. These buildings should have been brought up to the SPC 2 level by January 1, 2008 or should have been removed from acute care service unless an extension was approved to extend service. Buildings with an approved extension are permitted to provide acute care service only up to the length of extension granted. The Hospital reports that it has been granted an extension from OSHPD for two buildings until 2022;
- The Hospital has one building rated SPC-2. This building is in compliance with the pre-1973 California Building Standards Code but not in compliance with the Alquist Hospital Facilities Safety Act (SBC 1953). This building must be seismically retrofitted by January 1, 2030 in order to continue providing inpatient acute care services beyond January 1, 2030;
- The Hospital has two buildings 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 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;
- The Hospital has one building rated as NPC-4. The building meets the criteria for NPC-3 and all architectural, mechanical, electrical systems, components and equipment, and

³⁴OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

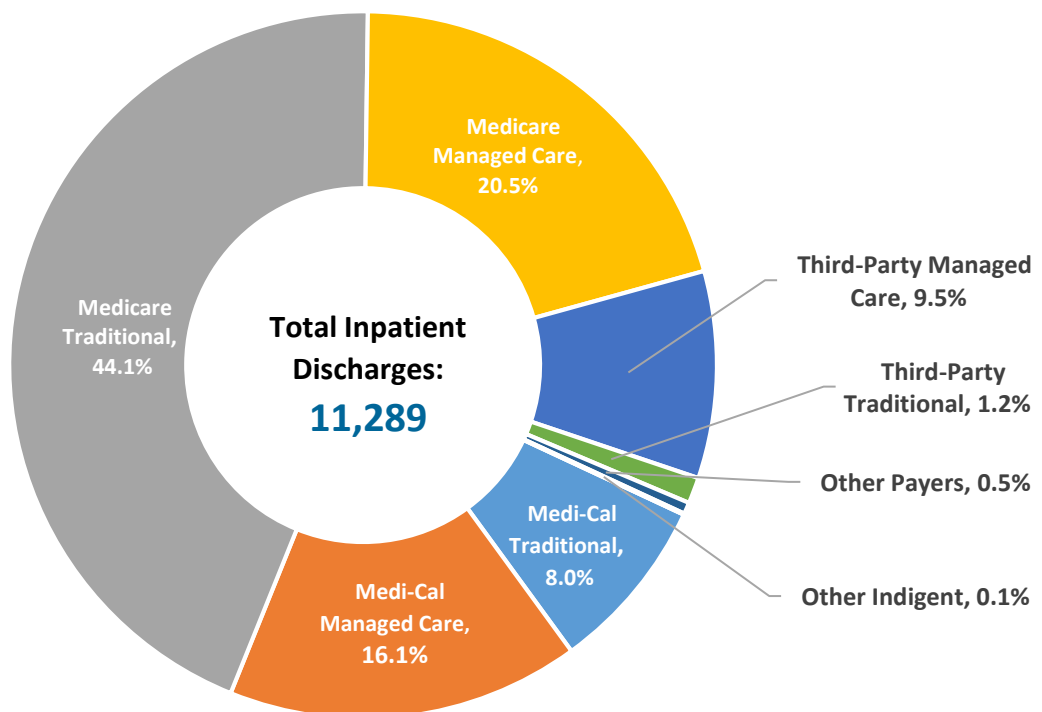
hospital equipment meet the bracing and anchorage requirements of Part 2, Title 24 of the California Building Code. This category for this classification is used for the purposes of the Office of Emergency Services. The deadline to meet the requirement is January 1, 2020 or 2030 depending on the Seismic Design Category and extension request requirements; and

- Verity Health and the Hospital have provided estimates for the cost of seismic retrofits of between \$20 million to \$30 million.

Payer Mix

The Hospital's payer mix for FY 2018 consisted of a large proportion of Medicare patients that accounted for nearly 65% of all inpatient hospital discharges. Medi-Cal patients accounted for over 24% of all inpatient discharges, with Medi-Cal Traditional at 8% and Medi-Cal Managed Care at 16%. Thus, almost 90% of all inpatient hospital discharges are from these two governmental programs. Third-Party Managed Care (9%) and Third-Party Traditional (1%) accounted for nearly 10% of all inpatient hospital discharges. Additionally, 1% of all inpatient hospital discharges were all other payers including Other Indigent patients (uninsured/poor).

St. Vincent 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 Medicare Managed Care patients (44.1%) and Medicare Traditional Patients (23.3%) relative to Los Angeles County and California overall. The table also shows that the Hospital has a lower percentage of Third-Party Traditional and Third-Party Managed Care patients (10.7%) relative to Los Angeles County (20.8%) and California overall (23.4%). The Hospital reported lower percentage of Other Indigent (0.1%) relative to Los Angeles County (0.4%), and the State of California (0.5%).

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	907	8.1%	150,497	17.3%	379,332	13.2%
Medi - Cal Managed Care	1,821	16.1%	179,688	20.7%	611,389	21.3%
Medi-Cal Total	2,728	24.2%	330,185	38.0%	990,721	34.6%
Medicare Traditional	4,979	44.1%	233,708	26.9%	821,181	28.7%
Medicare Managed Care	2,314	20.5%	102,859	11.8%	321,579	11.2%
Medicare Total	7,293	64.6%	336,567	38.7%	1,142,760	39.9%
Third - Party Traditional	135	1.2%	26,517	3.0%	95,981	3.3%
Third - Party Managed Care	1,068	9.5%	154,335	17.7%	574,058	20.0%
Third-Party Total	1,203	10.7%	180,852	20.8%	670,039	23.4%
Other Payers	59	0.5%	14,922	1.7%	40,046	1.4%
Other Indigent	6	0.1%	3,068	0.4%	14,881	0.5%
County Indigent	0	0.0%	4,033	0.5%	6,746	0.2%
Other Total	65	0.6%	22,023	2.5%	61,673	2.2%
Total	11,289	100%	869,627	100%	2,865,193	100%

Source: OSHPD Disclosure Reports, FY 2017-2018

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 210 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 43% of the medical staff, include: internal medicine and radiology.

MEDICAL STAFF PROFILE		
Specialty	Count	% of Total
Anesthesiology	12	5.7%
Cardiology	24	11.4%
Dental	2	1.0%
Family Practice	10	4.8%
Gastroenterology	16	7.6%
General Surgery	7	3.3%
Internal Medicine	20	9.5%
Orthopedic Surgery	9	4.3%
Neurology	4	1.9%
Neurosurgery	3	1.4%
Nuclear Medicine	1	0.5%
Ophthalmology	8	3.8%
Oncology	5	2.4%
Pathology	3	1.4%
Otolaryngology	6	2.9%
Physical Medicine/Rehabilitation	1	0.5%
Psychiatry	1	0.5%
Podiatry	2	1.0%
Pulmonology	6	2.9%
Radiology	3	1.4%
Urology	12	5.7%
Surgery (endovascular/vascular)	3	1.4%
Other	52	24.8%
Total	210	100%

Source: OSHPD, FY 2018

Patient Utilization Trends

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

ST. VINCENT MEDICAL CENTER SERVICE VOLUMES FY 2014 - FY 2018*					
PATIENT DAYS	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Medical/Surgical	31,128	33,040	38,266	45,083	47,032
Intensive Care	3,506	3,955	5,252	5,882	6,066
Physical Rehabilitation Care	5,020	5,445	5,632	5,444	5,309
Skilled Nursing	8,288	7,482	7,837	8,130	6,882
Total	47,942	49,922	56,987	64,539	65,289
DISCHARGES					
Medical/Surgical	6,492	7,124	7,982	8,936	9,236
Intensive Care	731	853	1,096	1,166	1,142
Physical Rehabilitation Care	416	438	452	442	439
Skilled Nursing	606	510	514	544	472
Total	8,245	8,925	10,044	11,088	11,289
AVERAGE LENGTH OF STAY					
Medical/Surgical	4.8	4.6	4.8	5.0	5.1
Intensive Care	4.8	4.6	4.8	5.0	5.3
Physical Rehabilitation Care	12.1	12.4	12.5	12.3	12.1
Skilled Nursing	13.7	14.7	15.2	14.9	14.6
Total	5.8	5.6	5.7	5.8	5.8
AVERAGE DAILY CENSUS					
Medical/Surgical	85.3	90.5	104.8	123.5	128.9
Intensive Care	9.6	10.8	14.4	16.1	16.6
Physical Rehabilitation Care	13.8	14.9	15.4	14.9	14.5
Skilled Nursing	22.7	20.5	21.5	22.3	18.9
Total	131	137	156	177	179
OTHER SERVICES					
Inpatient Surgeries	2,107	2,259	2,199	2,305	2,792
Outpatient Surgeries	7,459	7,155	6,904	6,890	7,872
Emergency Service Visits ¹	17,758	25,615	30,740	30,468	29,802

Sources: OSHPD Disclosure Reports, FY 2014 - FY 2018

* FY 2014 to FY 2017 data is audited whereas FY 2018 data is unaudited by OSHPD.

¹ OSHPD Alerts 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 increased by 36%;
- The average daily census increased by 37% from 131 patients in FY 2014 to 179 patients in FY 2018; and
- Total discharges have increased by 37% to 11,289 discharges in FY 2018.

Financial Profile

Over the last five fiscal years, the Hospital has experienced net income losses ranging from a loss of approximately \$31.3 million in FY 2014 to a loss of \$66.4 million in FY 2018. Although net patient revenue increased nearly 30% over the last five reported years, this was not enough to offset the 32%, or \$70 million, increase in operating expenses over the same period. This has resulted in net operating losses totaling nearly \$250 million since FY 2014.

ST. VINCENT MEDICAL CENTER						
FINANCIAL AND RATIO ANALYSIS FY 2014 - FY 2018 ¹						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	
Patient Days	47,942	49,922	56,987	64,539	65,289	
Discharges	8,245	8,925	10,044	11,088	11,289	
ALOS	5.8	5.6	5.7	5.8	5.8	
Net Patient Revenue	\$183,189,799	\$208,861,904	\$208,301,778	\$228,014,320	\$235,399,976	
Other Operating Revenue	\$3,657,799	\$2,456,294	\$648,312	\$283,414	\$1,038,670	
Total Operating Revenue	\$186,847,598	\$211,318,198	\$208,950,090	\$228,297,734	\$236,438,646	
Operating Expenses	\$229,806,233	\$251,405,468	\$258,393,353	\$272,366,246	\$303,813,320	
Net from Operations	(\$42,958,635)	(\$40,087,270)	(\$49,443,263)	(\$44,068,512)	(\$67,374,674)	
Net Non-Operating Revenues/Expenses	\$11,624,367	\$2,369,614	\$304,392	\$1,205,281	\$975,953	
Net Income	(\$31,334,268)	(\$37,717,656)	(\$49,138,871)	(\$42,863,231)	(\$66,398,721)	
						California ²
Current Ratio	0.48	0.37	0.36	0.34	0.22	1.56
Days in A/R	46.7	45.4	44.9	73.4	59.9	54.6
Bad Debt Rate	0.50%	0.40%	0.50%	0.50%	0.80%	0.80%
Operating Margin	-22.99%	-18.97%	-23.66%	-19.30%	-28.50%	3.13%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

² FY 2017 data. FY 2018 California data was not available when the data was collected to prepare this report.

The Hospital's current ratio³⁵ has decreased over the last five years from 0.48 in FY 2014 to 0.22 in FY 2018 (the California average in FY 2017 was 1.56). The Hospital's percentage of bad debt is 0.8% and is the same as the statewide average.

³⁵The 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, 59% of total costs were associated with Medicare, followed by 26% with Medi-Cal, and 14% with Third – Party.

ST. VINCENT MEDICAL CENTER					
OPERATING EXPENSES BY PAYER CATEGORY FY 2014 - FY 2018					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Operating Expenses	\$229,806,233	\$251,405,468	\$258,393,353	\$272,366,246	\$303,813,320
Cost of Services By Payer:					
Medicare	\$149,292,458	\$156,894,493	\$160,682,821	\$165,355,551	\$179,043,362
Medi-Cal	\$33,264,416	\$46,409,200	\$47,751,070	\$65,755,977	\$80,491,868
County Indigent	\$0	\$0	\$0	\$0	\$0
Third-Party	\$46,804,129	\$47,516,919	\$48,971,414	\$38,297,921	\$41,473,377
Other Indigent	\$56,396	\$53,641	\$620,137	\$204,273	\$222,886
All Other Payers	\$388,834	\$531,214	\$367,910	\$2,752,523	\$2,581,827

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 2.6% and higher than the five-year statewide average of 2.2%. 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. VINCENT 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	\$1,040,563	\$338,322,364	\$1,054,159	\$365,501,463	\$1,214,928	\$396,427,743	\$1,414,760	\$408,188,146	\$1,531,104	-	
Charity	\$643	\$5,113,965	\$234	\$3,441,227	\$3,240	\$3,457,868	\$7,976	\$2,864,615	\$5,549	-	
Bad Debt	\$5,530	\$4,365,936	\$4,390	\$3,262,642	\$6,323	\$3,108,971	\$7,104	\$2,762,692	\$12,283	-	
Total Charity & Bad Debt	\$6,173	\$9,479,902	\$4,623	\$6,703,869	\$9,563	\$6,566,839	\$15,080	\$5,627	\$17,832	-	
Charity Care as a % of Gross Pt. Rev.	0.10%	1.50%	0.00%	0.90%	0.30%	0.90%	0.60%	0.70%	0.40%	-	
Bad Debt as a % of Gross Pt. Rev.	0.50%	1.30%	0.40%	0.90%	0.50%	0.80%	0.50%	0.70%	0.80%	-	
Total as a % of Gross Pt. Rev.	0.60%	2.80%	0.40%	1.80%	0.80%	1.70%	1.10%	1.40%	1.20%	-	
Uncompensated Care											
Cost to Charge Ratio	21.70%	23.60%	23.60%	24.10%	21.20%	23.80%	19.20%	23.00%	19.80%	-	
Charity	\$140	\$1,207,919	\$55	\$828,647	\$687	\$822,627	\$1,534	\$658,891	\$1,097	-	
Bad Debt	\$1,202	\$1,031,234	\$1,037	\$785,644	\$1,341	\$739,624	\$1,366	\$635,448	\$2,429	-	
Total	\$1,342	\$2,239,153	\$1,092	\$1,614,292	\$2,029	\$1,562,251	\$2,900	\$1,294,339	\$3,526	-	

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 increased from \$139,642 in FY 2014 to \$1,067,083 in FY 2018. The average cost of charity care for the last five-year period was \$696,643 while the three-year average cost of charity care was \$1,096,111.

