

**XAVIER BECERRA**  
**Attorney General**

**State of California**  
**DEPARTMENT OF JUSTICE**



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November 21, 2018

**Sent by Email and U.S. Mail**

Rick L. Grossman  
Executive Vice President & General Counsel  
Dignity Health  
185 Berry Street, Suite 300, Lobby 2  
San Francisco, CA 94107-1739

RE: Proposed change in control and governance of Dignity Health

Dear Mr. Grossman:

Pursuant to Corporations Code section 5920 *et seq.*, the Office of the Attorney General hereby conditionally consents to the proposed change in governance and control of Dignity Health, a California nonprofit public benefit corporation, pursuant to the terms of the Ministry Alignment Agreement dated December 6, 2017.

Corporations Code section 5923, and California Code of Regulations, title 11, section 999.5, subdivision (f), set forth factors that the Office of the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and another nonprofit corporation. The Office of the Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,

[Original Signed]

WENDI A. HORWITZ  
Deputy Attorney General

For ANTONETTE B. CORDERO  
Chief of Legal Affairs

Attachment

**Attorney General's Conditions to Change in Control and Governance of California Hospital Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of California Hospital Medical Center or the real property on which California Hospital Medical Center is located, any and all current and future owners, lessees, licensees, or operators of California Hospital Medical Center, and any and all current and future lessees and owners of the real property on which California Hospital Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, California Hospital Medical Center's Hospital Community Board, and

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<sup>1</sup> Throughout this document, the term "California Hospital Medical Center" shall mean the general acute care hospital located at 1401 S. Grand Avenue, Los Angeles, California 90015 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective January 9, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of California Hospital Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of California Hospital Medical Center; or
- (b) Transfer control, responsibility, management, or governance of California Hospital Medical Center. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of California Hospital Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, California Hospital Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), California Hospital Medical Center shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 35 Emergency Treatment Stations at a minimum;
- b) Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations and Los Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;
- c) Designation as an Emergency Department Approved for Pediatrics;
- d) Designation as a Paramedic Base Station, with the same number of assigned paramedic units that currently exists; and

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<sup>3</sup> The term "current" or "currently" throughout this document means as of January 9, 2018.

e) Certification as a Primary Stroke Center.

California Hospital Medical Center must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if California Hospital Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after five years from the closing date of the Ministry Alignment Agreement.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), California Hospital Medical Center shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through e). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through e). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in California Hospital Medical Center's service area (33 ZIP codes), as defined on page 43 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, California Hospital Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 22 intensive care beds and 8 coronary care beds;
- b) Obstetrics services, including a minimum of 37 perinatal beds (10 beds used as Labor, Delivery, Recovery, Postpartum rooms);
- c) Intensive Care Newborn Nursery services, including a minimum of 24 neonatal intensive care beds; and
- d) Pediatric services, including a minimum of 10 pediatric beds.

Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.



## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), California Hospital Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services including those provided at the Los Angeles Center for Women's Health currently located at 1513 South Grand Avenue, Suite 400, Los Angeles, California 90015, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), California Hospital Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in California Hospital Medical Center's service area (33 ZIP codes), as defined on page 43 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, California Hospital Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiovascular surgery, cardiovascular laboratory services, interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Oncology services, including radiation and therapy services;
- c) Orthopedic surgery services, including total joint replacements;
- d) General surgery services;
- d) Nuclear medicine services;
- f) Imaging and radiology services (inpatient and outpatient);
- g) Laboratory services;
- h) Occupational therapy services;
- i) Physical therapy services;
- j) Respiratory care services;

- k) Social services; and
- l) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at California Hospital Medical Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at California Hospital Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: L.A. Care Health Plan or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at California Hospital Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at California Hospital Medical Center equal to or greater than \$18,238,964 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at California Hospital Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

January 1, 2017) with the below required amendments at California Hospital Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at California Hospital Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Community Benefit Services at California Hospital Medical Center equal to or greater than \$8,700,834 (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:

- a) Health Ministry- Blood Pressure Screening, Cholesterol Screening, Community Health Education Coordination, Diabetes Glucose Screening, Hemoglobin Screening, Parish Nurse Health Ministry Coordinator, and Your Body Weight and Body Mass Index;
- b) Heart HELP – Initial and Follow Up Screenings;
- c) Heart HELP CVD – Program Implementation;
- d) Hope Street Family Center; and
- e) Residency Program.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at California Hospital Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in California Hospital Medical Center's service area (33 ZIP codes), as defined on page 43 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and

attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Los Angeles or County of Los Angeles or their subdivisions, departments, or agencies for services at California Hospital Medical Center including the following:

- a. Community Health Coverage Agreement (Children's Health Outreach Enrollment, Utilization and Retention Services);
- b. Mental Health Services;
- c. Family Preservation – Metro North Regional Services Area;
- d. Family Preservation – Vermont Corridor Regional Services Area;
- e. Extension of Wraparound Approach Services Contract;
- f. Family Strengthening Oversight Entity;
- g. Grant Agreement for Family Strategy 1 – Welcome Baby Hospitals Initiative;
- h. Proposition K Grant Agreement for Maintenance Funding;
- i. Participation in the Hospital Preparedness Program;
- j. Affiliation Agreement for Physicians in Postgraduate Training Catholic Healthcare West; and
- k. First 5 LA MAMA's Neighborhood.

## XIII.

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at California Hospital Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIV.

Dignity Community Care shall maintain privileges for current medical staff at California Hospital Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at California Hospital Medical Center.

## XV.

For five years from the closing date of the Ministry Alignment Agreement, California Hospital Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, California Hospital Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Community Care shall consult with California Hospital Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the California Hospital Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from California Hospital Medical Center, and community representatives from California Hospital Medical Center's service area (33 ZIP codes), as defined on page 43 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The California Hospital Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XVI.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the

report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at California Hospital Medical Center. This prohibition must be explicitly set forth in Dignity Community Care's written policies applicable at California Hospital Medical Center, adhered to, and strictly enforced.

**XIX.**

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue California Hospital Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and California Hospital Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Community Care and California Hospital Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions.

Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.



**EXHIBIT 1**

## Analysis of California Hospital Medical Center

### Service Area Definition

California Hospital Medical Center's service area is comprised of 33 ZIP Codes from which 76% of its discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top nine ZIP Codes, all of which are in the City of Los Angeles. In CY 2016, the Hospital's market share in the service area was 9.3%.

<b>CALIFORNIA HOSPITAL MEDICAL CENTER PATIENT ORIGIN CY 2016</b>							
<b>ZIP Codes</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>	
90011	Los Angeles	2,219	11.7%	11.7%	10,289	21.6%	
90037	Los Angeles	1,890	10.0%	21.7%	7,546	25.0%	
90044	Los Angeles	1,095	5.8%	27.4%	12,188	9.0%	
90003	Los Angeles	1,009	5.3%	32.7%	8,307	12.1%	
90018	Los Angeles	773	4.1%	36.8%	6,081	12.7%	
90062	Los Angeles	701	3.7%	40.5%	3,935	17.8%	
90007	Los Angeles	694	3.7%	44.2%	3,146	22.1%	
90006	Los Angeles	668	3.5%	47.7%	5,484	12.2%	
90047	Los Angeles	455	2.4%	50.1%	6,944	6.6%	
90015	Los Angeles	452	2.4%	52.5%	1,917	23.6%	
90043	Los Angeles	431	2.3%	54.7%	6,403	6.7%	
90001	Los Angeles	426	2.2%	57.0%	6,129	7.0%	
90016	Los Angeles	392	2.1%	59.0%	5,956	6.6%	
90002	Los Angeles	383	2.0%	61.1%	5,983	6.4%	
90019	Los Angeles	340	1.8%	62.9%	6,177	5.5%	
90008	Los Angeles	298	1.6%	64.4%	4,261	7.0%	
90013	Los Angeles	281	1.5%	65.9%	3,014	9.3%	
90059	Los Angeles	204	1.1%	67.0%	5,717	3.6%	
90057	Los Angeles	192	1.0%	68.0%	5,687	3.4%	
90061	Los Angeles	186	1.0%	69.0%	3,777	4.9%	
90255	Huntington Park	183	1.0%	69.9%	6,210	2.9%	
90026	Los Angeles	178	0.9%	70.9%	4,948	3.6%	
90004	Los Angeles	150	0.8%	71.7%	4,911	3.1%	
90014	Los Angeles	147	0.8%	72.4%	1,426	10.3%	
90302	Inglewood	121	0.6%	73.1%	3,219	3.8%	
90017	Los Angeles	121	0.6%	73.7%	2,261	5.4%	
90005	Los Angeles	101	0.5%	74.2%	2,763	3.7%	
90020	Los Angeles	99	0.5%	74.8%	2,779	3.6%	
90021	Los Angeles	55	0.3%	75.1%	547	10.1%	
90058	Los Angeles	53	0.3%	75.3%	419	12.6%	
90305	Inglewood	47	0.2%	75.6%	1,844	2.5%	
90012	Los Angeles	42	0.2%	75.8%	3,368	1.2%	
90036	Los Angeles	34	0.2%	76.0%	3,178	1.1%	
<b>Subtotal</b>		<b>14,420</b>	<b>76.0%</b>	<b>76.0%</b>	<b>156,814</b>	<b>9.2%</b>	
<b>Other ZIP Codes</b>		<b>4,557</b>	<b>24.0%</b>	<b>100.0%</b>			
<b>Total Discharges</b>		<b>18,977</b>	<b>100.0%</b>				

Note: Excludes normal newborns  
 Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Glendale Memorial Hospital and Health Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Glendale Memorial Hospital and Health Center or the real property on which Glendale Memorial Hospital and Health Center is located, any and all current and future owners, lessees, licensees, or operators of Glendale Memorial Hospital and Health Center, and any and all current and future lessees and owners of the real property on which Glendale Memorial Hospital and Health Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health,

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<sup>1</sup> Throughout this document, the term "Glendale Memorial Hospital and Health Center" shall mean the general acute care hospital located at 1420 S. Central Avenue, Glendale, California 91204 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective January 1, 2018, unless otherwise indicated.

<sup>2</sup>The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

CommonSpirit Health, Glendale Memorial Hospital and Health Center's Hospital Community Board, and Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of Glendale Memorial Hospital and Health Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Glendale Memorial Hospital and Health Center; or
- (b) Transfer control, responsibility, management, or governance of Glendale Memorial Hospital and Health Center. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of Glendale Memorial Hospital and Health Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Glendale Memorial Hospital and Health Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 21 Emergency Treatment Stations at a minimum (includes six Fast Track Treatment Stations);
- b) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150 Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150, and other California laws and regulations;
- c) Designation as a STEMI Receiving Center;
- d) Designation as an Emergency Department Approved for Pediatrics; and
- e) Certification as a Primary Stroke Center.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2018.

## V.

For five years from the closing date of the Ministry Alignment Agreement, Glendale Memorial Hospital and Health Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 12 intensive care beds and 8 coronary care beds;
- b) Obstetrics services, including a minimum of 24 perinatal beds (6 beds used as Labor, Delivery, Recovery, Postpartum rooms);
- c) Intensive Care Newborn Nursery services, including a minimum of 13 neonatal intensive care unit beds;
- d) Rehabilitation services, including a minimum of 14 rehabilitation beds;
- e) Acute psychiatric services, including a minimum of 30 acute psychiatric beds; and
- f) Skilled nursing services, including a minimum of 30 beds.

Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Glendale Memorial Hospital and Health Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at the Women's Center and at the Marcia Ray Breastlink Women's Imaging Center currently located at 222 West Eulalia Street, Glendale, CA 91204, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Glendale Memorial Hospital and Health Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Glendale Memorial Hospital and Health Center's primary service area (20 ZIP codes), as defined on page 58 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt

payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Glendale Memorial Hospital and Health Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiac catheterization laboratory services, cardiovascular surgery services, interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Neuroscience services, including neurosurgery services;
- c) Oncology services, including inpatient medical and surgical oncology services;
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services, including bariatric surgery services;
- f) Outpatient Services – G.I. Lab/Surgery;
- g) Outpatient Services - AIDS Clinic;
- h) Outpatient Services - Colorectal Surgery Institute Clinic;
- i) Outpatient Services – Diagnostic Testing/Wound Care;
- j) Outpatient Services - OB/Gyn;
- k) Outpatient Services – Physical Therapy, Occupational Therapy, and Speech Therapy;
- l) Nuclear medicine services;
- m) Imaging and radiology services (inpatient and outpatient);
- n) Laboratory services;
- o) Audiology services;
- p) Occupational therapy services;
- q) Physical therapy services;
- r) Respiratory care services;
- s) Social services; and
- t) Speech pathology services.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Glendale Memorial Hospital and Health Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Glendale Memorial Hospital and Health Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:

- i) Local Initiative: L.A. Care Health Plan or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Glendale Memorial Hospital and Health Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Glendale Memorial Hospital and Health Center equal to or greater than \$4,440,395 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at Glendale Memorial Hospital and Health Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Glendale Memorial Hospital and Health Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Glendale Memorial Hospital and Health Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.



## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Glendale Memorial Hospital and Health Center equal to or greater than \$1,600,733 (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:

- a) 50Plus Senior Services;
- b) Community Health Fair;
- c) Dignity Health Community Grants Program;
- d) Breastfeeding Resource Center (BFRC)- Support Group; and
- e) Breastfeeding Resource Center (BFRC)- Telephone Warm Line.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Glendale Memorial Hospital and Health Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Glendale Memorial Hospital and Health Center's primary service area (20 ZIP codes), as defined on page 58 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contract, and any amendments and exhibits thereto, with the City of Glendale or the County of Los Angeles or their subdivisions, departments, or agencies for services at Glendale Memorial Hospital and Health Center including the following:

- a. Glendale City, Police Department in Custody Services Agreement.

## XII.

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Glendale Memorial Hospital and Health Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIII.

Dignity Community Care shall maintain privileges for current medical staff at Glendale Memorial Hospital and Health Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Glendale Memorial Hospital and Health Center.

## XIV.

For five years from the closing date of the Ministry Alignment Agreement, Glendale Memorial Hospital and Health Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Glendale Memorial Hospital and Health Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Community Care shall consult with Glendale Memorial Hospital and Health Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Glendale Memorial Hospital and Health Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Glendale Memorial Hospital and Health Center, and community representatives from Glendale Memorial Hospital and Health Center's primary service area (20 ZIP codes), as defined on page 58 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Glendale Memorial Hospital and Health Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XVII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Glendale Memorial Hospital and Health Center. This prohibition must be explicitly set forth in Dignity Health, CommonSpirit Health, and Dignity Community Care's written policies applicable at Glendale Memorial Hospital and Health Center, adhered to, and strictly enforced.

## XVIII.

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue Glendale Memorial Hospital and Health Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## XIX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and Glendale Memorial Hospital and Health Center's Hospital Community Board and the Chief

Executive Officers of Dignity Community Care and Glendale Memorial Hospital and Health Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors:

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Glendale Memorial Hospital and Health Center

### Service Area Definition

Glendale Memorial Hospital and Health Center's primary service area and secondary service area are comprised of 60 ZIP Codes from which 76.5% of its discharges originated in CY 2016. Twenty of the 60 ZIP Codes constitute the Hospital's primary service area (56.9% of inpatient discharges) and the remaining originate from the Hospital's secondary service area. Approximately 50% of the Hospital's discharges originated from the top 11 ZIP Codes, including the cities of Glendale and Los Angeles. In CY 2016, market share in the Hospital's primary service and secondary service area was 4.1%.

<b>GLENDALE MEMORIAL HOSPITAL AND HEALTH CENTER</b>							
<b>PATIENT ORIGIN CY 2016</b>							
	ZIP Codes	Community	Total	% of	Cumulative % of Discharges	Total Area Discharges	Market Share
			Discharges	Discharges			
<b>Primary Service Area</b>	91205	Glendale	1,166	11.6%	11.6%	4,666	25.0%
	91204	Glendale	755	7.5%	19.0%	2,141	35.3%
	90065	Los Angeles	700	6.9%	26.0%	4,150	16.9%
	90039	Los Angeles	526	5.2%	31.2%	2,387	22.0%
	90027	Los Angeles	351	3.5%	34.7%	4,438	7.9%
	91206	Glendale	340	3.4%	38.0%	3,760	9.0%
	91202	Glendale	339	3.4%	41.4%	2,367	14.3%
	90042	Los Angeles	335	3.3%	44.7%	5,348	6.3%
	91203	Glendale	269	2.7%	47.4%	1,513	17.8%
	91201	Glendale	223	2.2%	49.6%	2,462	9.1%
	90041	Los Angeles	173	1.7%	51.3%	2,636	6.6%
	90031	Los Angeles	127	1.3%	52.6%	3,201	4.0%
	91504	Burbank	87	0.9%	53.4%	2,153	4.0%
	91501	Burbank	87	0.9%	54.3%	1,780	4.9%
	91207	Glendale	82	0.8%	55.1%	1,061	7.7%
	91502	Burbank	76	0.8%	55.8%	1,315	5.8%
	91208	Glendale	46	0.5%	56.3%	1,439	3.2%
	91020	Montrose	31	0.3%	56.6%	1,022	3.0%
	91506	Burbank	20	0.2%	56.9%	1,778	1.1%
	91210	Glendale	10	0.1%	56.7%	57	17.5%
<b>Primary Service Area Sub-Total</b>			<b>5,743</b>	<b>56.9%</b>	<b>56.9%</b>	<b>49,674</b>	<b>11.6%</b>
<b>Secondary Service Area Sub-Total</b>			<b>1,982</b>	<b>19.6%</b>	<b>76.5%</b>	<b>136,716</b>	<b>1.4%</b>
<b>SSA+PSA</b>			<b>7,725</b>	<b>76.5%</b>	<b>76.5%</b>	<b>186,390</b>	<b>4.1%</b>
<b>Other ZIPs</b>			<b>2,368</b>	<b>23.5%</b>	<b>100.0%</b>		
<b>Total Discharges</b>			<b>10,093</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Northridge Hospital Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Northridge Hospital Medical Center or the real property on which Northridge Hospital Medical Center is located, any and all current and future owners, lessees, licensees, or operators of Northridge Hospital Medical Center, and any and all current and future lessees and owners of the real property on which Northridge Hospital Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, Northridge Hospital Medical Center's Hospital Community Board, and

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<sup>1</sup> Throughout this document, the term "Northridge Hospital Medical Center" shall mean the general acute care hospital located at 18300 Roscoe Blvd., Northridge, California 91325 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective January 1, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of Northridge Hospital Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Northridge Hospital Medical Center; or
- (b) Transfer control, responsibility, management, or governance of Northridge Hospital Medical Center. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of Northridge Hospital Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Northridge Hospital Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Northridge Hospital Medical Center shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 32 Emergency Treatment Stations at a minimum;
- b) Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations and Los Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;
- c) Designation as a Level II Pediatric Trauma Center and operating a Level II Pediatric Trauma Center that complies with all requirements under California laws and regulations and Los

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<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2018.



Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;

- d) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150 Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150, and other California laws and regulations; and
- e) Designation as a STEMI Receiving Center; and
- f) Certification as a Primary Stroke Center.

Northridge Hospital Medical Center must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if Northridge Hospital Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center or the Level II Pediatric Trauma Center after five years from the closing date of the Ministry Alignment Agreement.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Northridge Hospital Medical Center shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through f). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through f). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in Northridge Hospital Medical Center's service area (35 ZIP codes), as defined on page 91 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Northridge Hospital Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Rehabilitation services, including a minimum of 36 rehabilitation beds;
- b) Obstetrics services, including a minimum of 35 perinatal beds;
- c) Critical care services, including a minimum of 24 intensive care beds and a minimum of 22 coronary care beds;

- d) Pediatric Services, including a minimum of 20 pediatric beds;
- e) Intensive Care Newborn Nursery services, including a minimum of 18 neonatal intensive care unit beds; and
- f) Acute psychiatric services, including a minimum of 40 acute psychiatric beds and outpatient behavioral health services.

Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Northridge Hospital Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at the Carole Pump Women's Center currently located at 18300 Roscoe Boulevard, Northridge, California, 91325, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Northridge Hospital Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Northridge Hospital Medical Center's service area (35 ZIP codes), as defined on page 91 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Northridge Hospital Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Oncology services, including inpatient medical and surgical oncology services (radiation therapy services and outpatient services-chemotherapy);
- b) Cardiovascular services, including cardiovascular surgery services, interventional cardiology services, electrophysiology services, and general cardiology services;
- c) Neuroscience services, including neurosurgery services;
- d) Outpatient Services – Neurology/Cath Lab;
- e) Orthopedic surgery services, including total joint replacements;
- f) General surgery services;
- g) Outpatient Services – Carole Pump Women’s Health Center;
- h) Nuclear medicine services;
- i) Imaging and radiology services (inpatient and outpatient), including Mobile Unit - MRI;
- j) Outpatient Services – Clinical pathology/cardiology;
- k) Laboratory services;
- l) Occupational therapy services;
- m) Physical therapy services;
- n) Respiratory care services;
- o) Social services;
- p) Speech pathology services; and
- q) Speech therapy services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Northridge Hospital Medical Center;
- b) Maintain and have a Medi-Cal Managed Care contract with Health Net Community Solutions, Inc. or its successor to provide the same types and/or levels of emergency and non-emergency services at Northridge Hospital Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Northridge Hospital Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Northridge Hospital Medical Center equal to or greater than \$5,572,694 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at Northridge Hospital Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Northridge Hospital Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health, CommonSpirit Health, and Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Northridge Hospital Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Northridge Hospital Medical Center equal to or greater than \$10,520,936 (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:

- a) Diabetes Wellness Rx – DEEP Programs;
- b) Center for Assault Treatment Services – Clinical & Outreach;
- c) Family Practice Residency Program;
- d) Community Room Use;
- e) Dignity Health Community Grants Program;

- f) Health Education;
- g) Nursing Students; and
- h) Community and School Wellness Programs.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health, CommonSpirit Health, and Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Northridge Hospital Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Northridge Hospital Medical Center's service area (35 ZIP codes), as defined on page 91 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Los Angeles or the County of Los Angeles or their subdivisions, departments, or agencies for services at Northridge Hospital Medical Center including the following:

- a. Automated Birth Registration- Automated Vital Statistics – User Agreement;
- b. Post Exposure Management Program Agreement;
- c. Memorandum of Understanding – Paternity Opportunity Program;
- d. Hospital Preparedness Program;
- e. Purchase Order for Sexual Assault Examinations;
- f. Agreement to Provide Medical Services for Assault Victims;
- g. Paramedic Base Hospital Agreement;
- h. Trauma Center Services Agreement;
- i. Medi-Cal Acute Psychiatric Inpatient Hospital Services;
- j. Grant Agreement for Family Strategy 1 – Welcome Baby Hospitals Initiative;
- k. Sexual Assault Response Team - Center for Assault Treatment Services (CATS);
- l. Data Use Agreement- Syndromic Surveillance Program (Infection Control);
- m. Agreement for Comprehensive Stroke System; and
- n. Agreement for Designation as a STEMI Receiving Center.