ST. VINCENT 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	\$5,548,555	19.20%	\$1,067,083
FY 2017	\$7,976,081	19.20%	\$1,533,939
FY 2016	\$3,239,771	21.20%	\$687,312
FY 2015	\$233,901	23.60%	\$55,238
FY 2014	\$642,527	21.70%	\$139,642
3-Year Average			\$1,096,111
5-Year Average			\$696,643

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 14% of the amount generally billed for inpatient care and 12% of the amount generally billed for outpatient care where both are determined each fiscal year.

ST. VINCENT MEDICAL CENTER					
COST OF CHARITY CARE BY SERVICE FY 2014 - FY 2018					
		Inpatient	Emergency	Outpatient	Total Costs
FY 2018:					
	Cost of Charity	\$5,879,532	\$7,831,155	\$353,535	\$14,064,222
	Visits/Discharges	312	6,797	460	7,569
FY 2017:					
	Cost of Charity	\$3,580,796	\$5,478,371	\$688,138	\$9,747,305
	Visits/Discharges	552	7,002	747	8,301
FY 2016:					
	Cost of Charity	\$2,551,952	\$8,792,210	\$120,973	\$11,465,135
	Visits/Discharges	541	9,869	1,925	12,335
FY 2015:					
	Cost of Charity	\$4,075,948	\$9,636,912	\$706,343	\$14,419,203
	Visits/Discharges	372	11,835	1,673	13,880
FY 2014:					
	Cost of Charity	\$7,154,406	\$10,239,609	\$826,327	\$18,220,342
	Visits/Discharges	672	12,794	2,373	15,839

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 \$1,065,604.

COMMUNITY BENEFIT SERVICES FY 2014-2018							
Community Benefit Programs	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year Average	Total
Benefits for Persons Living in Poverty	\$951,748	\$178,095	\$0	\$152,887	\$124,942	\$281,534	\$1,407,672
Benefits for the Broader Community	\$638,700	\$296,857	\$1,064,873	\$1,164,182	\$755,737	\$784,070	\$3,920,349
Total	\$1,590,448	\$474,952	\$1,064,873	\$1,317,069	\$880,679	\$1,065,604	\$5,328,021

Source: Verity Health, FY 2014-2018

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 service:

COST OF COMMUNITY BENEFIT SERVICES FY 2014-2018					
Services over \$10,000 in cost:	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Asian Pacific Liver Center	\$453,618	\$357,208	\$351,171	\$265,586	\$203,219
Casa de Amigos	\$367,013	\$278,139	-	-	-
Community Diabetes Education Program	\$134,563	\$23,663	-	-	-
Health Benefits Resource Center	\$646,210	\$161,947	\$93,600	-	\$136,914
Multicultural Health Awareness and Prevention Center	\$454,590	\$253,890	-	-	-
IRB - Institutional Review Board	-	-	\$81,343	\$83,317	\$85,661
Volunteers Education	-	-	\$65,820	\$424,644	\$195,030
Foundation and Ministry Leadership for Community Benefit Oversight	-	-	-	\$169,644	\$234,320
LOAs for SNFs and Home Health Agencies for Indigent Patients	-	-	-	\$116,095	\$88,294
Transportation Services	-	-	-	\$36,792	\$36,648
SV Hall Room Discounts for Patients and Families	-	-	-	-	\$21,635

Source: Verity Health

The Hospital's community benefit services have supported many programs for the community including:

- The Asian Pacific Liver Center, a program that educates Asian Pacific Islanders (Korean, Chinese, Vietnamese, Thai, and Cambodian) about hepatitis and liver complications. The program provides screenings and provides Hepatitis B vaccinations for those at-risk;
- Health Benefits Resource Center: The center is designed to increase access to health care through enrollment in public and low-cost health. The center provides individuals and families with health insurance enrollment assistance into Covered CA and Medi-Cal;
- Volunteers Education: The program provides career development for high school and college students. The students acquire competencies necessary for entry-level employment and provide valuable instructional experience in an actual work environment with mentoring and teaching from business/industry volunteers. In addition, students

interested in healthcare-related careers gain valuable access to health care professionals; and

- **Transportation Services:** Lack of access to transportation is a major barrier to health care for many residents living in the Hospital's service area. The issue is being addressed through the Hospital's provision of shuttle van services to assist in transporting patients between their residence and the Hospital. When use of the shuttle vans is not feasible, patients in need of transportation services are issued taxi vouchers funded in part by grants from QueensCare. In FY 2018, a total of 2,075 patients were provided transportation services.

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 48 ZIP Codes from which 71% of the Hospital's inpatient discharges came from. Approximately 38% of the Hospital's discharges originated from the top eight ZIP Codes, located in Los Angeles. In CY 2017, the Hospital's market share in the primary and secondary service area was approximately 4% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90057	Los Angeles	1,106	10.0%	10.0%	5,955	18.6%
90006	Los Angeles	726	6.5%	16.5%	5,472	13.3%
90026	Los Angeles	579	5.2%	21.7%	5,034	11.5%
90004	Los Angeles	491	4.4%	26.1%	4,691	10.5%
90005	Los Angeles	486	4.4%	30.5%	2,843	17.1%
90020	Los Angeles	297	2.7%	33.2%	2,600	11.4%
90019	Los Angeles	286	2.6%	35.8%	5,893	4.9%
90018	Los Angeles	263	2.4%	38.1%	5,975	4.4%
90029	Los Angeles	238	2.1%	40.3%	4,114	5.8%
90017	Los Angeles	235	2.1%	42.4%	2,308	10.2%
90037	Los Angeles	226	2.0%	44.4%	7,439	3.0%
90011	Los Angeles	212	1.9%	46.3%	10,436	2.0%
90012	Los Angeles	198	1.8%	48.1%	4,017	4.9%
90007	Los Angeles	195	1.8%	49.9%	3,129	6.2%
90013	Los Angeles	115	1.0%	50.9%	2,655	4.3%
90015	Los Angeles	112	1.0%	51.9%	1,918	5.8%
90014	Los Angeles	99	0.9%	52.8%	1,287	7.7%
90010	Los Angeles	50	0.5%	53.3%	311	16.1%
90009	Los Angeles	12	0.1%	53.4%	113	10.6%
PSA Sub-Total		5,926	53.4%	53.4%	76,190	7.8%
90044	Los Angeles	152	1.4%	54.7%	11,994	1.3%
90027	Los Angeles	150	1.4%	56.1%	4,273	3.5%
90016	Los Angeles	130	1.2%	57.3%	5,656	2.3%
90008	Los Angeles	127	1.1%	58.4%	4,258	3.0%
90003	Los Angeles	106	1.0%	59.4%	8,209	1.3%
90062	Los Angeles	96	0.9%	60.2%	4,018	2.4%
90028	Los Angeles	95	0.9%	61.1%	2,820	3.4%
90047	Los Angeles	87	0.8%	61.9%	7,164	1.2%
90043	Los Angeles	86	0.8%	62.6%	6,137	1.4%
90038	Los Angeles	82	0.7%	63.4%	2,349	3.5%
90033	Los Angeles	77	0.7%	64.1%	5,255	1.5%
90042	Los Angeles	68	0.6%	64.7%	5,173	1.3%
90039	Los Angeles	67	0.6%	65.3%	2,365	2.8%
90031	Los Angeles	62	0.6%	65.8%	3,161	2.0%
90065	Los Angeles	62	0.6%	66.4%	4,202	1.5%
90046	Los Angeles	61	0.5%	66.9%	4,210	1.4%
90036	Los Angeles	56	0.5%	67.5%	3,313	1.7%
90063	Los Angeles	55	0.5%	67.9%	5,008	1.1%
90001	Los Angeles	51	0.5%	68.4%	5,901	0.9%
90002	Los Angeles	46	0.4%	68.8%	5,797	0.8%
90032	Los Angeles	41	0.4%	69.2%	4,442	0.9%
90255	Huntington Park	40	0.4%	69.6%	6,172	0.6%
90023	Los Angeles	36	0.3%	69.9%	4,965	0.7%
91205	Glendale	28	0.3%	70.1%	4,781	0.6%
90041	Los Angeles	22	0.2%	70.3%	2,587	0.9%
90048	Los Angeles	20	0.2%	70.5%	2,470	0.8%
91204	Glendale	14	0.1%	70.6%	2,260	0.6%
90270	Maywood	13	0.1%	70.7%	2,309	0.6%
90069	West Hollywood	10	0.1%	70.8%	1,850	0.5%
PSA + SSA Sub-Total		7,866	70.8%	70.8%	209,289	3.8%
Other ZIPs		3,238	29.2%	100%		
Total		11,104	100%			

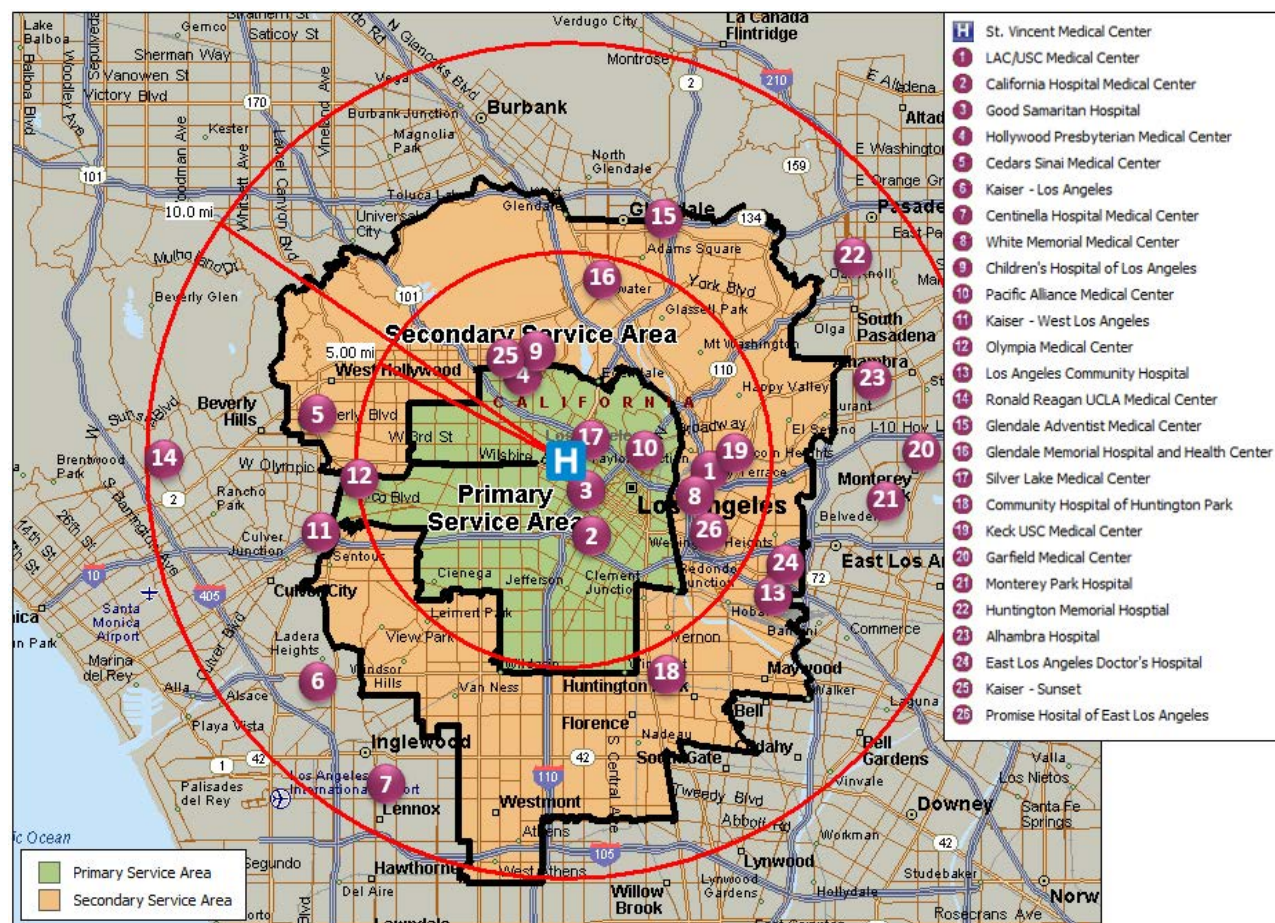
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

The Hospital's service area, with approximately 823,000 residents, includes the communities of Lynwood, South Gate, Los Angeles, Compton, Huntington Park, Glendale, Maywood and West Hollywood.

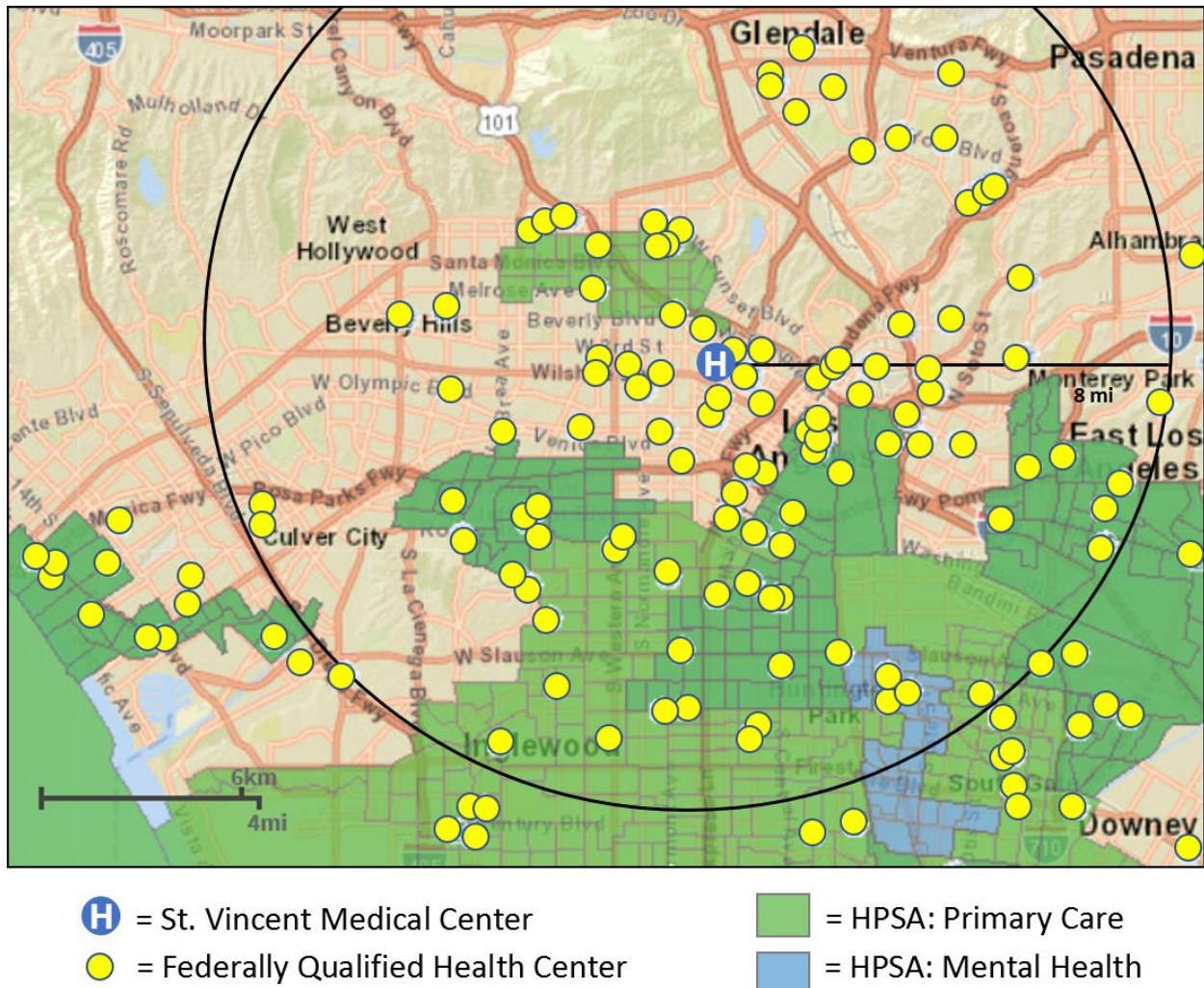
There are six other hospitals located within the Hospital's primary service area: California Hospital Medical Center, Hollywood Presbyterian Medical Center, Good Samaritan Hospital – Los Angeles, Olympia Medical Center, Pacific Alliance Medical Center³⁶, and Silver Lake Medical Center. There are an additional eleven hospitals located in the Hospital's secondary service area: LAC+USC Medical Center, Adventist Health White Memorial, Children's Hospital of Los Angeles, Glendale Memorial Hospital, Los Angeles Community Hospital, Adventist Health Glendale, Keck Hospital of USC, East Los Angeles Doctor's Hospital, Community Hospital of Huntington Park, Kaiser Foundation Hospital – Sunset, and Cedars Sinai Medical Center. LAC+USC Medical Center is the inpatient market share leader in the Hospital's primary service area.



³⁶ Pacific Alliance Medical Center, with 138 licensed beds, closed in December 2017.

Health Professional Shortage Areas (HPSA)

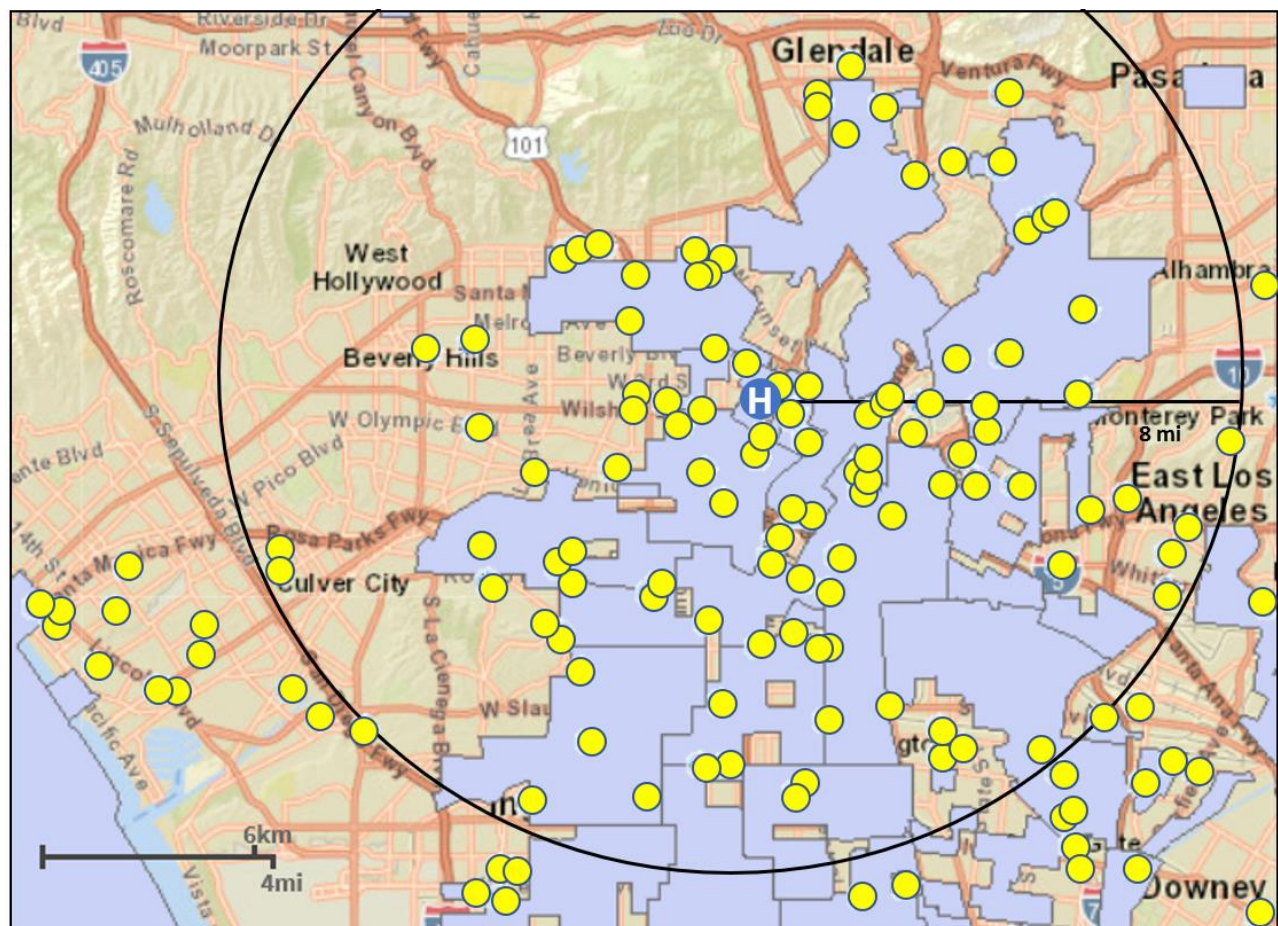
The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). The Hospital's location is not in a designated 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. Vincent Medical Center

 = Medically Underserved Area/Populations

 = Federally Qualified Health Center

The census tract in which the Hospital is located is designated as a Medically Underserved Areas/Medically Underserved Populations area and the majority of the surrounding areas to the north, south, and west of the Hospital are also designated as Medically Underserved Area /Medically Underserved Population areas.

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.

Demographic Profile

The Hospital's primary service area population is projected to grow by 4.8% over the next five years. This is higher than the expected growth rate for Los Angeles County (2.7%) and the State of California (4.1%).

SERVICE AREA POPULATION STATISTICS			
	2018 Estimate	2023 Projection	% Change
Total Population	822,760	862,023	4.8%
Total Households	275,923	291,540	5.7%
Percentage Female	49.8%	49.7%	

Source: Esri

The ethnicity with the largest population in the Hospital's service area is Some Other Race (32.9%) followed by White (32.5%) and Asian (18.2%). Approximately 60% of the primary service area population is of Hispanic origin. This is higher than Los Angeles County (48%) and higher than the California non-Hispanic population of (38%).

SERVICE AREA POPULATION RACE/ETHNICITY		
	2018 Estimate	2023 Projection
White	32.5%	32.5%
Black	10.5%	9.8%
Asian Indian Alone	1.0%	0.9%
Asian Alone	18.2%	19.3%
Pacific Islander Alone	0.1%	0.1%
Some Other Race Alone	32.9%	32.6%
Two or More Races	4.7%	4.7%
Total	100%	100%
Hispanic Origin	60.8%	61.0%
Non-Hispanic or Latino	39.2%	39.0%
Total	100%	100%

Source: Esri

The median age of the population in the Hospital's primary service area is 31.1 years and lower than the statewide median age of 35.2 years. The percentage of adults over the age of 65 is the fastest growing age cohort, increasing by approximately 18% between 2018 and 2023.

SERVICE AREA POPULATION AGE DISTRIBUTION				
	2018 Estimate		2023 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	151,619	18.4%	153,700	17.8%
Age 15-44	405,924	49.3%	417,489	48.4%
Age 45-64	181,537	22.1%	190,529	22.1%
Age 65+	83,680	10.2%	100,305	11.6%
Total	822,760	100%	862,023	100%
Female 15-44	188,978	23.0%	376,267	43.6%
Median Age	31.1		33.0	

Source: Esri

The Hospital's primary service area households have an average median household income of \$36,255. This is significantly lower than the Los Angeles County average of \$78,863 and State of California average of \$65,223. The percentage of higher-income households (\$150,000+) in the Hospital's service area is projected to grow at a faster rate (9.6%) 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	21.3%	11.0%	9.6%	18.2%	9.1%	8.0%
\$15 - \$24,999	15.2%	9.2%	8.3%	13.2%	7.6%	6.8%
\$25 - \$34,999	12.0%	8.3%	7.8%	10.7%	7.1%	6.5%
\$35 - \$49,999	13.7%	11.6%	11.1%	13.1%	10.4%	9.9%
\$50 - \$74,999	15.0%	16.5%	16.1%	15.8%	15.8%	15.2%
\$75 - \$99,999	7.9%	11.7%	12.2%	9.1%	12.1%	12.3%
\$100 - \$149,999	8.1%	14.9%	16.1%	10.3%	16.7%	17.7%
\$150,000 - \$199,999	3.2%	7.2%	8.1%	4.2%	8.5%	9.6%
\$200,000+	3.6%	9.6%	10.7%	5.4%	12.6%	14.0%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Median Household Income	\$36,255	\$78,863	\$65,223	\$42,906	\$93,596	\$74,370

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 Kern 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 Notes: Crude death rates, crude case rates, and age-adjusted death rates are per 100,000 population. Birth cohort infant death rates are per 1,000 live births. The age-specific birth rates are per 1,000 female population aged 15 to 19 years old. Previous refers to previous period rates. These periods vary by type of rate: Mortality 2012-2014, Morbidity 2012-2014, Infant Mortality 2011-2013, Natality 2012-2014, Census 2016.

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.

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 identify the most critical healthcare needs in the Hospital's service area, a Community Health Needs Assessment ("CHNA") is conducted every three years. The process is designed to identify the health needs and resources in the hospital service area and to inform the hospital's community benefit investments. The Hospital's most recent assessment was completed in 2016 as part of a collaboration between three hospitals in metropolitan Los Angeles, California Hospital Medical Center, Good Samaritan Hospital, and St. Vincent Medical Center. The assessment utilized consultative services and targeted Los Angeles County Service Planning Areas, including the primary and secondary service areas served by the Hospital.

The Hospital defined its service area for purposes of the assessment ("CHNA Service Area") to include the communities that correspond to Service Planning Area 4 and Service Planning Area 6.

- The communities of Service Planning Area 4 include: ARCO Towers, Country Club Park/Mid City, Downtown Los Angeles, Echo Park/Silverlake, Hancock Park, Koreatown, Pico Heights, Westlake, and Wilshire; and
- The communities of Service Planning Area 6 include: Los Angeles, South Los Angeles, Baldwin Hills/Crenshaw, West Adam, Jefferson Park and View Park-Windsor Hills.

Based upon the CHNA Service Area, the study included a summary of population and household demographics measures related to access to healthcare, mortality, and findings from community interviews as provided below:

- The Hospital's CHNA Service Area reported that 26.1% of adults did not have health insurance (or were uninsured) — which is higher than the percentage of uninsured adults in the County (16.1%);
- In 2015, the Hospital's CHNA Service Area population had a similar percentage of adults (23.5%) experience difficulty in accessing medical care to that of Los Angeles County (23.6%). Again, a similar percentage (11.2%) of children in the SVMC service area had difficulty accessing medical care to those of Los Angeles County (11.0%);
- In 2016, the average number of alcohol outlets per 1,000 persons in the CHNA Service Area was 1.8 per 1,000 persons, much higher than the Los Angeles County average (0.6 per 1,000 persons). The highest alcohol outlet rate was found in 90010-Wilshire (11.8 per 1,000);
- In 2013 in Los Angeles County, the top invasive cancer incidence rates per 100,000 persons were female breast cancer (113.8), prostate cancer (92.6) and lung cancer (35.9);

- In 2015, 11.8% of the population 18 years old and older in the CHNA Service Area had been diagnosed with diabetes, a larger percentage than in Los Angeles County (9.8%). In SPA 4, a similar percentage was diagnosed with diabetes (11.6%); and
- In the Hospital's CHNA Service Area, 25.7% of homeless were diagnosed as mentally ill, 18.3% had substance abuse issues, 1.6% had been diagnosed with HIV, and 15.7% were physically disabled. These indices were similar to or just above the Los Angeles County averages.