### **XIII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Northridge Hospital Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

### **XIV.**

Dignity Community Care shall maintain privileges for current medical staff at Northridge Hospital Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Northridge Hospital Medical Center.

### **XV.**

For five years from the closing date of the Ministry Alignment Agreement, Northridge Hospital Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Northridge Hospital Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Community Care shall consult with Northridge Hospital Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Northridge Hospital Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Northridge Hospital Medical Center, and community representatives from Northridge Hospital Medical Center's service area (35 ZIP codes), as defined on page 91 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Northridge Hospital Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## **XVII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Northridge Hospital Medical Center. This prohibition must be explicitly set forth in Dignity Community Care's written policies applicable at Northridge Hospital Medical Center, adhered to, and strictly enforced.

## **XIX.**

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue Northridge Hospital Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## **XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and Northridge Hospital Medical Center's Hospital Community Board and the Chief Executive Officers of Northridge Hospital Medical Center and Dignity Community Care shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.



**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Northridge Hospital Medical Center

### Service Area Definition

Northridge Hospital Medical Center's service area is comprised of 35 ZIP Codes from which 76.6% of its discharges originated in CY 2016. Approximately 51% of Northridge Hospital Medical Center's inpatient discharges originated from the top eight ZIP Codes, located in the City of Los Angeles' communities of Reseda, Winnetka, Northridge, Chatsworth, Canoga Park, North Hills, and Porter Ranch. In CY 2016, Northridge Hospital Medical Center's inpatient market share in the service area was 11.6%.

<b>NORTHRIDGE HOSPITAL MEDICAL CENTER PATIENT ORIGIN CY 2016</b>						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
91335	Reseda	2045	15%	15%	7892	26%
91306	Winnetka	981	7%	21%	4221	23%
91325	Northridge	957	7%	28%	2784	34%
91324	Northridge	941	7%	35%	2671	35%
91311	Chatsworth	629	4%	39%	3390	19%
91304	Canoga Park	604	4%	44%	4166	14%
91343	North Hills	553	4%	48%	5028	11%
91326	Porter Ranch	545	4%	51%	2476	22%
91406	Van Nuys	533	4%	55%	4667	11%
91344	Granada Hills	486	3%	59%	4678	10%
91303	Canoga Park	327	2%	61%	2209	15%
91402	Panorama City	276	2%	63%	6638	4%
91367	Woodland Hills	242	2%	65%	3632	7%
91331	Pacoima	212	2%	66%	8683	2%
91405	Van Nuys	201	1%	68%	5254	4%
91328	Northridge	160	1%	69%	175	91%
91356	Tarzana	154	1%	70%	3258	5%
91307	West Hills	136	1%	71%	2422	6%
93063	Simi Valley	120	1%	72%	1723	7%
93065	Simi Valley	118	1%	73%	1886	6%
91316	Encino	112	1%	73%	2838	4%
91364	Woodland Hills	110	1%	74%	2339	5%
91345	Mission Hills	75	1%	75%	1789	4%
91340	San Fernando	75	1%	75%	3018	2%
91411	Van Nuys	63	0%	76%	2351	3%
91436	Encino	40	0%	76%	1445	3%
93021	Moorpark	39	0%	76%	628	6%
91313	Chatsworth	9	0%	76%	51	18%
91357	Tarzana	8	0%	76%	60	13%
91416	Encino	7	0%	76%	35	20%
91346	Mission Hills	7	0%	76%	33	21%
91603	North Hollywood	7	0%	76%	55	13%
91305	Canoga Park	7	0%	76%	34	21%
91409	Van Nuys	5	0%	77%	50	10%
91365	Woodland Hills	5	0%	77%	58	9%
<b>Subtotal</b>		<b>10,789</b>	<b>76.6%</b>	<b>76.6%</b>	<b>92,637</b>	<b>11.6%</b>
Other ZIP Codes		3,302	23.4%	100.0%		
<b>Total Discharges</b>		<b>14,091</b>	<b>100.0%</b>			

Note: Excludes normal newborns  
Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. Mary Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation)<sup>2</sup>, a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Mary Medical Center or the real property on which St. Mary Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Mary Medical Center, and any and all current and future lessees and owners of the real property on which St. Mary Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. Mary Medical Center's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "St. Mary Medical Center" shall mean the general acute care hospital located at 1050 Linden Avenue, Long Beach, California 90813 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective July 12, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. Mary Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Mary Medical Center; or
- (b) Transfer control, responsibility, management, or governance of St. Mary Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of St. Mary Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. Mary Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Mary Medical Center shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 23 Emergency Treatment Stations at a minimum;
- b) Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations and Los Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;
- c) Designation as an Emergency Department Approved for Pediatrics;
- d) Designation as a Paramedic Base Station, with the same number of assigned paramedic units that currently exists;
- e) Designation as a STEMI Receiving Center; and
- f) Certification as a Primary Stroke Center.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of July 12, 2018.

St. Mary Medical Center must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Mary Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after five years from the closing date of the Ministry Alignment Agreement.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Mary Medical Center shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through f). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through f). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in St. Mary Medical Center's service area (26 ZIP codes), as defined on page 74 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, St. Mary Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Rehabilitation services, including a minimum of 34 rehabilitation beds;
- b) Critical care services, including a minimum of 33 intensive care beds and a minimum of 8 coronary care beds;
- c) Pediatric Services, including a minimum of 12 pediatric beds;
- d) Intensive Care Newborn Nursery services, including a minimum of 25 neonatal intensive care unit beds; and
- e) Obstetrics services, including a minimum of 25 perinatal beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Mary Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Sr. Mary Sabina Sullivan Women's Health Center & Vincent Esposito Imaging Center currently located at 1045 Atlantic Avenue, Suite 105, Long Beach, California, 90813.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Mary Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in St. Mary Medical Center's service area (26 ZIP codes), as defined on page 74 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, St. Mary Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Neuroscience services, including neurosurgery services;
- c) Oncology services, including inpatient medical and surgical oncology services and outpatient services - Radiation Center;
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services, including bariatric surgery services and Outpatient Clinic - Center for Surgical Treatment for Obesity;
- f) Outpatient Services - Ambulatory Surgery Center;
- g) Nuclear medicine services;
- h) Imaging and radiology services (inpatient and outpatient);

- i) Laboratory services;
- j) Outpatient Services - Geriatrics Clinic;
- k) Outpatient Services - Care Clinic (AIDS/HIV);
- l) Outpatient Services - SMMC Perinatal Clinic;
- m) Outpatient Services – OB Clinic;
- n) Outpatient Services – Dental services;
- o) Audiology services;
- p) Occupational therapy services;
- q) Physical therapy services;
- r) Respiratory care services;
- s) Social services; and
- t) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. Mary Medical Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at St. Mary Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: L.A. Care Health Plan or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. Mary Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. Mary Medical Center equal to or greater than \$6,703,570 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at St. Mary Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as



that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. Mary Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Mary Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. Mary Medical Center equal to or greater than \$11,812,532 (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:

- a) Car Seat Program;
- b) Diabetes Outpatient Self Management;
- c) Dignity Health Community Grants;
- d) Families in Good Health;
- e) GME Medical Education;
- f) Mobile Care Van Clinic;
- g) Senior Center Programs (Bazzeni Wellness Center); and
- h) Transportation Program for Indigent Patients.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Mary Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Mary Medical Center's service area (26 ZIP codes), as defined on page 74 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Long Beach or the County of Los Angeles or their subdivisions, departments, or agencies for services at St. Mary Medical Center including the following:

- a. HIV/AIDS Ambulatory Outpatient Med Services Contract;
- b. HIV/AIDS Oral Health Services Contract;
- c. HIV/AIDS Medical Care Coordination Services Contract;
- d. HIV/AIDS Benefit Specialty Services Contract;
- e. HIV/AIDS Biomedical HIV Prevention Services Contract;
- f. HIV/AIDS Case Management, Home-Based Services Contract;
- g. Participation in the Hospital Preparedness Program; and
- h. Trauma Center Service Agreement.

## XIII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Mary Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIV.

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at St. Mary Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Mary Medical Center.

## XV.

For five years from the closing date of the Ministry Alignment Agreement, St. Mary Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. Mary Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors.

entitled “Dignity Health – 2.100 Qualification of Members of Community Boards.” Dignity Health and CommonSpirit Health shall consult with St. Mary Medical Center’s Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. Mary Medical Center’s Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. Mary Medical Center, and community representatives from St. Mary Medical Center’s service area (26 ZIP codes), as defined on page 74 of the Los Angeles County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The St. Mary Medical Center’s Hospital Community Board’s approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health’s Board of Directors and CommonSpirit Health’s Board of Stewardship of Trustees shall adopt and adhere to Dignity Health’s written policy for diversification of its board of directors entitled “Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors.”

#### **XVII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. Mary Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health’s written policies applicable at St. Mary Medical Center, adhered to, and strictly enforced.

**XIX.**

Dignity Health and CommonSpirit Health are required to continue St. Mary Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of St. Mary Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

### Analysis of St. Mary Medical Center

#### Service Area Definition

St. Mary Medical Center's service area is comprised of 26 ZIP Codes from which 79.6% of its discharges originated in CY 2016. Approximately 50% of St. Mary Medical Center's inpatient discharges originated from the top five ZIP Codes, including the cities of Long Beach and Wilmington. In CY 2016, St. Mary Medical Center's market share in the service area was 8.8%.

ST. MARY MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90813	Long Beach	2,427	21.8%	21.8%	7,155	33.9%
90802	Long Beach	1,091	9.8%	31.5%	4,197	26.0%
90806	Long Beach	681	6.1%	37.6%	5,149	13.2%
90804	Long Beach	624	5.6%	43.2%	3,795	16.4%
90744	Wilmington	603	5.4%	48.6%	5,188	11.6%
90805	Long Beach	575	5.2%	53.8%	9,994	5.8%
90810	Long Beach	412	3.7%	57.5%	3,986	10.3%
90803	Long Beach	266	2.4%	59.9%	2,509	10.6%
90723	Paramount	246	2.2%	62.1%	4,671	5.3%
90221	Compton	236	2.1%	64.2%	5,750	4.1%
90706	Bellflower	226	2.0%	66.2%	7,673	2.9%
90731	San Pedro	225	2.0%	68.2%	6,743	3.3%
90807	Long Beach	208	1.9%	70.1%	3,623	5.7%
90815	Long Beach	189	1.7%	71.8%	3,602	5.2%
90220	Compton	158	1.4%	73.2%	5,697	2.8%
90814	Long Beach	143	1.3%	74.5%	1,379	10.4%
90808	Long Beach	108	1.0%	75.5%	3,515	3.1%
90745	Carson	106	1.0%	76.4%	6,080	1.7%
90755	Signal Hill	92	0.8%	77.2%	1,042	8.8%
90712	Lakewood	70	0.6%	77.9%	2,686	2.6%
90713	Lakewood	68	0.6%	78.5%	2,391	2.8%
90801	Long Beach	47	0.4%	78.9%	277	17.0%
90746	Carson	37	0.3%	79.2%	2,894	1.3%
90704	Avalon	32	0.3%	79.5%	297	10.8%
90707	La Habra	5	0.0%	79.5%	67	7.5%
90809	Long Beach	4	0.0%	79.6%	50	8.0%
<b>Subtotal</b>		<b>8,879</b>	<b>79.6%</b>	<b>79.6%</b>	<b>100,410</b>	<b>8.8%</b>
<b>Other ZIP Codes</b>		<b>2,278</b>	<b>20.4%</b>	<b>100.0%</b>		
<b>Total Discharges</b>		<b>11,157</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Bakersfield Memorial Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, Bakersfield Memorial Hospital (Bakersfield Memorial Hospital Corporation), a California nonprofit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Bakersfield Memorial Hospital or the real property on which Bakersfield Memorial Hospital is located, any and all current and future owners, lessees, licensees, or operators of Bakersfield Memorial Hospital, and any and all current and future lessees and owners of the real property on which Bakersfield Memorial Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health,

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<sup>1</sup> Throughout this document, the term "Bakersfield Memorial Hospital" shall mean the general acute care hospital located at 420 34<sup>th</sup> St., Bakersfield and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 1, 2018, unless otherwise indicated.