Eighteen health needs were identified and prioritized through the CHNA process. The prioritized health needs are as follows:

1. Obesity/overweight;
2. Homelessness;
3. Poverty (including unemployment);
4. Diabetes;
5. Mental health;
6. Violence and injury;
7. Oral health;
8. Preventive care;
9. Food insecurity;
10. Alcohol, substance abuse and tobacco use;
11. Cardiovascular disease including hypertension and high cholesterol;
12. Access to primary and specialty care;
13. Healthy behaviors;
14. Cultural and linguistic barriers;
15. Physical activity;
16. Transportation;
17. Cancer; and
18. Sexually transmitted diseases.

Hospital Supply, Demand & Market Share

There are 17 other general acute care hospitals within the Hospital's service area, six within the Hospital's primary service area, and eleven within the Hospital's secondary service area. St. Vincent Medical Center and the other hospitals located in the primary and secondary service areas, have a combined total of 6,632 licensed beds and an aggregate occupancy rate of 59%, indicating a large area-wide surplus of hospital beds.

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 shown in the table below were analyzed to determine area hospital available bed capacity by service.

SERVICE AREA HOSPITAL DATA FY 2018								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	-	X	PSA	366	11,289	65,289	179	48.9%
Silver Lake Medical Center	0.9	X	PSA	234	6,388	51,625	141	60.4%
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	408	12,856	58,392	160	39.2%
Pacific Alliance Medical Center	2.5	X	PSA	138	4,516	17,204	47	34.2%
California Hospital Medical Center	2.6	X	PSA	318	18,544	66,139	181	57.0%
Hollywood Presbyterian Medical Center*	3.0	X	PSA	434	13,054	81,455	223	51.4%
Olympia Medical Center*	5.9	X	PSA	204	5,088	25,191	69	33.8%
PSA SUB-TOTAL				2,102	71,735	365,295	1,001	47.6%
Children's Hospital of Los Angeles	3.0	X	SSA	495	1,702	115,105	315	63.7%
Kaiser Foundation Hospitals - Sunset*	3.3	X	SSA	528	26,322	118,756	325	61.6%
Adventist Health White Memorial*	3.9	X	SSA	345	19,531	74,138	203	58.9%
LAC+USC Medical Center	4.5	X	SSA	670	30,206	177,506	486	72.6%
Keck Hospital of USC	5.0	X	SSA	401	12,322	85,564	234	58.5%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	334	9,869	42,843	117	35.1%
Cedars - Sinai Medical Center	6.4	X	SSA	886	50,136	250,672	687	77.5%
Community Hospital of Huntington Park*	7.0	X	SSA	81	3,421	14,514	40	49.1%
Los Angeles Community Hospital*	7.3	X	SSA	212	11,031	64,359	176	83.2%
Adventist Health Glendale*	7.5	X	SSA	451	19,236	95,042	260	57.7%
East Los Angeles Doctor's Hospital*	7.8	X	SSA	127	3,209	22,551	62	48.6%
PSA + SSA SUB-TOTAL				6,632	258,720	1,426,345	3,908	58.9%
Kaiser Permanente Hospitals - West Los Angeles*	8.0			265	8,147	24,776	68	25.6%
Huntington Memorial Hospital*	8.4			578	29,712	126,305	346	59.9%
Centinela Hospital*	9.1			369	15,767	62,807	172	46.6%
Ronald Regan UCLA Medical Center	9.9			445	23,197	165,610	454	102.0%
Garfield Medical Center	10.1			210	10,392	51,236	140	66.8%
Alhambra Hospital Medical Center	10.2			144	5,720	34,553	95	65.7%
Monterey Park Hospital	10.7			101	5,286	19,407	53	52.6%
TOTAL				8,744	356,941	1,911,039	5,236	59.9%

Source: OSHPD Disclosure reports

* 2017 Data

- The Hospital's 366 licensed beds represent approximately 17% of the primary service area's beds, and its inpatient volume accounts for approximately 16% of discharges and 18% of patient days; and
- The Hospital's occupancy rate has grown from approximately 35% in FY 2017 to nearly 50% in FY 2018 in part as a result of the Hospital opening its 8-bed emergency department.

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 shown in the following table were analyzed to determine area hospital available bed capacity by service.

Hospital Market Share

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

PRIMARY SERVICE AREA MARKET SHARE BY HOSPITAL, CY 2013 - CY 2017						
Hospital	2013	2014	2015	2016	2017	Trend
California Hospital Medical Center - Los Angeles	10.8%	11.0%	11.3%	11.2%	11.3%	→
LAC+USC Medical Center	10.3%	10.7%	9.7%	10.7%	10.4%	→
Good Samaritan Hospital-Los Angeles	10.0%	10.1%	9.2%	8.4%	9.1%	→
Hollywood Presbyterian Medical Center	9.1%	9.0%	8.7%	8.3%	8.4%	↘
St. Vincent Medical Center	5.5%	5.5%	6.7%	7.6%	7.8%	↗
Cedars Sinai Medical Center	6.5%	6.3%	6.4%	6.6%	6.7%	↗
Kaiser Foundation Hospital - Los Angeles	4.8%	4.6%	4.5%	4.6%	4.8%	↗
Adventist Health White Memorial	3.7%	3.9%	3.6%	3.6%	3.4%	↘
Children's Hospital of Los Angeles	3.1%	3.1%	3.2%	3.2%	3.2%	→
Olympia Medical Center	2.2%	2.1%	3.1%	2.8%	2.5%	↘
Southern California Hospital at Culver City	1.8%	2.1%	2.1%	1.9%	1.9%	→
Southern California Hospital at Hollywood	1.4%	1.8%	1.9%	1.7%	1.8%	→
Silver Lake Medical Center - Downtown Campus	0.9%	0.9%	1.2%	1.8%	1.7%	↗
Kaiser Foundation Hospital - West LA	2.4%	2.4%	2.4%	1.7%	1.6%	↘
Pacific Alliance Medical Center	2.6%	2.7%	2.6%	2.2%	1.3%	↘
LAC/Harbor-UCLA Medical Center	1.4%	1.3%	1.2%	1.2%	1.2%	→
Los Angeles Community Hospital	1.2%	1.3%	1.2%	1.0%	1.1%	→
St. Francis Medical Center	0.9%	1.0%	1.0%	0.9%	1.1%	→
Ronald Reagan UCLA Medical Center	1.0%	1.0%	1.1%	1.1%	1.1%	→
Glendale Memorial Hospital And Health Center	1.0%	1.2%	1.3%	1.0%	1.0%	→
Adventist Health Glendale	1.0%	1.0%	0.8%	1.0%	1.0%	→
Centinela Hospital Medical Center	0.9%	1.0%	0.9%	1.0%	0.8%	↘
Santa Monica - UCLA Medical Center & Orthopaedic Hospital	0.7%	0.8%	0.8%	0.7%	0.8%	→
Keck Hospital of USC	0.6%	0.7%	0.7%	0.7%	0.7%	→
All Other	16.1%	14.8%	14.3%	14.7%	15.1%	↗
Total Percentage	100%	100%	100%	100%	100%	
Total Discharges	72,544	72,160	74,436	76,143	76,190	↗

Source: OSHPD Discharge Database, CY 2013 to CY 2017

- From CY 2015 to CY 2017, the Hospital has consistently ranked fifth in overall service area market share based on discharges. The Hospital grew market share from 5.5% in CY 2013 to 7.8% in CY 2017. The increase in Hospital market share since CY 2015 reflects the opening of the eight emergency treatment stations;
- California Hospital Medical Center, located 2.6 miles away, ranks first in primary service area market share with 11.3% market share; and
- Overall, primary service area inpatient discharges have grown 5% from 72,500 discharges in CY 2013 to 76,200 in CY 2017.

Market Share by Payer Type

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

PRIMARY SERVICE AREA MARKET SHARE BY PAYER, CY 2017											
Payer Type	Total Discharges	California Hospital Medical Center	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	St. Vincent Medical Center	Cedars Sinai Medical Center	Kaiser Foundation Hospital - Los Angeles	Adventist Health White Memorial	All Others	Total
Medi-Cal	36,759	17.5%	17.2%	7.8%	10.5%	1.4%	3.2%	1.3%	3.9%	37.3%	100%
Medicare	22,845	7.2%	4.4%	9.1%	8.3%	12.8%	8.8%	5.9%	3.4%	40.2%	100%
Private Coverage	13,164	2.2%	1.3%	13.8%	3.4%	18.2%	13.8%	13.3%	1.1%	32.8%	100%
All Other	2,317	3.5%	14.6%	7.4%	0.7%	1.5%	1.6%	0.6%	8.9%	61.0%	100%
Self Pay	1,105	10.7%	6.2%	3.9%	15.5%	6.7%	4.3%	6.7%	2.7%	43.4%	100%
Total Percentage		11.3%	10.4%	9.1%	8.4%	7.8%	6.7%	4.8%	3.4%	38.2%	100%
Total Discharges	76,190	8,577	7,915	6,958	6,373	5,926	5,085	3,669	2,594	29,093	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest payer category of service area inpatient discharges is Medi-Cal with 36,759 inpatient discharges (48%), followed by Medicare with 22,845 inpatient discharges (30%), and Private Coverage with 13,164 inpatient discharges (17%);
- The Hospital is the market share leader for Private Coverage (18.2%) and Medicare (12.8%);
- California Hospital Medical Center is the market share leader for Medi-Cal (17.5%); and
- Hollywood Presbyterian Medical Center is the market share leader for Self-Pay (15.5%).

Market Share by Service Line

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

PRIMARY SERVICE AREA MARKET SHARE BY SERVICE LINE, CY 2017											
Service Line	Total Discharges	California Hospital Medical Center	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	St. Vincent Medical Center	Cedars Sinai Medical Center	Kaiser Foundation Hospital - Los Angeles	Adventist Health White Memorial	All Others	Total
General Medicine	25,598	11.5%	10.9%	8.8%	6.9%	11.0%	5.8%	4.2%	2.9%	37.9%	100%
Obstetrics	9,974	18.2%	3.8%	17.4%	19.8%	0.0%	8.0%	5.9%	4.2%	22.7%	100%
Cardiac Services	7,856	11.7%	11.8%	11.2%	7.8%	12.2%	7.1%	5.3%	3.8%	29.1%	100%
Behavioral Health	7,206	1.7%	5.9%	0.7%	0.5%	0.4%	0.5%	3.1%	4.2%	83.1%	100%
General Surgery	5,351	10.9%	16.4%	6.3%	5.6%	7.2%	8.1%	4.6%	3.1%	38.0%	100%
Neurology	3,915	10.0%	10.3%	11.6%	7.5%	9.1%	5.4%	5.2%	3.0%	37.8%	100%
Neonatology	3,585	18.3%	6.5%	12.5%	17.4%	0.0%	11.5%	6.6%	3.5%	23.5%	100%
Orthopedics	3,448	8.4%	11.7%	6.1%	6.9%	15.1%	9.7%	4.7%	3.4%	33.9%	100%
Oncology/Hematology	2,518	7.1%	17.6%	6.2%	6.4%	11.8%	6.4%	4.8%	2.8%	36.8%	100%
Other	1,116	13.5%	17.4%	6.6%	3.0%	7.6%	14.2%	4.7%	0.6%	32.3%	100%
ENT	1,054	10.2%	21.4%	4.4%	3.1%	6.3%	7.3%	4.1%	3.4%	39.8%	100%
Vascular Services	1,023	8.7%	6.8%	9.5%	8.7%	15.0%	8.7%	5.2%	6.4%	31.1%	100%
Gynecology	906	13.6%	17.9%	4.5%	9.1%	3.2%	7.6%	4.4%	3.2%	36.5%	100%
Urology	877	7.1%	17.3%	5.0%	7.5%	9.2%	8.8%	8.3%	1.6%	35.1%	100%
Spine	851	6.6%	4.9%	8.7%	5.9%	9.6%	10.1%	7.3%	7.2%	39.7%	100%
Neurosurgery	554	11.0%	14.8%	8.5%	3.2%	4.9%	12.3%	10.5%	2.0%	32.9%	100%
Ophthalmology	174	13.2%	46.6%	1.7%	1.7%	2.9%	5.2%	5.2%	1.7%	21.8%	100%
No-match-found	104	2.9%	13.5%	1.9%	4.8%	6.7%	9.6%	1.0%	1.0%	58.7%	100%
Total Percentage		11.3%	10.4%	9.1%	8.4%	7.8%	6.7%	4.8%	3.4%	38.2%	100%
Total Discharges	76,190	8,577	7,915	6,958	6,373	5,926	5,085	3,669	2,594	29,093	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is a service line leader in three of 19 service lines including: cardiac services (12.2%) orthopedics (15.1%), and vascular services (15%);
- LAC + USC Medical Center is the service line leader in eight of the 19 services including: behavioral health (5.9%), general surgery (16.4%), oncology/hematology (17.6%), ENT (21.4%), gynecology (17.9%), urology (17.3%), neurosurgery (14.8%), and ophthalmology (46.6%); and
- California Hospital Medical Center is the service line leader in two of the 19 service lines including: neonatology (18.3%), and general medicine (11.5%).