<sup>2</sup> Throughout this document, the term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.



CommonSpirit Health, Bakersfield Memorial Hospital's Hospital Community Board, Bakersfield Memorial Hospital Corporation, and Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, Bakersfield Memorial Hospital Corporation, and all future owners, managers, lessees, licensees, or operators of Bakersfield Memorial Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Bakersfield Memorial Hospital; or
- (b) Transfer control, responsibility, management, or governance of Bakersfield Memorial Hospital. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, or Dignity Community Care that transfers the control of, responsibility for, or governance of Bakersfield Memorial Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years, from the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Bakersfield Memorial Hospital shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 19 Emergency Treatment Stations at a minimum;
- b) 5 Pediatric Emergency Treatment Stations at a minimum
- c) Designation as a Paramedic Base Station;
- d) Designation as an Emergency Department Approved for Pediatrics;

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 1, 2018.

- e) Designation as a Burn Receiving Center;
- f) Certification as a Primary Stroke Center; and
- g) Designation as a STEMI Receiving Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Bakersfield Memorial Hospital shall maintain and provide 24-hour emergency services. During years 6-10, Bakersfield Memorial Hospital Corporation and Dignity Community Care shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivisions a) through b) or discontinuation in the designations and certifications in subdivisions c) through g). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivisions a) through b) or discontinuation in the designations and certifications in subdivisions c) through g). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Bakersfield Memorial Hospital Corporation and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in Bakersfield Memorial Hospital's service area (34 ZIP codes), as defined on page 59 of the Kern Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Bakersfield Memorial Hospital Corporation and Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Bakersfield Memorial Hospital Corporation and Dignity Community Care for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 33 beds used interchangeably for coronary care and intensive care;
- b) Obstetrics services, including a minimum of 30 perinatal beds;
- c) Pediatric services, including a minimum of 35 pediatric beds;
- d) Intensive Care Newborn Nursery services, including a minimum of 31 neonatal intensive care unit beds;
- e) Pediatric Critical Care services, including 8 pediatric intensive care beds; and
- f) Burn services, including a minimum of 7 burn beds.

Bakersfield Memorial Hospital Corporation and Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Bakersfield Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Bakersfield Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Bakersfield Memorial Hospital Corporation and Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Bakersfield Memorial Hospital Corporation and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Bakersfield Memorial Hospital's service area (34 ZIP codes), as defined on page 59 of the Kern Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Bakersfield Memorial Hospital Corporation and Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Bakersfield Memorial Hospital Corporation and Dignity Community Care for providing the assessments to the Attorney General.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiovascular surgery services, cardiac catheterization laboratory services, interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Oncology services, including inpatient medical and surgical oncology services, and Outpatient Clinic – Infusion Clinic at Dignity Health Bakersfield Infusion Center;
- c) Neuroscience services, including neurosurgery services;
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services;
- f) Outpatient Clinic – Diabetic Clinic at Dignity Health Center for Healthy Living;
- g) Outpatient Clinic – Wound care;
- h) Outpatient Clinic – Burn Clinic;

- i) Outpatient Clinic – Ambulatory Services at Dignity Health Medical Institute of Central California;
- j) Nuclear medicine services;
- k) Imaging and radiology services (inpatient and outpatient);
- l) Laboratory services;
- m) Occupational therapy services, including Outpatient Services – Occupational Therapy, Physical Therapy, and Speech Therapy;
- n) Physical therapy services;
- o) Respiratory care services, including Outpatient Services – Respiratory Care and Social Services;
- p) Social services; and
- q) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement Bakersfield Memorial Hospital Corporation and Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Bakersfield Memorial Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Bakersfield Memorial Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: Kern Family Health Care or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Bakersfield Memorial Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Bakersfield Memorial Hospital equal to or greater than \$3,288,128 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care in connection with the operation and provision of services at Bakersfield Memorial Hospital. The definition and methodology for calculating “charity care”

and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Bakersfield Memorial Hospital Corporation and Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Bakersfield Memorial Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

assistance) about the availability of financial assistance at each California hospital.

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, Bakersfield Memorial Hospital Corporation, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Bakersfield Memorial Hospital Corporation or Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Bakersfield Memorial Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Bakersfield Memorial Hospital equal to or greater than \$2,547,292 (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:

- a) Dignity Health Community Grants Program;
- b) Health Education Seminars and Classes;
- c) Health Screenings;
- d) Healthy Living – Chronic Disease Self-Management; and
- e) Health Living - Diabetes Self-Management.

Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care' obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Bakersfield Memorial Hospital Corporation, or Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Bakersfield Memorial Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Bakersfield Memorial Hospital's service area (34 ZIP codes), as defined on page 59 of the Kern County Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital Corporation and Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Bakersfield or the County of Kern or their subdivisions, departments, or agencies for services at Bakersfield Memorial Hospital including the following:

- a. Agreement for Deployment of Emergency Response and Surge Capacity Resources Obtained Through Grants;
- b. Paramedic Base Hospital Agreement (Narcotics for Ambulance Providers);
- c. Affiliation Agreement (OBGYN Residency Program);
- d. Affiliation Agreement (General Surgery Residency Program);
- e. Agreement for Deployment of Emergency Response and Surge Capacity Resources Obtained Through Grants;
- f. Agreement for Designation as a Level II Pediatric Receiving Center;
- g. Agreement for Designation as a STEMI Receiving Center;
- h. Intra Plan of Cooperation;
- i. Agreement for Fire Department Paramedics to Attend Manipulative Skills Competency Training;
- j. Agreement for Designation as a Primary Stroke Center
- k. Paramedic Training Agreement;
- l. Affiliation Agreement (Resident Rotation); and
- m. Agreement for AVSS/Net Usage Independent Contractor.

## XIII.

Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Bakersfield Memorial Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### XIV.

Bakersfield Memorial Hospital Corporation and Dignity Community Care shall maintain privileges for current medical staff at Bakersfield Memorial Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Bakersfield Memorial Hospital.

#### XV.

For five years from the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Bakersfield Memorial Hospital Corporation and Dignity Community Care shall consult with Bakersfield Memorial Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Bakersfield Memorial Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Bakersfield Memorial Hospital, and community representatives from Bakersfield Memorial Hospital's service area (34 ZIP codes), as defined on page 59 of the Kern County Health Care Impact Statement, dated September 11, 2018 and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Bakersfield Memorial Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XVI.

Within 90 days of the closing date of Ministry Alignment Agreement, Bakersfield Memorial Hospital Corporation and Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community



Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Bakersfield Memorial Hospital. This prohibition must be explicitly set forth in Bakersfield Memorial Hospital Corporation and Dignity Community Care's written policies applicable at Bakersfield Memorial Hospital, adhered to, and strictly enforced.

#### **XIX.**

Dignity Health, CommonSpirit Health, Bakersfield Memorial Hospital Corporation, and Dignity Community Care are required to continue Bakersfield Memorial Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

#### **XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital Corporation and Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Bakersfield Memorial Hospital Corporation, Dignity Community Care, and Bakersfield Memorial Hospital's Hospital Community Board and the Chief Executive Officers of Bakersfield Memorial Hospital Corporation and Dignity Community Care shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## XXII.

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Bakersfield Memorial Hospital's Service Area

### Service Area Definition

Bakersfield Memorial Hospital's service area is comprised of 34 ZIP Codes from which 93% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's inpatient discharges originated from the top five ZIP Codes, in the City of Bakersfield. Furthermore, approximately 71% of the Hospital's inpatient discharges originated from the top nine ZIP Codes, in the City of Bakersfield. In CY 2016, the Hospital's market share in the service area was 20.8%.

<b>BAKERSFIELD MEMORIAL HOSPITAL PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cum % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93308	Bakersfield	1,837	12.2%	12.2%	6,896	26.6%
93306	Bakersfield	1,761	11.7%	23.9%	6,684	26.3%
93307	Bakersfield	1,729	11.5%	35.4%	7,678	22.5%
93305	Bakersfield	1,168	7.8%	43.2%	4,424	26.4%
93304	Bakersfield	1,102	7.3%	50.5%	5,478	20.1%
93309	Bakersfield	1,033	6.9%	57.4%	5,615	18.4%
93312	Bakersfield	813	5.4%	62.8%	4,211	19.3%
93313	Bakersfield	658	4.4%	67.2%	3,832	17.2%
93301	Bakersfield	559	3.7%	70.9%	1,868	29.9%
93561	Tehachapi	480	3.2%	74.1%	2,598	18.5%
93311	Bakersfield	441	2.9%	77.0%	3,128	14.1%
93215	Delano	369	2.5%	79.5%	3,337	11.1%
93314	Bakersfield	337	2.2%	81.7%	1,892	17.8%
93203	Arvin	332	2.2%	83.9%	1,514	21.9%
93280	Wasco	280	1.9%	85.8%	1,746	16.0%
93241	Lamont	260	1.7%	87.5%	1,323	19.7%
93263	Shafter	252	1.7%	89.2%	1,626	15.5%
93240	Lake Isabella	156	1.0%	90.2%	956	16.3%
93250	Mc Farland	147	1.0%	91.2%	982	15.0%
93285	Wofford Heights	72	0.5%	91.7%	395	18.2%
93205	Bodfish	52	0.3%	92.0%	301	17.3%
93389	Bakersfield	26	0.2%	92.2%	136	19.1%
93518	Caliente	21	0.1%	92.3%	119	17.6%
93384	Bakersfield	17	0.1%	92.5%	73	23.3%
93390	Bakersfield	12	0.1%	92.5%	50	24.0%
93387	Bakersfield	12	0.1%	92.6%	40	30.0%
93386	Bakersfield	11	0.1%	92.7%	62	17.7%
93302	Bakersfield	11	0.1%	92.8%	125	8.8%
93531	Keene	9	0.1%	92.8%	54	16.7%
93388	Bakersfield	7	0.0%	92.9%	21	33.3%
93226	Glennville	7	0.0%	92.9%	25	28.0%
93380	Bakersfield	5	0.0%	92.9%	36	13.9%
93385	Bakersfield	5	0.0%	93.0%	42	11.9%
93287	Woody	4	0.0%	93.0%	18	22.2%
<b>Total Percentage</b>		<b>13,985</b>	<b>93.0%</b>	<b>93.0%</b>	<b>67,285</b>	<b>20.8%</b>
<b>Other ZIPs</b>		<b>1,052</b>	<b>7.0%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>15,037</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

## **Attorney General's Conditions to Change in Control and Governance of Mercy Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

### **I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy Hospital or the real property on which Mercy Hospital is located, any and all current and future owners, lessees, licensees, or operators of Mercy Hospital, and any and all current and future lessees and owners of the real property on which Mercy Hospital is located.