Market Share by ZIP Code

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

PRIMARY SERVICE AREA MARKET SHARE BY ZIP CODE, CY 2017												
ZIP Code	Community	Total Discharges	California Hospital Medical Center	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	St. Vincent Medical Center	Cedars Sinai Medical Center	Kaiser Foundation Hospital - Los Angeles	Adventist Health White Memorial	All Others	Total
90011	Los Angeles	10,436	21.4%	15.1%	4.2%	3.0%	2.0%	1.8%	3.3%	9.9%	39.2%	100%
90037	Los Angeles	7,439	27.3%	8.1%	6.5%	3.9%	3.0%	3.3%	3.8%	2.9%	41.2%	100%
90018	Los Angeles	5,975	12.7%	4.7%	6.1%	4.6%	4.4%	10.6%	2.8%	1.9%	52.3%	100%
90057	Los Angeles	5,955	3.5%	7.0%	17.9%	7.6%	18.6%	2.5%	2.9%	1.9%	38.1%	100%
90019	Los Angeles	5,893	6.3%	4.0%	4.1%	5.1%	4.9%	19.7%	2.9%	1.4%	51.6%	100%
90006	Los Angeles	5,472	11.2%	8.2%	14.1%	9.0%	13.3%	3.8%	4.4%	2.2%	33.8%	100%
90026	Los Angeles	5,034	3.6%	7.4%	10.9%	10.6%	11.5%	6.2%	11.9%	2.5%	35.3%	100%
90004	Los Angeles	4,691	3.1%	6.6%	5.6%	22.0%	10.5%	14.2%	8.6%	1.7%	27.8%	100%
90029	Los Angeles	4,114	1.3%	6.1%	2.7%	30.1%	5.8%	6.9%	11.3%	1.8%	34.0%	100%
90012	Los Angeles	4,017	1.4%	38.7%	9.1%	1.9%	4.9%	3.1%	3.4%	5.7%	31.7%	100%
90007	Los Angeles	3,129	22.3%	8.3%	9.7%	4.5%	6.2%	5.1%	4.6%	2.5%	36.8%	100%
90005	Los Angeles	2,843	4.3%	8.1%	14.0%	15.1%	17.1%	9.1%	4.1%	1.5%	26.8%	100%
90013	Los Angeles	2,655	9.0%	21.7%	9.5%	1.5%	4.3%	4.5%	1.2%	4.5%	43.8%	100%
90020	Los Angeles	2,600	2.9%	8.0%	10.0%	17.2%	11.4%	10.3%	7.2%	1.1%	32.0%	100%
90017	Los Angeles	2,308	6.4%	8.7%	28.2%	7.0%	10.2%	3.7%	3.2%	2.0%	30.6%	100%
90015	Los Angeles	1,918	24.6%	8.2%	13.8%	4.1%	5.8%	5.3%	4.7%	2.7%	30.8%	100%
90014	Los Angeles	1,287	12.2%	16.4%	9.9%	2.6%	7.7%	4.0%	2.6%	3.8%	40.8%	100%
90010	Los Angeles	311	1.9%	2.6%	16.7%	14.1%	16.1%	16.7%	1.3%	0.0%	30.5%	100%
90009	Los Angeles	113	2.7%	0.9%	0.0%	1.8%	10.6%	10.6%	7.1%	5.3%	61.1%	100%
Total Percentage			11.3%	10.4%	9.1%	8.4%	7.8%	6.7%	4.8%	3.4%	38.2%	100%
Total Discharges		76,190	8,577	7,915	6,958	6,373	5,926	5,085	3,669	2,594	29,093	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the inpatient market share leader in three of the service area ZIP Codes; and
- California Hospital Medical Center is the market share leader in the three ZIP Codes with the largest number of discharges in the primary service area.

St. Vincent 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 care/coronary care, skilled nursing, physical rehabilitation, and emergency services.

Medical/Surgical Capacity Analysis

The overall occupancy rate for medical/surgical beds in the primary service area is 40%. The hospital reported the highest number of discharges within its primary service area with over 9,200 discharges in FY 2018.

SERVICE AREA HOSPITAL DATA : MEDICAL/SURGICAL, FY 2018								
Hospital	Miles from Hospital	Within Service Area		Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	-	X	PSA	253	9,236	47,032	129	50.9%
Silver Lake Medical Center	0.9	X	PSA	75	1,814	11,506	32	42.0%
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	121	4,377	20,563	56	46.6%
Pacific Alliance Medical Center	2.5	X	PSA	116	3,402	13,467	37	31.8%
California Hospital Medical Center	2.6	X	PSA	132	8,035	25,706	70	53.4%
Hollywood Presbyterian Medical Center*	3.0	X	PSA	176	3,941	15,572	43	24.2%
Olympia Medical Center*	5.9	X	PSA	184	4,551	19,769	54	29.4%
PSA SUB-TOTAL				1,057	35,356	153,615	421	39.8%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser Foundation Hospitals - Sunset*	3.3	X	SSA	256	15,273	71,969	197	77.0%
Adventist Health White Memorial*	3.9	X	SSA	70	5,557	21,534	59	84.3%
LAC+USC Medical Center	4.5	X	SSA	298	22,614	117,404	322	107.9%
Keck Hospital of USC	5.0	X	SSA	192	8,177	38,873	107	55.5%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	169	4,343	16,979	47	27.5%
Cedars - Sinai Medical Center	6.4	X	SSA	395	25,730	130,093	356	90.2%
Community Hospital of Huntington Park*	7.0	X	SSA	22	950	3,719	10	46.3%
Los Angeles Community Hospital*	7.3	X	SSA	122	8,906	38,590	106	86.7%
Adventist Health Glendale*	7.5	X	SSA	129	5,896	23,972	66	50.9%
East Los Angeles Doctor's Hospital*	7.8	X	SSA	54	1,102	3,611	10	18.3%
PSA + SSA SUB-TOTAL				2,764	133,904	620,359	1,700	61.5%
Kaiser Permanente Hospitals - West Los Angeles*	8.0			194	5,956	18,857	52	26.6%
Huntington Memorial Hospital*	8.4			299	20,980	72,374	198	66.3%
Centinela Hospital*	9.1			244	14,235	49,771	136	55.9%
Ronald Regan UCLA Medical Center	9.9			200	11,493	72,639	199	99.5%
Garfield Medical Center	10.1			71	2,505	20,044	55	77.3%
Alhambra Hospital Medical Center	10.2			54	1,732	6,749	18	34.2%
Monterey Park Hospital	10.7			85	3,719	14,686	40	47.3%
TOTAL				3,911	194,524	875,479	2,399	61.3%

Source: OSHPD Disclosure Reports, 2018

* 2017

- In FY 2018, the Hospital's medical/surgical beds represented 24% of the beds in the primary service area. The Hospital reported 9,236 inpatient hospital discharges for its medical/surgical beds with 47,032 patient days resulting in an occupancy rate of 51% and an average daily census of 129 patients; and
- Although primary service area hospitals report excess medical/surgical bed capacity, several hospitals in the secondary service area recorded occupancy rates of over 80% including: Adventist Health White Memorial (84% occupied), LAC+USC Medical Center (108% occupied), Cedars Sinai Medical Center (90% occupied), and Los Angeles Community Hospital (87% occupied).

Intensive Care Capacity Analysis

The Hospital has 67 intensive care beds. Within the primary service area, there are 157 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	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	-	X	PSA	67	1,142	6,066	17	24.8%
Silver Lake Medical Center	0.9	X	PSA	12	22	1,227	3	28.0%
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	58	675	9,906	27	46.8%
Pacific Alliance Medical Center	2.5	X	PSA	9	67	891	2	27.1%
California Hospital Medical Center	2.6	X	PSA	36	1,005	7,015	19	53.4%
Hollywood Presbyterian Medical Center*	3.0	X	PSA	36	367	5,466	15	41.6%
Olympia Medical Center*	5.9	X	PSA	6	135	2,069	6	94.5%
PSA SUB-TOTAL				224	3,413	32,640	89	39.9%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser Foundation Hospitals - Sunset*	3.3	X	SSA	96	2,560	24,216	66	69.1%
Adventist Health White Memorial*	3.9	X	SSA	34	232	4,155	11	33.5%
LAC+USC Medical Center	4.5	X	SSA	110	1,665	27,037	74	67.3%
Keck Hospital of USC	5.0	X	SSA	46	412	13,002	36	77.4%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	24	237	4,143	11	47.3%
Cedars - Sinai Medical Center	6.4	X	SSA	72	1,057	19,586	54	74.5%
Community Hospital of Huntington Park*	7.0	X	SSA	4	130	1,626	4	111.4%
Los Angeles Community Hospital*	7.3	X	SSA	12	237	3,727	10	85.1%
Adventist Health Glendale*	7.5	X	SSA	12	73	1,659	5	37.9%
East Los Angeles Doctor's Hospital*	7.8	X	SSA	10	111	2,130	6	58.4%
PSA + SSA SUB-TOTAL				644	10,127	133,921	367	57.0%
Kaiser Permanente Hospitals - West Los Angeles*	8.0			31	163	3,128	9	27.6%
Huntington Memorial Hospital*	8.4			30	339	7,305	20	66.7%
Centinela Hospital*	9.1			19	401	3,959	11	57.1%
Ronald Regan UCLA Medical Center	9.9			99	3,417	33,363	91	92.3%
Garfield Medical Center	10.1			10	151	2,690	7	73.7%
Alhambra Hospital Medical Center	10.2			6	475	1,853	5	84.6%
Monterey Park Hospital	10.7			4	93	1,315	4	90.1%
TOTAL				843	15,166	187,534	514	60.9%

Source: OSHPD Disclosure Reports, FY 2018

* FY 2017 data

- The Hospital's 67 inpatient beds represent 30% of the total primary service area intensive care bed count. In FY 2018, the Hospital's average daily census of 17 patients resulted in an occupancy rate of just less than 25%. Other primary service area hospitals reported excess bed capacity, based on occupancy rates, that resulting in a primary service area occupancy average of 40%. The three closest hospitals, all within 2.6 miles of the Hospital, had occupancy rates less than 50% in 2018. These low occupancy rates reflect the surplus of licensed hospitals beds in the service area; and
- The hospital that reported the highest occupancy rate within the primary service area was Olympia Medical Center at 94%.

Skilled Nursing Capacity Analysis

In 2018, there were 161 skilled nursing beds located in the primary service area with an aggregate occupancy rate of 58%. The Hospital reported 27 licensed skilled nursing beds with an occupancy rate of 70%.

SERVICE AREA HOSPITAL DATA : SKILLED NURSING, FY 2018								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	-	X	PSA	27	472	6,882	18.9	69.8%
Silver Lake Medical Center	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	28	-	-	-	-
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	17	-	-	-	-
Hollywood Presbyterian Medical Center*	3.0	X	PSA	89	296	27,348	74.7	84.2%
Promise Hospital of East Los Angeles	5.3	X	PSA	-	-	-	-	-
Olympia Medical Center*	5.9	X	PSA	-	-	-	-	-
PSA SUB-TOTAL				161	768	34,230	94	58.2%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser Foundation Hospitals - Sunset*	3.3	X	SSA	-	-	-	-	-
Adventist Health White Memorial*	3.9	X	SSA	27	372	4,208	11.5	42.7%
LAC+USC Medical Center	4.5	X	SSA	-	-	-	-	-
Keck Hospital of USC	5.0	X	SSA	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	30	-	-	-	-
Cedars - Sinai Medical Center	6.4	X	SSA	-	-	-	-	-
Community Hospital of Huntington Park*	7.0	X	SSA	-	-	-	-	-
Los Angeles Community Hospital*	7.3	X	SSA	-	-	-	-	-
Adventist Health Glendale*	7.5	X	SSA	40	-	-	-	-
East Los Angeles Doctor's Hospital*	7.8	X	SSA	-	-	-	-	-
PSA + SSA SUB-TOTAL				258	1,140	38,438	105	40.8%
Stand-Alone Skilled Nursing Beds Sub-Total*		X	PSA/SSA	6,882	20,279	2,239,955	6,137	89.2%
TOTAL				7,140	21,419	2,278,393	6,242	87.4%

Source: OSHPD Disclosure Reports, 2018

* 2017

- In FY 2018, the Hospital provided 23% of the distinct part³⁷ licensed skilled nursing beds within the primary service area and reported approximately 61% of the primary service area's 768 discharges;
- Many hospitals within the primary and secondary service area report licensed skilled nursing beds as being in suspense. Therefore, the Hospital is one of only three hospitals in the primary and secondary service area with operational distinct part skilled nursing beds; and
- There are nearly 6,900 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.

³⁷ 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.

Physical Rehabilitation Capacity Analysis

In 2018, there were 70 physical rehabilitation beds located within the primary service area with an aggregate occupancy rate of approximately 39%. The Hospital reported 19 licensed beds with an occupancy rate of 77%.