### **II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now know as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy Hospital's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

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<sup>1</sup> Throughout this document, the term "Mercy Hospital" shall mean the general acute care hospital located at 215 Truxtun Ave., Bakersfield, California 93301 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective October 10, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy Hospital; or
- (b) Transfer control, responsibility, management, or governance of Mercy Hospital. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250 and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 17 Emergency Treatment Stations at a minimum; and
- b) Designation as a Paramedic Base Station; and
- c) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Intensive care services, including a minimum of 20 intensive care beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

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<sup>3</sup> The term “current” or “currently” throughout this document means as of October 10, 2017.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy Hospital and Mercy Southwest Hospital's service area (33 ZIP codes) as defined on page 42 of the Kern County Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services and general cardiology services;
- b) Neuroscience services, including neurosurgery services
- c) Oncology services, including inpatient medical and surgical oncology services and radiation therapy services;
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services;
- f) Nuclear medicine services;
- g) Imaging and radiology services (inpatient and outpatient);
- h) Laboratory services;
- i) Occupational therapy services; and
- j) Physical therapy services.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Mercy Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - a. Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
  - b. Local Initiative Plan: Kern Family Health Care, or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy Hospital and Mercy Southwest Hospital<sup>4</sup> equal to or greater than \$3,283,031 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy Hospital and Mercy Southwest Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health -

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<sup>4</sup> Throughout this document, the term “Mercy Southwest Hospital” shall mean the general acute care hospital located at 400 Old River Rd., Bakersfield, California 93311 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective October 10, 2017, unless otherwise indicated.

<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”



9.103 effective January 1, 2017) with the below required amendments at Mercy Hospital and Mercy Southwest Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy Hospital and Mercy Southwest Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

#### X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy Hospital and Mercy Southwest Hospital equal to or greater than \$2,400,382 (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:

- a. Dignity Health Community Grants Program;
- b. Health Education Seminars and Classes;
- c. Health Screenings;
- d. Healthy Living - Chronic Disease Self-Management; and
- e. Healthy Living - Diabetes Self-Management.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy Hospital and Mercy Southwest Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Bakersfield or the County of Kern or their subdivisions, departments, or agencies for services at Mercy Hospital including the following:

- a. Emergency Response and Surge Capacity Agreement;
- b. Designation as a Paramedic Base Hospital;
- c. Agreement for Professional Services (Community Health Insurance Successful Application Stipend Program);
- d. Affiliation Agreement (Surgery, Ob/Gyn, Internal Medicine Residency Programs); and
- e. Agreement for Community Health Initiative of Kern County.

## **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy Hospital.

## **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy Hospital, and community representatives from Mercy Hospital and Mercy Southwest Hospital's service area (33 ZIP codes), as defined on page 42 of the Kern County Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy Hospital's Hospital

Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

**XV.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

**XVI.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Mercy Hospital. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy Hospital, adhered to, and strictly enforced.

**XVIII.**

Dignity Health and CommonSpirit Health are required to continue Mercy Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

### **XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Mercy Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

### **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

### **XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Mercy Hospital – Bakersfield’s Service Area

### *Service Area Definition*

Mercy Hospital – Bakersfield’s service area is comprised of 33 ZIP Codes from which 91% of its inpatient discharges originated in CY 2016. Approximately 63% of the Hospital’s inpatient discharges originated from the top eight ZIP Codes, in the City of Bakersfield. Furthermore, 78.4% of the Hospital’s inpatient discharges originated from the top 12 ZIP Codes, all in the City of Bakersfield except one in the City of Taft. In CY 2016, the Hospital’s market share in the service area was 16.5%.

<b>MERCY HOSPITAL – BAKERSFIELD</b>						
<b>PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cum % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93309	Bakersfield	1,194	10.1%	10.1%	5,615	21.3%
93312	Bakersfield	1,104	9.3%	19.4%	4,211	26.2%
93307	Bakersfield	1,040	8.8%	28.1%	7,678	13.5%
93313	Bakersfield	987	8.3%	36.4%	3,832	25.8%
93311	Bakersfield	976	8.2%	44.7%	3,128	31.2%
93304	Bakersfield	908	7.6%	52.3%	5,478	16.6%
93308	Bakersfield	668	5.6%	57.9%	6,896	9.7%
93306	Bakersfield	633	5.3%	63.3%	6,684	9.5%
93268	Taft	526	4.4%	67.7%	1,729	30.4%
93314	Bakersfield	478	4.0%	71.7%	1,892	25.3%
93303	Bakersfield	458	3.9%	75.6%	526	87.1%
93305	Bakersfield	331	2.8%	78.4%	4,424	7.5%
93263	Shafter	309	2.6%	81.0%	1,626	19.0%
93280	Wasco	273	2.3%	83.3%	1,746	15.6%
93301	Bakersfield	228	1.9%	85.2%	1,868	12.2%
93215	Delano	213	1.8%	87.0%	3,337	6.4%
93203	Arvin	141	1.2%	88.2%	1,514	9.3%
93241	Lamont	101	0.9%	89.0%	1,323	7.6%
93250	Mc Farland	73	0.6%	89.6%	982	7.4%
93206	Buttonwillow	39	0.3%	90.0%	155	25.2%
93389	Bakersfield	33	0.3%	90.3%	136	24.3%
93390	Bakersfield	13	0.1%	90.4%	50	26.0%
93383	Bakersfield	11	0.1%	90.5%	18	61.1%
93216	Delano	10	0.1%	90.5%	176	5.7%
93302	Bakersfield	9	0.1%	90.6%	125	7.2%
93384	Bakersfield	9	0.1%	90.7%	73	12.3%
93251	Mc Kittrick	8	0.1%	90.8%	16	50.0%
93287	Woody	6	0.1%	90.8%	18	33.3%
93385	Bakersfield	5	0.0%	90.9%	42	11.9%
93276	Tupman	4	0.0%	90.9%	16	25.0%
93386	Bakersfield	4	0.0%	90.9%	62	6.5%
93388	Bakersfield	2	0.0%	90.9%	21	9.5%
93380	Bakersfield	2	0.0%	91.0%	36	5.6%
<b>Subtotal</b>		<b>10,796</b>	<b>91.0%</b>	<b>91.0%</b>	<b>65,433</b>	<b>16.5%</b>
<b>Other ZIPs</b>		<b>1,074</b>	<b>9.0%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>11,870</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

## **Attorney General's Conditions to Change in Control and Governance of Mercy Southwest Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

### **I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy Southwest Hospital or the real property on which Mercy Southwest Hospital is located, any and all current and future owners, lessees, licensees, or operators of Mercy Southwest Hospital, and any and all current and future lessees and owners of the real property on which Mercy Southwest Hospital is located.

### **II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now know as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy Southwest Hospital's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Mercy Southwest Hospital" shall mean the general acute care hospital located at 400 Old River Rd., Bakersfield, California 93311 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective October 10, 2017, unless otherwise indicated.

<sup>2</sup>The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.



Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy Southwest Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy Southwest Hospital; or

(b) Transfer control, responsibility, management, or governance of Mercy Southwest Hospital. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy Southwest Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Southwest Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250 and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 21 Emergency Treatment Stations at a minimum; and
- b) Designation as a Paramedic Base Station; and
- c) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Southwest Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Intensive care services, including a minimum of 8 intensive care beds;
- b) Obstetrics services, including a minimum of 26 perinatal beds; and
- c) Intensive Care Newborn Nursery services, including a minimum of 9 neonatal intensive care beds.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of October 10, 2017.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Southwest Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Women's Imaging Center located at 500 Old River Rd, Suite 200 in Bakersfield, California 93311.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Southwest Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy Hospital and Mercy Southwest Hospital's service area (33 ZIP codes) as defined on page 42 of the Kern County Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Southwest Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Orthopedic services, including total joint replacements;
- b) Outpatient Clinic – Mercy's Orthopedic, Spine, and Hand Center;
- c) Neuroscience services;
- d) General surgery services;
- e) Interventional radiology services;
- f) Nuclear medicine services;
- g) Outpatient Clinic – Urologic and Stone Center;

- h) Imaging and radiology services (inpatient and outpatient), including Modular MRI unit; and;
- i) Laboratory services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy Southwest Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Mercy Southwest Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - a. Commercial Plan: Health Net Community Solutions, Inc., or its successor; and
  - b. Local Initiative Plan: Kern Family Health Care, or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy Southwest Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy Southwest Hospital and Mercy Hospital<sup>4</sup> equal to or greater than \$3,283,031 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy Southwest Hospital and Mercy Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup>

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<sup>4</sup> Throughout this document, the term “Mercy Hospital” shall mean the general acute care hospital located at 215 Truxtun Ave., Bakersfield, California 93301 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective October 10, 2017, unless otherwise indicated.

<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, “the determination of what is classified as . . . charity care can be made by establishing whether

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy Southwest Hospital and Mercy Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

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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."

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy Southwest Hospital and Mercy Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy Southwest Hospital and Mercy Hospital equal to or greater than \$2,400,382 (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:

- a. Dignity Health Community Grants Program;
- b. Health Education Seminars and Classes;
- c. Health Screenings;
- d. Healthy Living - Chronic Disease Self-Management; and
- e. Healthy Living - Diabetes Self-Management.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy Southwest Hospital and Mercy Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy Southwest Hospital and Mercy Hospital's service area (33 ZIP codes) as defined on page 42 of the Kern County Health Care Impact Statement, dated September 11,

2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

**XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Bakersfield or the County of Kern or their subdivisions, departments, or agencies for services at Mercy Southwest Hospital including the following:

- a. Agreement for Designation as a Paramedic Base Hospital;
- b. Agreement for AVSS/NET Usage;
- c. Intra County Plan of Cooperation;
- d. Agreement for Professional Services (Community Health Insurance Successful Application Stipend Program);
- e. Affiliation Agreement (Surgery, Ob/Gyn, Internal Medicine Residency Programs); and
- f. Agreement for Community Health Initiative of Kern County.

**XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Southwest Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

**XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy Southwest Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy Southwest Hospital.

**XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Mercy Southwest Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy Southwest Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy Southwest Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy Southwest Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy Southwest Hospital, and community representatives from Mercy Southwest Hospital and Mercy Hospital's service

area (33 ZIP codes), as defined on page 42 of the Kern County Health Care Impact Statement, dated September 11, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy Southwest Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### XVII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Mercy Southwest Hospital. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy Southwest Hospital, adhered to, and strictly enforced.

### **XVIII.**

Dignity Health and CommonSpirit Health are required to continue Mercy Southwest Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

### **XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Mercy Southwest Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

### **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

### **XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.



**EXHIBIT 1**

## Analysis of Mercy Hospital – Bakersfield’s Service Area

### Service Area Definition

Mercy Hospital – Bakersfield’s service area is comprised of 33 ZIP Codes from which 91% of its inpatient discharges originated in CY 2016. Approximately 63% of the Hospital’s inpatient discharges originated from the top eight ZIP Codes, in the City of Bakersfield. Furthermore, 78.4% of the Hospital’s inpatient discharges originated from the top 12 ZIP Codes, all in the City of Bakersfield except one in the City of Taft. In CY 2016, the Hospital’s market share in the service area was 16.5%.