SERVICE AREA HOSPITAL DATA : PHYSICAL REHABILITATION, FY 2018								
Hospital	Miles from Hospital	Within Service Area		Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	-	X	PSA	19	439	5,309	15	76.6%
Silver Lake Medical Center	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	23	-	-	-	-
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	-	-	-	-	-
Hollywood Presbyterian Medical Center*	3.0	X	PSA	28	367	4,579	13	44.8%
Olympia Medical Center*	5.9	X	PSA	-	-	-	-	-
PSA SUB-TOTAL				70	806	9,888	27	38.7%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser Foundation Hospitals - Sunset*	3.3	X	SSA	-	-	-	-	-
Adventist Health White Memorial*	3.9	X	SSA	16	245	3,045	8	52.1%
LAC+USC Medical Center	4.5	X	SSA	-	-	-	-	-
Keck Hospital of USC	5.0	X	SSA	32	450	5,739	16	49.1%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	14	316	3,714	10	72.7%
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Cedars - Sinai Medical Center	6.4	X	SSA	-	-	-	-	-
Community Hospital of Huntington Park*	7.0	X	SSA	-	-	-	-	-
Los Angeles Community Hospital*	7.3	X	SSA	-	-	-	-	-
Adventist Health Glendale*	7.5	X	SSA	28	548	6,609	18	64.7%
East Los Angeles Doctor's Hospital*	7.8	X	SSA	-	-	-	-	-
PSA + SSA SUB-TOTAL				160	2,365	28,995	79	49.6%
Kaiser Permanente Hospitals - West Los Angeles*	8			-	-	-	-	-
Huntington Memorial Hospital*	8.4			24	358	4,913	13	56.1%
Centinela Hospital*	9.1			32	348	3,379	9	28.9%
Ronald Regan UCLA Medical Center	9.9			-	-	-	-	-
Garfield Medical Center	10.1			28	420	5,952	16	58.2%
Alhambra Hospital Medical Center	10.2			17	254	3,910	11	63.0%
Monterey Park Hospital	10.7			-	-	-	-	-
TOTAL				261	3,745	47,149	129	49.5%

Source: OSHPD Disclosure Reports, 2018

* FY 2017 data

- The Hospital was one of two hospitals operating inpatient physical rehabilitation beds in the primary service area. The other hospital, Hollywood Presbyterian Medical Center, located 3 miles away, has an average daily census of 13 patients resulting in an occupancy rate of 45%;
- Good Samaritan Hospital-Los Angeles reportedly opened a rehabilitation unit in 2019 that has impacted the Hospital's volume resulting in an average daily census below 10 patients; and
- There are four hospitals in the secondary service area providing inpatient physical rehabilitation beds. In aggregate, hospitals from both the primary and secondary service area reported nearly 2,400 discharges, 29,000 patient days resulting in a combined occupancy rate of nearly 50%.

Emergency Services Analysis

In FY 2017, the Hospital reported eight emergency treatment stations and about 31,000 total 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 2017													
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
St. Vincent Medical Center	-	X	PSA	Basic	8	30,468	374	2,447	8,269	6,941	12,437	24.6%	143
Silver Lake Medical Center - Downtown	0.9	X	PSA	-	-	-	-	-	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	Basic	12	35,271	312	2,251	8,245	11,679	12,784	14.5%	1,475
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	Basic	35	81,590	7,230	11,194	30,523	20,812	11,831	14.0%	876
Hollywood Presbyterian Medical Center	3.0	X	PSA	Basic	20	35,139	1,889	8,736	14,028	6,940	3,546	15.5%	44
PSA SUB-TOTAL					75	182,468	9,805	24,628	61,065	46,372	40,598	16.2%	2,538
Children's Hospital of Los Angeles	3.0	X	SSA	Basic	39	91,666	26,281	27,859	25,563	11,586	377	8.3%	30
Kaiser - Los Angeles	3.3	X	SSA	Basic	57	75,731	1,910	10,574	55,275	6,421	1,551	11.7%	2,597
White Memorial Medical Center	3.9	X	SSA	Basic	28	70,548	8,223	10,647	19,007	18,760	13,911	14.1%	28
LAC+USC Medical Center	4.5	X	SSA	Comprehensive	106	151,091	6,660	32,854	82,585	26,897	2,095	13.9%	0
Keck Hospital of USC	5.0	X	SSA	-	-	-	-	-	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	Basic	15	37,919	2,227	8,004	15,428	8,120	4,140	14.0%	248
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-	-	-	-	-	-
Olympia Medical Center	5.9	X	SSA	Basic	16	25,437	337	1,458	6,392	12,753	4,497	14.5%	73
PSA + SSA SUB-TOTAL					336	634,860	55,443	116,024	265,315	130,909	67,169	13.5%	5,514
Cedars-Sinai Medical Center	6.4			Basic	51	86,639	3,280	6,929	22,522	22,462	31,446	26.8%	2,531
Community Hospital of Huntington Park	7			Basic	14	38,237	661	8,667	11,002	12,588	5,319	7.1%	262
Los Angeles Community Hospital	7.3			Standby	3	8,375	583	2,762	1,893	754	2,383	24.3%	0
Glendale Adventist Medical Center	7.5			Basic	39	58,877	261	4,747	13,937	18,712	21,220	23.9%	470
East Los Angeles Doctors Hospital	7.8			Basic	8	12,619	79	3,002	3,497	4,113	1,928	13.1%	1
Kaiser - West Los Angeles	8			Basic	53	78,985	1,248	3,616	59,080	11,806	3,235	4.0%	706
Brotman Medical Center	8.9			Basic	17	19,980	323	5,668	6,317	2,376	5,296	28.2%	345
Garfield Medical Center	10.1			Basic	21	57,158	34	32,891	8,258	7,253	8,722	10.4%	925
Alhambra Hospital Medical Center	10.2			Basic	8	19,133	230	3,518	8,203	3,548	3,634	17.8%	664
Monterey Park Hospital	10.7			Basic	6	25,829	108	5,547	8,828	7,809	3,537	10.6%	136
Centinel Hospital Medical Center	12.3			Basic	44	64,950	13,232	1,685	10,328	12,350	27,355	16.1%	14
Huntington Memorial Hospital	12.6			Basic	50	75,338	4,386	7,637	20,857	18,598	23,860	26.4%	1,761
Ronald Reagan UCLA Medical Center	12.6			Comprehensive	41	46,595	5670+4	5,464	10,643	12,742	17,746	22.7%	2,820
Santa Monica - UCLA Med. Ctr. & Orthopaedic Hosp.	14.3			Basic	21	50,149	6,554	6,383	11,373	13,639	12,200	17.0%	776
TOTAL					712	1,277,724	86,422	214,540	462,053	279,659	235,050	15.6%	16,925

Source: OSHPD Airs Annual Utilization Reports

- In 2017, the Hospital had 30,468 visits, accounting for 17% of the total visits among primary service area hospitals (approximately 182,500 total visits);
- Primary and secondary service area emergency departments had approximately 5,500 hours of diversion with approximately 2,600 of these hours attributable to Kaiser – Los Angeles and 143 hours attributable to the Hospital. Good Samaritan Hospital – Los Angeles, the closest hospital to St. Vincent Medical Center operating an emergency department, reported nearly 1,500 hours on diversion. When a hospital goes on diversion status, incoming ambulances are diverted to other hospital emergency departments as a response to high emergency department congestion; and
- In 2017, 25% of the Hospital's emergency department visits resulted in an inpatient admission. This is considerably higher than the primary and secondary service area average of 14% admitted. This is likely attributable to the large percentage of the Hospital's emergency department visits (64%) classified as "severe with/without threat" when compared to the primary and secondary service area overall (31%).

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 FY 2017, the Hospital's emergency department was operating at 190% of its 8-bed capacity.

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2017								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
St. Vincent Medical Center	-	X	PSA	Basic	8	30,468	16,000	(14,468)
Silver Lake Medical Center - Downtown	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	Basic	12	35,271	24,000	(11,271)
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	Basic	35	81,590	70,000	(11,590)
Hollywood Presbyterian Medical Center	3.0	X	PSA	Basic	20	35,139	40,000	4,861
PSA SUB-TOTAL					75	182,468	150,000	(32,468)
Children's Hospital of Los Angeles	3.0	X	SSA	Basic	39	91,666	78,000	(13,666)
Kaiser - Los Angeles	3.3	X	SSA	Basic	57	75,731	114,000	38,269
White Memorial Medical Center	3.9	X	SSA	Basic	28	70,548	56,000	(14,548)
LAC+USC Medical Center	4.5	X	SSA	Comprehensive	106	151,091	212,000	60,909
Keck Hospital of USC	5.0	X	SSA	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	Basic	15	37,919	30,000	(7,919)
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center	5.9	X	SSA	Basic	16	25,437	32,000	6,563
PSA + SSA SUB-TOTAL					336	634,860	672,000	37,140
Cedars-Sinai Medical Center	6.4			Basic	51	86,639	102,000	15,361
Community Hospital of Huntington Park	7.0			Basic	14	38,237	28,000	(10,237)
Los Angeles Community Hospital	7.3			Standby	3	8,375	6,000	(2,375)
Glendale Adventist Medical Center	7.5			Basic	39	58,877	78,000	19,123
East Los Angeles Doctors Hospital	7.8			Basic	8	12,619	16,000	3,381
Kaiser - West Los Angeles	8.0			Basic	53	78,985	106,000	27,015
Brotman Medical Center	8.9			Basic	17	19,980	34,000	14,020
Garfield Medical Center	10.1			Basic	21	57,158	42,000	(15,158)
Alhambra Hospital Medical Center	10.2			Basic	8	19,133	16,000	(3,133)
Monterey Park Hospital	10.7			Basic	6	25,829	12,000	(13,829)
Centinela Hospital Medical Center	12.3			Basic	44	64,950	88,000	23,050
Huntington Memorial Hospital	12.6			Basic	50	75,338	100,000	24,662
Ronald Reagan UCLA Medical Center	12.6			Comprehensive	41	46,595	82,000	35,405
Santa Monica - UCLA Med. Ctr. & Orthopaedic Hosp.	14.3			Basic	21	50,149	42,000	(8,149)
TOTAL					712	1,277,724	1,424,000	146,276

Source: OSHPD Alirits Annual Utilization Reports

- Almost all emergency departments in the primary service area operated close to or over capacity including: Good Samaritan Hospital - Los Angeles (147% capacity), California Hospital Medical Center (117% capacity), and Hollywood Presbyterian Medical Center (88% capacity); and
- Overall, the 336 emergency department treatment stations in the primary and secondary service area operated at 95% capacity.

Multi-Organ Transplantation in Los Angeles County

As part of the Hospital's end-stage renal disease program, the Hospital provides comprehensive kidney transplant services, kidney/pancreas double transplant services, and kidney dialysis services. In addition to the transplant services provided at the Hospital, the Hospital also operates a satellite office located in Bakersfield that is open one Thursday every month for pre-transplant and post-transplant appointments.

The Hospital is one of six facilities in Los Angeles County that provides kidney transplant services, including Children's Hospital of Los Angeles, Keck Hospital of USC, Cedars-Sinai Medical Center, Ronald Reagan UCLA Medical Center, and Harbor-UCLA Medical Center. In 2018, the Hospital performed 6% of the kidney transplants and 38% of the kidney/pancreas double transplants in Los Angeles County.

The following table reports CY 2018 kidney transplant center data for each of the six facilities:

CY 2018 KIDNEY TRANSPLANT CENTERS IN LOS ANGELES COUNTY					
Hospital	Miles from Hospital	Number of Candidates	Number of Transplants Performed	Expected Transplant Rate ¹	1 Year Post-Treatment Outcomes ²
St. Vincent Medical Center	-	354	53	19.4%	97.2%
Children's Hospital of Los Angeles	3	45	14	66.8%	97.5%
Keck Hospital of USC	5	1,140	163	19.6%	95.0%
Cedars-Sinai Medical Center	6.4	1,252	214	20.9%	95.1%
Ronald Regan UCLA Medical Center	10.3	2,233	381	21.1%	97.3%
Harbor-UCLA Medical Center	17	457	45	25.5%	100.0%

Source: Scientific Registry of Transplant Recipients, August 2018

¹ Estimate of what to expect at each program if it were performing transplants at rates similar to other programs in the US

² Patient Survival Rate

In addition to kidney transplantation, the Hospital, Ronald Reagan UCLA Medical Center, Keck Hospital of USC, and Cedars-Sinai Medical Center also provide kidney/pancreas double transplant services. As of December 2014, the four facilities had a combined total of 49 kidney/pancreas transplant candidates. The Hospital's seven candidates made up approximately 14% of the total number of candidates.

The following table reports kidney/pancreas double transplant center data for each of the four facilities:

CY 2018 KIDNEY/PANCREAS TRANSPLANT CENTERS IN LOS ANGELES COUNTY					
Hospital	Miles from Hospital	Number of Candidates	Number of Transplants Performed	Expected Transplant Rate ¹	1 Year Post-Treatment Outcomes ²
St. Vincent Medical Center	-	11	6	64.3%	100%
Keck Hospital of USC	5	15	6	62.4%	100%
Cedars-Sinai Medical Center	6.4	9	2	67.0%	100%
Ronald Regan UCLA Medical Center	10.3	19	2	40.7%	100%

Source: Scientific Registry of Transplant Recipients, August 2018

¹ Estimate of what to expect at each program if it were performing transplants at rates similar to other programs in the US

² Patient Survival Rate

The Hospital added a liver transplant program that was incorporated into the Multistage Transplant Center in 2018. Approximately a dozen liver transplants have been performed as of August 2019. The program currently has approximately 50 patients that are waitlisted for transplant.

As part of the end-stage renal disease program, the Hospital offers dialysis services at the St. Vincent Dialysis Center that includes 17 dialysis stations. Within the Hospital's primary service area, there are nine additional dialysis centers: Gala Dialysis, DaVita Silver Lake Dialysis, Kidney Care Institute, DaVita Wilshire Dialysis Center, Kidney Center of Los Angeles, FMC – Mid Wilshire, California Kidney Care Center, DaVita Los Angeles Downtown Dialysis, and DaVita Washington Plaza Dialysis. Further, there are 9 dialysis centers within the Hospital's secondary service area: Los Angeles Medical Center Kaiser Permanente Dialysis Unit, DaVita Los Angeles Dialysis, DaVita Carabello Dialysis, DaVita Hollywood Dialysis, DaVita East LA Plaza Dialysis, DaVita University Park Dialysis, DaVita Boyle Heights Dialysis, DaVita TRC/USC Kidney Center, U.S Renal Care, and Baldwin Hills Dialysis Center.