<b>MERCY HOSPITAL – BAKERSFIELD</b>						
<b>PATIENT ORIGIN CY 2016</b>						
ZIP Code	Community	Total Discharges	% of Discharges	Cum % of Discharges	Total Area Discharges	Market Share
93309	Bakersfield	1,194	10.1%	10.1%	5,615	21.3%
93312	Bakersfield	1,104	9.3%	19.4%	4,211	26.2%
93307	Bakersfield	1,040	8.8%	28.1%	7,678	13.5%
93313	Bakersfield	987	8.3%	36.4%	3,832	25.8%
93311	Bakersfield	976	8.2%	44.7%	3,128	31.2%
93304	Bakersfield	908	7.6%	52.3%	5,478	16.6%
93308	Bakersfield	668	5.6%	57.9%	6,896	9.7%
93306	Bakersfield	633	5.3%	63.3%	6,684	9.5%
93268	Taft	526	4.4%	67.7%	1,729	30.4%
93314	Bakersfield	478	4.0%	71.7%	1,892	25.3%
93303	Bakersfield	458	3.9%	75.6%	526	87.1%
93305	Bakersfield	331	2.8%	78.4%	4,424	7.5%
93263	Shafter	309	2.6%	81.0%	1,626	19.0%
93280	Wasco	273	2.3%	83.3%	1,746	15.6%
93301	Bakersfield	228	1.9%	85.2%	1,868	12.2%
93215	Delano	213	1.8%	87.0%	3,337	6.4%
93203	Arvin	141	1.2%	88.2%	1,514	9.3%
93241	Lamont	101	0.9%	89.0%	1,323	7.6%
93250	Mc Farland	73	0.6%	89.6%	982	7.4%
93206	Buttontwillow	39	0.3%	90.0%	155	25.2%
93389	Bakersfield	33	0.3%	90.3%	136	24.3%
93390	Bakersfield	13	0.1%	90.4%	50	26.0%
93383	Bakersfield	11	0.1%	90.5%	18	61.1%
93216	Delano	10	0.1%	90.5%	176	5.7%
93302	Bakersfield	9	0.1%	90.6%	125	7.2%
93384	Bakersfield	9	0.1%	90.7%	73	12.3%
93251	Mc Kittrick	8	0.1%	90.8%	16	50.0%
93287	Woody	6	0.1%	90.8%	18	33.3%
93385	Bakersfield	5	0.0%	90.9%	42	11.9%
93276	Tupman	4	0.0%	90.9%	16	25.0%
93386	Bakersfield	4	0.0%	90.9%	62	6.5%
93388	Bakersfield	2	0.0%	90.9%	21	9.5%
93380	Bakersfield	2	0.0%	91.0%	36	5.6%
<b>Subtotal</b>		<b>10,796</b>	<b>91.0%</b>	<b>91.0%</b>	<b>65,433</b>	<b>16.5%</b>
<b>Other ZIPs</b>		<b>1,074</b>	<b>9.0%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>11,870</b>	<b>100.0%</b>			

Note: Excludes normal newborns  
 Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Mercy Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy Medical Center or the real property on which Mercy Medical Center is located, any and all current and future owners, lessees, licensees, or operators of Mercy Medical Center, and any and all current and future lessees and owners of the real property on which Mercy Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy Medical Center's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Mercy Medical Center" shall mean the general acute care hospital located at 333 Mercy Ave., Merced, California 95340 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective March 7, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy Medical Center; or
- (b) Transfer control, responsibility, management, or governance of Mercy Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 26 Emergency Treatment Stations at a minimum;
- b) Designation as a Paramedic Base Station; and
- c) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Intensive care services, including a minimum of 20 intensive care beds; and
- b) Obstetrics services, including a minimum of 30 perinatal beds.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of March 7, 2018.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy Medical Center's service area (12 ZIP codes), as defined on page 41 of the Merced County Health Care Impact Statement, dated August 30, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Coronary care and cardiovascular services, including cardiac catheterization laboratory services, interventional cardiology services, and elective percutaneous coronary intervention services;
- b) Neuroscience services, including neurosurgery services;
- c) Oncology services, including inpatient medical and surgical oncology services, Outpatient Services - Radiation Therapy Services at Radiology & Oncology at Mercy Cancer Center (G Street), and Outpatient Services - Outpatient infusion therapy services (M Street);
- d) Orthopedic surgery services, including total joint replacements;

- e) General surgery services;
- f) Nuclear medicine services;
- g) Imaging and radiology services (inpatient and outpatient) and Outpatient Services - MRI;
- h) Laboratory services;
- i) Outpatient Services – Endoscopy (M Street);
- j) Outpatient Services – Surgery (M Street);
- k) Rural health clinic – Family Care Clinic;
- l) Rural health clinic – Kids Care Clinic;
- m) Rural health clinic – General Medicine Clinic;
- n) Mobile Unit – Lithotripsy services;
- o) Occupational therapy services;
- p) Physical therapy services, including Outpatient Services – Mercy Therapy Services (M Street);
- q) Respiratory care services;
- r) Social services; and
- s) Speech pathology services

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy Medical Center;
- b) Maintain and have a Medi-Cal Managed Care contract with Central California Alliance for Health or its successor to provide the same types and/or levels of emergency and non-emergency services at Mercy Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy Medical Center equal to or greater than \$5,108,915 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that

used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy Medical Center equal to or greater than \$1,870,221 (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:

- a. Community Health Fairs, Screenings and Clinics;
- b. Community Health Grants Program;
- c. Diabetes Self-Management Program;
- d. Family Practice Residency Program; and
- e. Language Interpretive Services.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and



CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy Medical Center's service area (12 ZIP codes), as defined on page 41 of the Merced County Health Care Impact Statement, dated August 30, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Merced or the County of Merced or their subdivisions, departments, or agencies for services at Mercy Medical Center including the following:

- a. Health Care Operating Agreement – MAP Payment by County;
- b. Memorandum of Understanding – Helistop;
- c. Reimbursement Agreement;
- d. California Immunization Registry Region IV/Regional Immunization Data Exchange (RIDE) Organization Access Agreement;
- e. Health Care Operating Agreement – Second Settlement Agreement;
- f. Mental Health Services Agreement;
- g. Base Hospital Agreement;
- h. Agreement for Med-Cal Capacity Grant;
- i. Operational Agreement (Child Abuse Treatment Program); and
- j. Paramedic Base Station.

#### **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy Medical Center.

#### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled

“Dignity Health – 2.100 Qualification of Members of Community Boards.” Dignity Health and CommonSpirit Health shall consult with Mercy Medical Center’s Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy Medical Center’s Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy Medical Center, and community representatives from Mercy Medical Center’s service area (12 ZIP codes), as defined on page 41 of the Merced County Health Care Impact Statement, dated August 30, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy Medical Center’s Hospital Community Board’s approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health’s Board of Directors and CommonSpirit Health’s Board of Stewardship of Trustees shall adopt and adhere to Dignity Health’s written policy for diversification of its board of directors entitled “Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors.”

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Mercy Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy Medical Center, adhered to, and strictly enforced.

**XVIII.**

Dignity Health and CommonSpirit Health are required to continue Mercy Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XIX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Mercy Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Mercy Medical Center Merced

### *Service Area Definition*

Mercy Medical Center Merced's service area is comprised of 12 ZIP Codes from which 90.2% of its inpatient discharges originated in CY 2016. Approximately 45% of the Hospital's discharges originated from the top two ZIP Codes, in the Cities of Merced and Atwater, and 75% in all the ZIP Codes for the Cities of Merced and Atwater. In CY 2016, the Hospital's market share in the service area was 57.4%.

<b>MERCY MEDICAL CENTER MERCED PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
95340	Merced	3,532	28.7%	28.7%	4,936	71.6%
95301	Atwater	2,051	16.6%	45.3%	3,685	55.7%
95348	Merced	1,894	15.4%	60.7%	2,817	67.2%
95341	Merced	1,809	14.7%	75.3%	2,741	66.0%
95388	Winton	619	5.0%	80.4%	1,181	52.4%
95334	Livingston	337	2.7%	83.1%	1,319	25.5%
93610	Chowchilla	323	2.6%	85.7%	1,774	18.2%
95365	Planada	296	2.4%	88.1%	437	67.7%
95333	Le Grand	167	1.4%	89.5%	262	63.7%
95317	El Nido	37	0.3%	89.8%	70	52.9%
95369	Snelling	31	0.3%	90.0%	76	40.8%
95344	Merced	25	0.2%	90.2%	91	27.5%
<b>Subtotal</b>		<b>11,121</b>	<b>90.2%</b>	<b>90.2%</b>	<b>19,389</b>	<b>57.4%</b>
Other ZIPs		1,203	9.8%	100%		
<b>Total Discharges</b>		<b>12,324</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Sierra Nevada Memorial Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, Sierra Nevada Memorial-Miners Hospital, a California nonprofit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Sierra Nevada Memorial Hospital or the real property on which Sierra Nevada Memorial Hospital is located, any and all current and future owners, lessees, licensees, or operators of Sierra Nevada Memorial Hospital, and any and all current and future lessees and owners of the real property on which Sierra Nevada Memorial Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health,

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<sup>1</sup> Throughout this document, the term "Sierra Nevada Memorial Hospital" shall mean the general acute care hospital located at 155 Glasson Way, Grass Valley, California 95949 and any other clinics, laboratories, units, services, or beds included on the license issued to Sierra Nevada Memorial Miners Hospital Inc. by the California Department of Public Health, effective October 17, 2018, unless otherwise indicated.

<sup>2</sup>The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

CommonSpirit Health, Sierra Nevada Memorial Hospital's Hospital Community Board, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, Sierra Nevada Memorial-Miners Hospital, and all future owners, managers, lessees, licensees, or operators of Sierra Nevada Memorial Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Sierra Nevada Memorial Hospital; or

(b) Transfer control, responsibility, management, or governance of Sierra Nevada Memorial Hospital. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, or Dignity Community Care that transfers the control of, responsibility for, or governance of Sierra Nevada Memorial Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation with the same types and/or levels of services, including 18 Emergency Treatment Stations at a minimum.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

a) Critical care services, including a minimum of 2 intensive care beds and 2 coronary care beds; and

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<sup>3</sup> The term "current" or "currently" throughout this document means as of October 17, 2018.

- b) Obstetrics services, including a minimum of 10 perinatal beds or 8 Labor, Delivery, Recovery, Postpartum rooms.

Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Sierra Nevada Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Sierra Nevada Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Sierra Nevada Memorial-Miners Hospital and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Sierra Nevada Memorial Hospital's service area (13 ZIP codes), as defined on page 41 of the Nevada County Health Care Impact Statement, dated September 4, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Sierra Nevada Memorial-Miners Hospital and Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Sierra Nevada Memorial-Miners Hospital and Dignity Community Care for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including general cardiology services and Outpatient Services - Cardiopulmonary;
- b) Oncology services, including inpatient medical and surgical oncology services, radiation therapy services, and Outpatient Services - Infusion;



- c) Orthopedic surgery services, including total joint replacements, and Outpatient Services – Orthopedic Clinic;
- d) General surgery services;
- e) Outpatient Services – Surgery;
- f) Outpatient Services – Hand Therapy and Speech Therapy;
- g) Nuclear medicine services including Mobile Unit – Nuclear medicine;
- h) Outpatient Services – Wound Healing & Hyperbaric Medicine Center;
- i) Imaging and radiology services (inpatient and outpatient) and Outpatient Clinic – Imaging Clinic at Penn Valley Outpatient Services;
- j) Mobile Unites – Lithotripsy;
- k) Laboratory services;
- l) Social services; and
- m) Speech pathology and/or audiology services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Sierra Nevada Memorial Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Sierra Nevada Memorial Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor; and
  - ii) Commercial Plan: California Health & Wellness<sup>4</sup> or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Sierra Nevada Memorial Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Sierra Nevada Memorial Hospital equal to or greater than \$1,363,538 (the Minimum Charity Care Amount). For purposes

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<sup>4</sup> California Health & Wellness is a wholly-owned subsidiary of Centene.

hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care in connection with the operation and provision of services at Sierra Nevada Memorial Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup>

Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Sierra Nevada Memorial Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.

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<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Sierra Nevada Memorial-Miners Hospital or Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Sierra Nevada Memorial Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

#### X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Sierra Nevada Memorial Hospital equal to or greater than \$877,386 (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:

- a) Cancer Focused Nurse Navigator;
- b) Dignity Health Community Grants; and
- c) Alzheimer's Outreach Program.

Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Sierra Nevada Memorial-Miners Hospital or Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Sierra Nevada Memorial Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Sierra Nevada Memorial Hospital's service area (13 ZIP codes), as defined on page 41 of the San Bernardino County Health Care Impact Statement, dated September 4, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Grass Valley or Nevada County or their subdivisions, departments, or agencies for services at Sierra Nevada Memorial Hospital including the following:

- a. Operating Agreement (Crisis Stabilization Services);
- b. Ambulance Transport Services;
- c. Ambulance Provider Agreement (Automatic Aid);
- d. X-Ray Services;
- e. Agreement to Participate in the 340B Program;
- f. Memorandum of Understanding- Nevada County Health Collaborative, HRSA Grant Funding;
- g. GSHIO Participation Agreement; and
- h. Lease Agreement for Antenna & Repeater Space.

## **XII.**

Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Sierra Nevada Memorial Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

### **XIII.**

Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall maintain privileges for current medical staff at Sierra Nevada Memorial Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Sierra Nevada Memorial Hospital.

### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall consult with Sierra Nevada Memorial Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Sierra Nevada Memorial Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Sierra Nevada Memorial Hospital, and community representatives from Sierra Nevada Memorial Hospital's service area (13 ZIP codes), as defined on page 41 of Nevada County Health Care Impact Statement, dated September 4, 2018 and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Sierra Nevada Memorial Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

### **XV.**

Within 90 days of the closing date of Ministry Alignment Agreement, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

### **XVI.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community

Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Sierra Nevada Memorial Hospital. This prohibition must be explicitly set forth in Sierra Nevada Memorial-Miners Hospital and Dignity Community Care's written policies applicable at Sierra Nevada Memorial Hospital, adhered to, and strictly enforced.

#### **XVIII.**

Dignity Health, CommonSpirit Health, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care are required to continue Sierra Nevada Memorial Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

#### **XIX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Sierra Nevada Memorial-Miners Hospital, Dignity Community Care, and Sierra Nevada Memorial Hospital's Hospital Community Board and the Chief Executive Officers of Sierra Nevada Memorial-Miners Hospital and Dignity Community Care shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## XXI.

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**



## Analysis of Sierra Nevada Memorial Hospital

### Service Area Definition

Sierra Nevada Memorial Hospital's service area is comprised of 13 ZIP Codes where 90.5% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top two ZIP Codes, in the City of Grass Valley. In CY 2016, the Hospital's market share in the service area was 57%.

<b>SIERRA NEVADA MEMORIAL HOSPITAL PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
95945	Grass Valley	1,747	36.8%	36.8%	2,690	64.9%
95949	Grass Valley	843	17.8%	54.6%	1,850	45.6%
95959	Nevada City	750	15.8%	70.4%	1,320	56.8%
95946	Penn Valley	545	11.5%	81.9%	943	57.8%
95975	Rough And Ready	93	2.0%	83.9%	159	58.5%
95960	North San Juan	91	1.9%	85.8%	153	59.5%
95924	Cedar Ridge	78	1.6%	87.5%	126	61.9%
95977	Smartville	52	1.1%	88.5%	113	46.0%
95712	Chicago Park	40	0.8%	89.4%	77	51.9%
95922	Camptonville	23	0.5%	89.9%	47	48.9%
95910	Alleghany	14	0.3%	90.2%	17	82.4%
95986	Washington	11	0.2%	90.4%	20	55.0%
95944	Goodyears Bar	3	0.1%	90.5%	7	42.9%
<b>Subtotal</b>		<b>4,290</b>	<b>90.5%</b>	<b>90.5%</b>	<b>7,522</b>	<b>57.0%</b>
Other ZIPs		452	9.5%	100%		
<b>Total Discharges</b>		<b>4,742</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Mercy General Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy General Hospital or the real property on which Mercy General Hospital is located, any and all current and future owners, lessees, licensees, or operators of Mercy General Hospital, and any and all current and future lessees and owners of the real property on which Mercy General Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy General Hospital's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Mercy General Hospital" shall mean the general acute care hospital located at 4001 J Street, Sacramento, California 95819 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective December 31, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy General Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy General Hospital; or
- (b) Transfer control, responsibility, management, or governance of Mercy General Hospital. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy General Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy General Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 20 Emergency Treatment Stations at a minimum;
- b) Designation as a STEMI Receiving Center;
- c) Designation as a Paramedic Base Station; and
- d) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Mercy General Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Rehabilitation services, including a minimum of 30 rehabilitation beds;
- b) Intensive care services, including a minimum of 46 intensive care beds; and
- c) Obstetrics services, including a minimum of 17 perinatal beds.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of December 31, 2017.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy General Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy General Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy General Hospital's service area (45 ZIP codes), as defined on page 97 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy General Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Coronary care and cardiology services, including cardiac catheterization laboratory services, interventional cardiology services, cardiovascular surgery services, Outpatient Services - electrophysiology laboratory, and Mercy Advanced Heart Disease Clinic;
- b) Outpatient Services - Surgery Center;
- c) Neuroscience services, including neurosurgery services;
- d) Oncology services, including inpatient medical and surgical oncology services, and radiation therapy services;
- e) Orthopedic surgery services, including total joint replacements;
- f) General surgery services;

- g) Outpatient Services – Rehabilitation Services;
- h) Nuclear medicine services;
- i) Imaging and radiology services (inpatient and outpatient);
- j) Laboratory services;
- k) Physical therapy services;
- l) Respiratory care services;
- m) Social services; and
- n) Speech pathology services

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy General Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Mercy General Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor;
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
  - iii) Commercial Plan: Molina Healthcare of California Partner Plan, Inc. or its successor.
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy General Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy General Hospital equal to or greater than \$2,733,516 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy General Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as

that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy General Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy General Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy General Hospital equal to or greater than \$7,164,131 (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:

- a) Chronic Disease Self-Management Program;
- b) Lutheran Social Services Homeless Housing;
- c) Dignity Health Community Grants; and
- d) Wellspace Interim Care Program.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy General Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and

CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy General Hospital's service area (45 ZIP codes), as defined on page 97 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Sacramento or the County of Sacramento or their subdivisions, departments, or agencies for services at Mercy General Hospital including the following:

- a. Community Work Experience;
- b. STEMI Designation Agreement;
- c. Base Hospital Agreement;
- d. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
- e. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.

#### **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy General Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy General Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy General Hospital.

#### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Mercy General Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy General Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy General Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy General Hospital's Hospital Community Board



shall include physicians, medical staff, and the Chief of Staff from Mercy General Hospital, and community representatives from Mercy General Hospital's service area (45 ZIP codes), as defined on page 97 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy General Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### XVII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Mercy General Hospital. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy General Hospital, adhered to, and strictly enforced.

### **XVIII.**

Dignity Health and CommonSpirit Health are required to continue Mercy General Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HOAF.aspx>).

### **XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of Mercy General Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

### **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

### **XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

### Analysis of Mercy General Hospital's Service Area

#### Service Area Definition

Mercy General Hospital's service area is comprised of 45 ZIP Codes from which 78.4% of its inpatient discharges originated in 2016. Approximately 50% Mercy General Hospital's discharges originated from the top 17 ZIP codes. In 2016, Mercy General Hospital's market share in the service area was 8.5%.

MERCY GENERAL HOSPITAL PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cum % of Discharges	Total Area Discharges	Market Share
95823	Sacramento	635	4.4%	4.4%	8,524	7.4%
95838	Sacramento	580	4.1%	8.5%	4,120	14.1%
95822	Sacramento	548	3.8%	12.3%	4,744	11.6%
95825	Sacramento	535	3.7%	16.1%	3,519	15.2%
95815	Sacramento	506	3.5%	19.6%	3,433	14.7%
95820	Sacramento	483	3.4%	23.0%	4,267	11.3%
95828	Sacramento	443	3.1%	26.1%	5,823	7.6%
95826	Sacramento	422	3.0%	29.1%	3,195	13.2%
95831	Sacramento	376	2.6%	31.7%	3,349	11.2%
95833	Sacramento	374	2.6%	34.3%	3,296	11.3%
95824	Sacramento	365	2.6%	36.9%	3,340	10.9%
95821	Sacramento	359	2.5%	39.4%	3,881	9.3%
95691	West Sacramento	337	2.4%	41.8%	3,214	10.5%
95758	Elk Grove	317	2.2%	44.0%	4,321	7.3%
95835	Sacramento	307	2.1%	46.1%	2,456	12.5%
95670	Rancho Cordova	304	2.1%	48.3%	5,180	5.9%
95624	Elk Grove	289	2.0%	50.3%	4,638	6.2%
95834	Sacramento	284	2.0%	52.3%	2,370	12.0%
95864	Sacramento	284	2.0%	54.3%	1,821	15.6%
95608	Carmichael	280	2.0%	56.2%	6,429	4.4%
95819	Sacramento	268	1.9%	58.1%	1,261	21.3%
95827	Sacramento	255	1.8%	59.9%	2,093	12.2%
95818	Sacramento	223	1.6%	61.4%	1,717	13.0%
95816	Sacramento	221	1.5%	63.0%	1,604	13.8%
95630	Folsom	205	1.4%	64.4%	4,558	4.5%
95814	Sacramento	193	1.4%	65.8%	1,355	14.2%
95660	North Highlands	177	1.2%	67.0%	4,169	4.2%
95817	Sacramento	177	1.2%	68.3%	1,705	10.4%
95605	West Sacramento	166	1.2%	69.4%	1,446	11.5%
95757	Elk Grove	160	1.1%	70.5%	2,742	5.8%
95628	Fair Oaks	132	0.9%	71.5%	3,751	3.5%
95673	Rio Linda	129	0.9%	72.4%	1,819	7.1%
95621	Citrus Heights	127	0.9%	73.3%	4,455	2.9%
95610	Citrus Heights	123	0.9%	74.1%	4,273	2.9%
95811	Sacramento	122	0.9%	75.0%	959	12.7%
95829	Sacramento	115	0.8%	75.8%	2,001	5.7%
95842	Sacramento	108	0.8%	76.5%	3,286	3.3%
95662	Orangevale	98	0.7%	77.2%	2,951	3.3%
95832	Sacramento	72	0.5%	77.7%	1,205	6.0%
95841	Sacramento	54	0.4%	78.1%	2,381	2.3%
95655	Mather	14	0.1%	78.2%	280	5.0%
95612	Clarksburg	9	0.1%	78.3%	116	7.8%
95865	Sacramento	6	0.0%	78.3%	48	12.5%
95652	McClellan	5	0.0%	78.3%	69	7.2%
95853	Sacramento	5	0.0%	78.4%	16	31.3%
<b>Subtotal</b>		<b>11,192</b>	<b>78.4%</b>	<b>78.4%</b>	<b>132,180</b>	<b>8.5%</b>
<b>Other ZIPs</b>		<b>3,088</b>	<b>21.6%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>14,280</b>	<b>100.0%</b>			