Summary of Interviews

In June, July, and August of 2019, both in-person and telephone interviews were conducted with representatives of the Hospital, Verity, and SGM, as well as physicians, Los Angeles County representatives, the Hospital's employees, union representatives, and other community representatives. 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 who were interviewed is located in the Appendix of this report. The major findings of these 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 why a transaction was 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. It would be likely that the Hospital and Seton Medical Center would close and be converted to other uses. Without the transaction, the affected communities' access to services could be impacted and closure of the Hospital and its healthcare services would cause operational challenges for other area hospitals to meet the increased demand;
- Given the Hospital's important role in providing healthcare for the poor, without the transaction, the community could be at risk of losing key services that are essential for the uninsured and under-insured patient population;
- 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.

Importance of the Hospital to the Community

According to all those who were interviewed, the Hospital is an important provider of specialty and tertiary healthcare services to both the local community and surrounding communities, including the elderly and Korean populations. It is known for providing essential services to the uninsured and under-served populations. Interviewees believed that the Hospital is also very important to the local community for its emergency services. Some of the programs and services that were frequently mentioned as important include the following:

- Emergency services;
- Organ transplantation services, including kidney and kidney/pancreas transplants;
- The newly developed liver transplant program;
- Cardiac services, including designation as a STEMI receiving center;
- Cancer services including radiation oncology;
- Nephrology services;
- Rehabilitation services;
- Neurology, neurotology, and neurosurgery services; and
- Joint replacement and spine care services.

While the majority of those interviewed believed that all or most of the hospital programs and services were important, a small minority of those interviewed believed that there were sufficient

healthcare alternatives in the community and that closing the Hospital would not have a significant impact on availability and accessibility of healthcare services.

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, medical staff, and Board, 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 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 the Hospital and Seton Medical Center for their real estate value and does not intend to operate the Hospital beyond one year;
- 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 transplantation and 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, 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.

SGM representatives interviewed indicated their desire to continue operating the Hospital, however, expressed concerns over the seismic and infrastructure improvements that will be needed at the Hospital and the possibility that these capital expenditures could make operating the Hospital prohibitive. Initial estimates cited by Verity Health indicate that the Hospital could be made seismically compliant at a cost of between \$20 million and \$33 million. SGM believes that this estimate is very low compared to what the actual cost may be and believes that the seismic retrofit expense may be prohibitive to operating the Hospital in the long term. SGM is performing its own evaluation of seismic requirements.

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. Some of those interviewed expressed concerns about a possible reduction or elimination of the transplant services and oncology services. While these services were recognized as being expensive to provide, they were also believed to be very important for access and availability for the local community. Without these services it was believed that uninsured and underinsured patients would not be able to access these services elsewhere and as result could die. Additionally, many patients are on waiting lists for transplants and if services were discontinued, they may not be able to find a timely alternative location. After transplantation, patients continue to receive follow up care at the Hospital and if the services closed these patients would have difficulty accessing care.

Alternatives

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 the Hospital could immediately close.

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 Verity Health Hospitals as general acute care hospitals. Many individuals interviewed 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.

Some of those interviewed believed that if the Hospital closed, the other acute-care area hospital providers could absorb the Hospital's inpatient volume without a serious negative impact to patient access.

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

Importance of the Hospital to the Community

The Hospital is an important provider of inpatient, outpatient, and emergency services. The Hospital provides specialty surgical services, including a significant number of tertiary and quaternary care services, to patients residing both within and surrounding the primary and secondary service areas. Many of the Hospital's specialty services and programs are built around providing treatment for cardiac/vascular disease, cancer care, renal care, and other chronic diseases. The Hospital offers nephrology and end-stage renal disease program services, including both inpatient and outpatient dialysis. The Hospital is also important for its quaternary multi-organ transplant services, provided by the Transplant and Hepato-Pancreato-Biliary Institute, having performed over 5,200 kidney or kidney/pancreas transplants since inception. The Hospital also has a robust orthopedic and joint program and is market share leader for inpatient orthopedic services.

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 as a general acute care hospital at least through CY 2020.

SGM states that they are unable to make longer commitments to operate the Hospital and its services without a deeper understanding of the seismic requirements necessary to retrofit the Hospital. While Verity Health has estimated that the capital improvements for a seismic retrofit to meet 2030 standards would cost \$33 million, SGM believes this estimate may be very inaccurate and far lower than the actual cost. If the seismic requirements are prohibitively large to retrofit the Hospital, SGM would like the option to construct a new hospital on the site. Planning, site preparation, and construction of a new Hospital could, at a minimum, take at least 4-5 years and would entail the staging of construction requiring the temporary shutdown of many of the Hospital's services.

Emergency Services

The Hospital is an important provider of emergency services to the residents of the surrounding communities. In FY 2017 the Hospital reported 30,468 emergency visits to its eight emergency treatment stations, operating at 190% of capacity. All of the hospitals in the service area, except Hollywood Presbyterian Medical Center, operate above 100% capacity.

Area hospitals operating beyond desirable capacity include Good Samaritan Hospital - Los Angeles (147%), California Hospital Medical Center (117%), White Memorial Medical Center (118%), Kaiser-Los Angeles (118%), Glendale Memorial Hospital and Health Center (126%), Community Hospital of

Huntington Park (137%), Los Angeles Community Hospital (140%), Garfield Medical Center (136%), Alhambra Hospital Medical Center (120%), Monterey Park Hospital (215%) and Santa Monica-UCLA Medical Center & Orthopedic Hospital (119%).

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

SGM agrees, in Schedule 8.6 of the Asset Purchase Agreement, to operate the Hospital's emergency department through CY 2020. SGM has made no commitments to the levels and availability of emergency services at the Hospital beyond this date. Keeping the Hospital's emergency department open and with the same number of emergency department beds is important to meeting the emergency service needs in the Hospital's service area.

Medical/Surgical Services

With 253 licensed medical/surgical beds and an average daily census of approximately 129 patients, the Hospital is an important provider of medical/surgical services. However, the Hospital's primary and secondary service areas are highly saturated with hospitals that have a surplus of medical/surgical beds, and the Hospital does not have a large inpatient market share. The Hospital's occupancy rate (51%) and occupancy rates of other service area hospitals are relatively low with an aggregate rate of 39%. Silver Lake Medical Center – Downtown and Good Samaritan Hospital – Los Angeles, both located approximately one mile from the Hospital, had a combined occupancy rate of 45%. As a result of OSHPD's approval of the Hospital's status as being upgraded to a "basic" rather than "standby" emergency department, a 911 receiving hospital, and a STEMI receiving center, the Hospital's overall admissions census may be expected to rise, thus potentially increasing the utilization of the available medical/surgical beds.

SGM has made no commitments to providing medical surgical services beyond CY 2020.

Intensive Care/Coronary Care Services

In FY 2018, the Hospital provided care to over 1,150 patients with 6,000 patient days, in its 67 licensed intensive care beds resulting in an average daily census of 17 patients and an occupancy rate of 24%. Additionally, in FY 2018, Silver Lake Medical Center – Downtown and Good Samaritan Hospital – Los Angeles had a combined occupancy rate of only 44%. Although the Hospital's average daily census is low, the provision of intensive care/coronary care service is important for the high-risk specialty services and procedures that the Hospital provides (e.g., multi-organ transplant procedures). Further, the Hospital's emergency department is operating at over 190% capacity and is a driver of intensive care service volumes. Therefore, it is important that the Hospital continues the provision of intensive care/critical care services. However, the total of 67 licensed intensive care beds is much more than needed given the volume of patients.

SGM agrees to operate 30 of the Hospital's intensive care through CY 2020 but has made no commitments to the levels and availability of intensive care services at the Hospital beyond this date. Keeping intensive care beds at the Hospital is important to meeting the needs of patients in the Hospital's service area.

Skilled Nursing Services

The Hospital's 27 licensed skilled nursing beds provided 472 discharges, nearly 6,900 patient days resulting in an average daily census of 19 patients and an occupancy rate of 70%. Within the Hospital's primary and secondary service areas, six other hospitals provided an additional 231 licensed skilled nursing beds that, together with the Hospital, had an aggregate occupancy rate of 41% in FY 2018. In addition, there are 66 long-term care facilities within the Hospital's primary and secondary service area that have a combined total of 6,837 skilled nursing beds with an occupancy rate of approximately 90%. While the long-term care facilities have a high occupancy rate, there are approximately 684 available beds at the long-term care facilities within the Hospital's service area. In addition, there are also nearly 6,900 stand-alone skilled nursing facilities in the Hospital's service area that also provide skilled nursing services to area residents.

If there was any reduction or elimination of these services, the Hospital's average daily census of 19 skilled nursing patients could adequately be accommodated elsewhere.

SGM makes no commitment regarding the continuation of skilled nursing services at the Hospital.

Multi-Organ Transplantation Services

As part of the Hospital's end-stage renal disease program, the Hospital provides comprehensive kidney transplant services, kidney/pancreas double transplant services, and kidney peripheral services. The Hospital is one of six facilities in Los Angeles County that provide kidney transplant services, including Children's Hospital of Los Angeles, Keck Hospital of USC, Cedars-Sinai Medical Center, Ronald Reagan UCLA Medical Center, and Harbor-UCLA Medical Center. The Hospital performs between 50-70 transplants per year and in 2018, the Hospital performed 6% of the kidney transplants and 38% of the kidney/pancreas double transplants in Los Angeles County. The Hospital has a wait list of between 300-400 patients awaiting transplant and follows about 1,000 active patients that are post-transplant.

In mid-2018, The Hospital added a new liver transplant program that was incorporated into the Multi-Organ Transplant Center. Approximately a dozen liver transplants have been performed as of August 2019. The program currently has approximately 50 patients that are wait listed for transplant.

SGM agrees to continue the Hospital's kidney and kidney/pancreas transplant services through CY 2020 but has made no commitments beyond this date.

Orthopedics, Joint Replacement, and Spine Care Services

In CY 2017, the Hospital held the highest orthopedic market share in the primary service area with approximately 15%. The Spine Institute provides treatment for various spinal conditions, including bulging discs, herniated discs, misalignments, pinched nerves, spine scoliosis, spinal stenosis, spinal tumors, and bone spurs. The Hospital held the second highest spine care market share in the primary service area with approximately 9.6% in 2017. Additionally, the Joint Replacement Institute provides services including total hip replacement, hip resurfacing, knee resurfacing, and shoulder and elbow replacement.

Physical Rehabilitation Services

The Hospital's inpatient and outpatient rehabilitation services are important to the surrounding community and play a supportive role for many of the other specialty services. The Hospital had an occupancy rate of 76% on its 19 licensed physical rehabilitation beds in FY 2018. The Hospital provided 12% of the primary and secondary service area's rehabilitation beds in FY 2018. Rehabilitation services currently offered at the Hospital include neurological, orthopedic spine stabilization, sports injury rehabilitation, self-care training, and occupational, physical, and speech language therapy. Good Samaritan Hospital recently opened a rehabilitation program and as a result the recent average daily census of the Hospitals unit dropped below 12 patients. SGM agrees to operate the Hospital's 19 bed licensed inpatient physical rehabilitation care beds through CY 2020 but has made no commitments to the levels and availability of inpatient physical rehabilitation services at the Hospital beyond this date.

Oncology/Cancer Services

The Hospital serves about 300 oncology/hematology inpatients per year and about 2,000 outpatient radiation oncology patients. While between FY 2017 and FY 2019, the Hospital's cancer service volume decreased by approximately 14% from 9,463 patient visits to 8,289 patient visits, the Hospital is the second market share leader for inpatient cancer services in the service area after LAC-USC. 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 IV of the Office of the California Attorney General's Conditions³⁸. 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.

³⁸ Conditions to Change in Control and Governance of St. Vincent 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. VINCENT MEDICAL CENTER CANCER SERVICES VOLUME			
	FY 2017	FY 2018	FY 2019
Radiation Oncology Patients	2,365	2,358	2,072
Radiation Oncology Patients Visits	9,463	9,435	8,289

Source: Verity Health

Reproductive Health Services

The Hospital does not provide obstetrics or other reproductive health services. SGM has said they may consider adding services in future and may therefore improve the availability and accessibility of reproductive services.

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

Many uninsured and under-insured individuals in the community rely on the Hospital for healthcare services. Approximately 89% of the Hospital's inpatient discharges are reimbursed through Medicare (65%) and Medi-Cal (24%). 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 CY 2020. If the Hospital did not participate in the Medicare and Medi-Cal managed care programs, these classes of patients could be denied access to important 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 \$696,643 in charity care costs per year over the five-year period. Although Medi-Cal expansion and the ACA increased access to health insurance coverage and therefore decreased the amount of charity care provided to uninsured patients at the Hospital in FY 2014 and FY 2015, the amount of charity care costs at the Hospital have risen in recent years likely a direct result of the growth in volume in the Hospital's emergency department. 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 \$430,384, not adjusting for inflation, through CY 2021.

Effects on Community Benefit Programs

The Hospital historically has provided a significant amount of community benefit services, averaging approximately \$1,065,604 per year over the last five years. Furthermore, in the Asset Purchase Agreement, the SGM committed to provide an annual amount of community benefit services equal to or greater than \$1,076,459 and provide care through specified community-based health programs including: Asian Pacific Liver Center, and Health Benefit Resource Center through CY 2021.

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 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. Although union members felt uncertain about the transaction, many expressed cautious optimism towards SGM as long as employees are treated well, contracts are fairly negotiated and honored, and the surrounding communities continue to be served by the Hospital. SGM will seek to negotiate with the unions to modify the collective bargaining agreements.

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 however no other offers were received by the Bankruptcy Court to purchase and operate the Hospital. It is likely that absent this transaction the Hospital may be closed and sold for other purposes.

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 for at least one year. It is anticipated that access for Medi-Cal, Medicare, uninsured and other classes of patients for most services will remain unchanged during this time.

Based on the financial losses of the Hospital, recently estimated at \$60 million per year by Verity Health, and the seismic retrofit requirements, SGM has not provided commitments to continue operation of the Hospital and most of its services beyond one year.

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 five years from the Closing Date of the Asset Purchase Agreement, the Hospital shall continue to operate as a general acute care hospital. If, on SGM's further evaluation, the cost to seismically retrofit the Hospital becomes less feasible than building a new replacement hospital, services may need to be temporarily closed or relocated due to construction. A detailed program and services plan, architectural drawings, and financing plan shall be presented to the California Attorney General for approval before ceasing to operate any services;
2. For at least five years from the Closing Date of the Asset Purchase Agreement, the Hospital shall maintain 24-hour emergency services at no less than its current licensure of 8 treatment stations, and designation with the same types and/or levels of services, including:
 - a. Designation as a STEMI Receiving center; and
 - b. Maintaining the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals.
3. For at least five years from the Closing Date of the Asset Purchase Agreement, the Hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Acute rehabilitation services, including a minimum of 19 licensed rehabilitation beds;
 - b. Intensive care services, including a minimum of 30 intensive care beds;

- c. Cardiac services, including cardiac surgery and a minimum of two cardiac catheterization labs;
 - d. Cancer services, including radiation oncology. Radiation oncology services may be relocated and patients transitioned to another site that has capacity within a three-mile radius after the first year after the Closing Date;
 - e. Gastroenterology services;
 - f. Imaging and laboratory services;
 - g. Nephrology services, including end stage renal disease program, acute inpatient dialysis, and hemodialysis treatments;
 - h. Neurology and neurotology services, including neurosurgery;
 - i. Orthopedics, joint replacement, and spine care services;
 - j. Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants, and liver transplants. These services may be relocated to another hospital in the primary service area based upon a submission of a detailed plan to be approved by the California Attorney General; and
 - k. Outpatient dialysis services.
4. For at least five years from the Closing Date of the Asset Purchase Agreement, The Hospital shall maintain the healthcare services provided at the locations below or a similar location with equivalent services:
- a. Cardiac Care Institute, located at 201 S. Alvarado Street, Suite 321, Los Angeles, California;
 - b. Transplant Medical Office, located at 8501 Camino Media, Suite 100, Bakersfield, California;
 - c. Cancer Treatment Center, located at 201 S. Alvarado Street, Suite A, Los Angeles, California;
 - d. Multi-Organ Transplant services, located at 2200 W. Third Street, 5th Floor, Los Angeles, California;
 - e. Radiology services, located at 201 S. Alvarado Street, Suite 311, Los Angeles, California;
 - f. Orthopedic Services, located at 2200 W. Third Street, 4th Floor, Los Angeles, California; and
 - g. Multispecialty Clinic located at 2200 W. Third Street, Suite 120, Los Angeles, California.
5. 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 \$696,643 (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 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 policies and disclosure requirements as he did in the Dignity transaction issued on November 21, 2018;

6. For at least five years from the Closing Date of the Asset Purchase Agreement, the Hospital shall continue to expend no less than \$1,065,604 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 for at least five years from the Closing Date:
 - a. Health Benefits Resource Center; and
 - b. Asian Pacific Liver Center.
7. For at least five years from the Closing Date of the Asset Purchase Agreement, 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;
8. For at least five years from the Closing Date of the Asset Purchase Agreement, 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;
9. For at least five years from the Closing Date of the Asset Purchase Agreement, 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.
- 10. For at least five years from the Closing of the Asset Purchase Agreement, 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; and
 - b. Radiation Therapy Services between the Hospital and Los Angeles County.
- 11. The Hospital Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals;
- 12. 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
- 13. SGM shall commit to reserve or expend capital for the Hospital, Seton Medical Center, and St. Francis 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
Acuna	Laura	Manager, Clinical Operations, Joint Replacement Institute and Multispecialty Medical Clinic	St. Vincent Medical Center
Adcock	Rich	Chief Executive Officer	Verity Health
Annamalai, MD, FACS	Anand	Transplant and Hepatopancreatobiliary Surgery, Chairman of Transplant and HPB Institute	St. Vincent Medical Center
Arase, MD	Randal	Chair of Surgery and Chairman of Board	St. Vincent Medical Center
Baackes	John	Chief Executive Officer	L.A. Care Health Plan
Baronoff	Peter	Chief Executive Officer & Managing Director	SGM
Bouzaglou, MD	Armand	Medical Director, Cancer Treatment Center	St. Vincent Medical Center
Brown	Kevin	Vice President, Ancillary Services	St. Vincent Medical Center
Burrows, MD	Jim	Chief Medical Officer	St. Vincent Medical Center
Calles	Edward	Senior Director of Network Development	L.A. Care Health Plan
Chae, MD	Won Ki	Medical Director, Emergency Department	St. Vincent 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
Chung	Christine	Resisted Nurse & Union Representative	St. Vincent Medical Center & California Nurses Association
Collins	John	Chief Financial Officer, Hospital Operations	SGM
Daily	Hilda	Certified Nursing Assistant & Union Representative	St. Vincent Medical Center & Service Employees International Union
Del Junco, Jr., MD	Tirso	Chief Medical Officer	Verity Health
Fefee	Sherry	Director, Emergency Department & Nursing Director, Intensive Care Unit	St. Vincent Medical Center
Fisler	Eileen	Chief Financial Officer	St. Vincent Medical Center
Girsky, MD	Marc	Cardiologist & Chief of Staff	St. Vincent Medical Center
Lefridge	Brittany	Pharmacy Technician and Labor Representative	St. Vincent Medical Center & Service Employees International Union
Macatuno	Erik	Labor Representative	California Nurses Association
Martinez	Juan	Manager, Multispecialty Medical Clinic & Non-Invasive Cardiology	St. Vincent Medical Center
Pak	Erin	Chief Executive Officer & Local Governing Board Member	Kheir Center & St. Vincent Medical Center
Paul	Elspeth	General Counsel	Verity Health
Pfeiffer	Margaret	Interim Chief Executive Officer & Chief Operating Officer	St. Vincent Medical Center
Rubin, MD	Nathan	Cardiologist	St. Vincent Medical Center
Sharrer	Steven	Chief Human Resources Officer	Verity Health
Takahashi, MD	Patrick	Local Governing Board Member	St. Vincent Medical Center
Thomas	William	Executive Vice President & General Counsel	SGM
Whitman	Jeff	Board Secretary and Local Governing Board Member	St. Vincent Medical Center

Purchaser Conditions from Schedule 8.6 of the Asset Purchase Agreement

II. St. Vincent Medical Center		
St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
Binding Power	<ul style="list-style-type: none"> Conditions shall be binding on entities enumerated in AG Conditions. 	Purchaser accepts this condition with the following changes: <ul style="list-style-type: none"> Conform to the transaction described in the Agreement. SGM entities who are involved in the purchase of assets pursuant to the Agreement would agree to be bound by 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 Option Agreement; 	Purchaser accepts this condition with the following changes: <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.
	<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	<i>For fifteen (15) years:</i> <ul style="list-style-type: none"> Provide written notice to AG sixty (60) days prior to entering into any sale or transfer agreement. 	Purchaser accepts this condition if updated to reflect current transaction and parties.
Essential Medical Services	<i>For five (5) years:</i> <ul style="list-style-type: none"> Remain licensed general acute care hospital. Provide the following: <ul style="list-style-type: none"> 24-hour emergency medical services, including a minimum of: <ul style="list-style-type: none"> 8 emergency beds/stations and 6 Fast Track treatment stations, and the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals; Acute rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds; Intensive care/critical care services, including a minimum of 30 licensed intensive care beds; Cardiac services, including cardiac surgery and a minimum of 4 cardiac catheterization labs; Cancer services, including radiation therapy; Gastroenterology services; Imaging and laboratory services; Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and 	Purchaser accepts this condition with the following changes: <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, including radiation therapy or to not suspend or surrender beds directly supporting such services.

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	<p>hemodialysis treatments;</p> <ul style="list-style-type: none"> - Neurology and neurotology services, including neurosurgery; - Orthopedics, joint replacement, and spine care services; - Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants; and - Outpatient dialysis services within 5 miles of St. Vincent Medical Center by either (1) operating St. Vincent Dialysis Center, or (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the closing date of the System Restructuring and Support Agreement 	

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	<p>and that such center(s) participate in the Medi-Cal and Medicare programs as required in Condition VII.</p> <ul style="list-style-type: none"> St. Vincent Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services. 	
OB & Reproductive Services	<p><i>Within five (5) years:</i></p> <ul style="list-style-type: none"> If St. Vincent Medical Center provides obstetrical services within five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall also provide reproductive health services including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops. 	<p>Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.</p>
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) at same levels; 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) at the same levels for five (5) years and to participate in Medi-Cal and Medicare as stated in Condition VII. For any of these options, each clinic can be moved to a different 	<p>Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.</p>

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	<p>location within a two-mile radius of each clinic's current location, and SVMC 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"> - Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles; - Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles; - Spine Institute, located at 2200 West 3rd Street in Los Angeles; - Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and - Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles. 	
Charity Care	<p><i>For six (6) fiscal years:</i></p> <ul style="list-style-type: none"> ● Provide an annual amount of Charity Care equal to or greater than \$407,513. ● 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 Four Hundred Thirty Thousand Dollars and Three Hundred Eighty-Four Dollars (\$430,384). ● Purchaser will not make any deficiency payments related to Charity Care spending into pensions.
Community Benefit Services	<p><i>For six (6) fiscal years:</i></p> <ul style="list-style-type: none"> ● Provide an annual amount of Community Benefit Services at St. Vincent Medical Center equal to or greater than \$1,076,459 exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered: 	<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 at St. Vincent Medical Center equal to or

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	<ul style="list-style-type: none"> - Health Benefits Resource Center or similar services; and - Asian Pacific Liver Center. • Further planning of and changes to, the community benefit services provided at St. Vincent Medical Center shall be decided upon by the St. Vincent Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI. • 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 	greater than of One Million Seventy-Six Thousand and Four Hundred Fifty-Nine Dollars (\$1,076,459) exclusive of any funds from grants.
Medicare and Medi-Cal and Managed Care	<p><i>For five (5) 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. Vincent 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: - Local Initiative Plan: LA Care Health Plan or its successor; and 	Purchaser accepts this condition for a term which coincides with the remaining term applicable to this condition, for this facility, in the Prior Conditions.

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	<p>- Commercial Plan: Health Net Community Solutions, Inc. or its successor.</p> <p>● If St. Vincent Medical Center questions whether it is being 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> <p>● 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. Vincent Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care).</p>	
County Contracts	<p><i>For at least five (5) years:</i></p> <p>● Maintain contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:</p> <ul style="list-style-type: none"> - Hospital Preparedness Program Agreement; - Radiation Therapy Services Agreement; and - Physician Post Graduate Training Agreement. <p>● Provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent</p>	<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.

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	Medical Center. The goal is to ensure that St. Vincent 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	<i>For five (5) years:</i> <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 the Agreement. - All to be paid or reserved over a five (5) year period after Closing of the Agreement. <p>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).</p>
Pension Obligations	<ul style="list-style-type: none"> ● Comply with 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 	<ul style="list-style-type: none"> ● Purchaser accepts this condition consistent with Agreement.

II. St. Vincent Medical Center

St. Vincent Medical Center	AG Conditions	Purchaser Approved Conditions
	<p>Closing.</p> <ul style="list-style-type: none"> ● 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"> ● 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 through 2030 ● Purchaser shall commit the necessary capital investment required to refurbish St. Vincent Medical Center's elevators in order to meet the City of Los Angeles' Elevator Code. 	<ul style="list-style-type: none"> ● Purchase accepts this condition subject to completion of project to refurbish 6 elevators prior to closing.
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.
Accounting of Charitable Assets	<ul style="list-style-type: none"> ● At least thirty (30) days prior to Closing, provide to the AG's Office an accounting of all charitable assets. 	Purchaser does not accept this condition because it is not relevant to the current transaction.
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. Vincent Medical Center License

License: 930000161

Effective: 01/01/2019

Expires: 12/31/2019

Licensed Capacity: 386

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

Saint Vincent Medical Center

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

SAINT VINCENT MEDICAL CENTER

2131 W THIRD STREET
Los Angeles, CA 90057-1901

Bed Classifications/Services

339 General Acute Care
67 Intensive Care
19 Rehabilitation
253 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical
Cardiovascular Surgery
Nuclear Medicine
Occupational Therapy
Outpatient Services at Cardiac Care Institute,
201 South Alvarado Street, Suite 321, Los
Angeles
Outpatient Services at Transplant Medical
Office, 8501 CAMINO MEDIA, SUITE 100,
BAKERSFIELD,
Outpatient Services - Cancer treatment Center
at 201 S. ALVARADO STREET, SUITE A,
LOS ANGELES
Outpatient Services - Multi-Organ Transplant at
2200 W. THIRD STREET, 5TH FLOOR,
LOS ANGELES
Outpatient Services - Multispecialty at
Multispecialty Clinic, 2200 W. Third Street,
Suite 120, Los Angeles
Outpatient Services - Orthopedic Svs (Joint) at
2200 W. THIRD STREET, 4TH FLOOR,
LOS ANGELES
Outpatient Services - Radiology at 201 S.
ALVARADO STREET, SUITE 311, LOS
ANGELES
Physical Therapy
Renal Transplant
Respiratory Care Services
Social Services

(Additional Information Listed on License Addendum)

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

**State of California
Department of Public Health
License Addendum**

License: 930000161
Effective: 01/01/2019
Expires: 12/31/2019
Licensed Capacity: 366

**SAINT VINCENT MEDICAL CENTER (Continued)
2131 W THIRD STREET
Los Angeles, CA 90057-1901**

**SAINT VINCENT MEDICAL CENTER D/P SNF
2131 W 3rd St
Los Angeles, CA 90057-1901**

**Bed Classifications/Services
27 Skilled Nursing**

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
27 Skilled Nursing beds suspended from 06/13/2018 to 06/12/2019.

Karen L. Smith, MD, MPH

State Public Health Officer & Director


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