Note: Excludes normal newborns  
Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Mercy Hospital of Folsom<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy Hospital of Folsom or the real property on which Mercy Hospital of Folsom is located, any and all current and future owners, lessees, licensees, or operators of Mercy Hospital of Folsom, and any and all current and future lessees and owners of the real property on which Mercy Hospital of Folsom is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy Hospital of Folsom's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Mercy Hospital of Folsom" shall mean the general acute care hospital located at 1650 Creekside Drive, Folsom, California 95630 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective December 31, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy Hospital of Folsom shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy Hospital of Folsom; or

(b) Transfer control, responsibility, management, or governance of Mercy Hospital of Folsom. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy Hospital of Folsom shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Hospital of Folsom shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation with the same types and/or levels of services including 25 Emergency Treatment Stations at a minimum.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Hospital of Folsom shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect

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<sup>3</sup> The term "current" or "currently" throughout this document means as of December 31, 2017.

on the availability and accessibility of such services to the residents in Mercy Hospital of Folsom's service area (20 ZIP codes), as defined on page 78 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Intensive care services, including a minimum of 8 intensive care beds; and
- b) Obstetrics services, including a minimum of 8 perinatal beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Hospital of Folsom shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Hospital of Folsom shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy Hospital of Folsom's service area (20 ZIP codes), as defined on page 78 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to

prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including general cardiology services;
- b) Neuroscience services, including neurosurgery services;
- c) Orthopedic surgery services, including total joint replacements;
- d) General surgery services;
- e) Outpatient Services – Rehabilitation Services;
- f) Nuclear medicine services;
- g) Inpatient and outpatient imaging and radiology services;
- h) Laboratory services;
- i) Lactation services;
- j) Psychiatric services;
- k) Physical therapy services; and
- l) Respiratory care services.

### IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy Hospital of Folsom;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Mercy Hospital of Folsom to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor;
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
  - iii) Commercial Plan: Molina Healthcare of California Partner Plan, Inc. or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy Hospital of Folsom to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.



## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy Hospital of Folsom equal to or greater than \$893,718 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy Hospital of Folsom. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy Hospital of Folsom and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.

- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy Hospital of Folsom for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy Hospital of Folsom equal to or greater than \$1,709,910 (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:

- a) Chronic Disease Self-Management Program;
- b) Lutheran Social Services Homeless Housing; and
- c) Dignity Health Community Grants.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy Hospital of Folsom for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy Hospital of Folsom's service area (20 ZIP codes), as defined on page 78 of the Sacramento County Health Care Impact Statement, dated DATE, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Folsom or the County of Sacramento or their subdivisions, departments, or agencies for services at Mercy Hospital of Folsom including the following:

- a. Memorandum of Understanding – Paternity Opportunity Program Private Hospital;
- b. Transfer Agreement;
- c. ALS Agreement;
- d. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
- e. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.

## XIII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Hospital of Folsom until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIV.

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy Hospital of Folsom who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy Hospital of Folsom.

## XV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy Hospital of Folsom's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy Hospital of Folsom's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy Hospital of Folsom's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy Hospital of Folsom, and community representatives from Mercy Hospital of Folsom's service area (20 ZIP codes), as defined on page 78 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy Hospital of Folsom's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XVI.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Mercy Hospital of Folsom. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy Hospital of Folsom, adhered to, and strictly enforced.

**XIX.**

Dignity Health and CommonSpirit Health are required to continue Mercy Hospital of Folsom's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of Mercy Hospital of Folsom's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

**Analysis of Mercy Hospital of Folsom**

**Service Area Definition**

Mercy Hospital of Folsom's service area is comprised of 20 ZIP Codes from which 79.6% of its inpatient discharges originated in CY 2016. Approximately 53% of Mercy Hospital of Folsom's discharges originated from the top four ZIP Codes, including the Cities of Folsom, El Dorado Hills, Rancho Cordova and Shingle Springs. In CY 2016, Mercy Hospital of Folsom's market share in the service area was 13%.

<b>MERCY HOSPITAL OF FOLSOM</b>						
<b>PATIENT ORIGIN CY 2016</b>						
<b>ZIP Codes</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
95630	Folsom	1,598	23.0%	23.0%	4,558	35.1%
95762	El Dorado Hills	820	11.8%	34.9%	2,470	33.2%
95670	Rancho Cordova	692	10.0%	44.8%	5,180	13.4%
95682	Shingle Springs	547	7.9%	52.7%	2,742	19.9%
95662	Orangevale	479	6.9%	59.6%	2,951	16.2%
95628	Fair Oaks	353	5.1%	64.7%	3,751	9.4%
95667	Placerville	183	2.6%	67.3%	4,207	4.3%
95610	Citrus Heights	168	2.4%	69.8%	4,273	3.9%
95827	Sacramento	140	2.0%	71.8%	2,093	6.7%
95608	Carmichael	133	1.9%	73.7%	6,429	2.1%
95742	Rancho Cordova	117	1.7%	75.4%	825	14.2%
95683	Sloughhouse	91	1.3%	76.7%	512	17.8%
95672	Rescue	77	1.1%	77.8%	396	19.4%
95623	El Dorado	29	0.4%	78.2%	522	5.6%
95619	Diamond Springs	20	0.3%	78.5%	638	3.1%
95741	Rancho Cordova	18	0.3%	78.8%	108	16.7%
95709	Camino	18	0.3%	79.0%	509	3.5%
95655	Mather	18	0.3%	79.3%	280	6.4%
95763	Folsom	16	0.2%	79.5%	81	19.8%
95613	Coloma	3	0.0%	79.6%	44	6.8%
<b>Subtotal</b>		<b>5,520</b>	<b>79.6%</b>	<b>79.6%</b>	<b>42,569</b>	<b>13.0%</b>
Other ZIPs		1,417	20.4%	100%		
<b>Total Discharges</b>		<b>6,937</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Mercy San Juan Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy San Juan Medical Center or the real property on which Mercy San Juan Medical Center is located, any and all current and future owners, lessees, licensees, or operators of Mercy San Juan Medical Center, and any and all current and future lessees and owners of the real property on which Mercy San Juan Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy San Juan Medical Center's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Mercy San Juan Medical Center" shall mean the general acute care hospital located at 6501 Coyle Avenue, Carmichael, California 95608 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective December 31, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.



Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy San Juan Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy San Juan Medical Center; or
- (b) Transfer control, responsibility, management, or governance of Mercy San Juan Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy San Juan Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy San Juan Medical Center shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 31 Emergency Treatment Stations at a minimum;
- b) Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations;
- c) Designation as a Paramedic Base Station, with the same number of assigned paramedic units that currently exists; and
- d) Certification as a Comprehensive Stroke Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy San Juan Medical Center shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in

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<sup>3</sup> The term "current" or "currently" throughout this document means as of December 31, 2017.

writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through d). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through d). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in Mercy San Juan Medical Center's service area (32 ZIP codes), as defined on page 62 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 45 intensive care beds and 11 coronary beds;
- b) Obstetrics services, including a minimum of 32 perinatal beds; and
- c) Intensive Care Newborn Nursery services, including a minimum of 26 neonatal intensive care unit beds; and
- d) Pediatric services, including a minimum of 8 pediatric beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy San Juan Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy San Juan Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective

date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy San Juan Medical Center's service area (32 ZIP codes), as defined on page 62 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiac catheterization laboratory services, cardiovascular surgery services, interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Oncology services, including radiation therapy and outpatient chemotherapy;
- c) Orthopedic surgery services, including total joint replacements;
- d) General surgery services, including bariatric surgery services;
- e) Outpatient Services – Surgery;
- f) Nuclear medicine services;
- g) Imaging and radiology services (inpatient and outpatient);
- h) Laboratory services;
- i) Physical therapy services; and
- j) Respiratory care services.

### IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy San Juan Medical Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Mercy San Juan Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:

- i) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor;
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
  - iii) Commercial Plan: Molina Healthcare of California Partner Plan, Inc. or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy San Juan Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy San Juan Medical Center equal to or greater than \$4,366,071 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy San Juan Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy San Juan Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy San Juan Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy San Juan Medical Center equal to or greater than \$5,288,729 (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:

- a) Chronic Disease Self-Management Program;
- b) Lutheran Social Services Homeless Housing;
- c) Wellspace Interim Care Program; and
- d) Dignity Health Community Grants.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy San Juan Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy San Juan Medical Center's service area (31 ZIP codes), as defined on page 62 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Carmichael or the County of Sacramento or their subdivisions, departments, or agencies for services at Mercy San Juan Medical Center including the following:

- a. Paramedic Base Hospital Medical Control Agreement;
- b. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
- c. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.

### **XIII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy San Juan Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

### **XIV.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy San Juan Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy San Juan Medical Center.

### **XV.**

For five years from the closing date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy San Juan Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy San Juan Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy San Juan Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy San Juan Medical Center, and community representatives from Mercy San Juan Medical Center's service area (31 ZIP codes), as defined on page 62 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy San Juan Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XVIII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Mercy San Juan Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy San Juan Medical Center, adhered to, and strictly enforced.

## XIX.

Dignity Health and CommonSpirit Health are required to continue Mercy San Juan Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## XX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of Mercy San Juan Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.



## **XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## **XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

**Analysis of Mercy San Juan Medical Center**

**Service Area Definition**

Mercy San Juan Medical Center's service area is comprised of 31 ZIP Codes from which 75.9% of its discharges originated in CY 2016. Approximately 50% of Mercy San Juan Medical Center's discharges originated from the top eight ZIP Codes. In CY 2016, Mercy San Juan Medical Center's market share in the service area was 18.0%.

MERCY SAN JUAN MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95608	Carmichael	2,260	11.5%	11.5%	6,429	35.2%
95660	North Highlands	1,490	7.6%	19.0%	4,169	35.7%
95621	Citrus Heights	1,297	6.6%	25.6%	4,455	29.1%
95610	Citrus Heights	1,156	5.9%	31.5%	4,273	27.1%
95628	Fair Oaks	1,069	5.4%	36.9%	3,751	28.5%
95842	Sacramento	1,054	5.3%	42.3%	3,286	32.1%
95841	Sacramento	893	4.5%	46.8%	2,381	37.5%
95843	Antelope	797	4.0%	50.8%	3,520	22.6%
95670	Rancho Cordova	717	3.6%	54.5%	5,180	13.8%
95821	Sacramento	670	3.4%	57.9%	3,881	17.3%
95662	Orangevale	495	2.5%	60.4%	2,951	16.8%
95838	Sacramento	475	2.4%	62.8%	4,120	11.5%
95673	Rio Linda	457	2.3%	65.1%	1,819	25.1%
95630	Folsom	310	1.6%	66.7%	4,558	6.8%
95747	Roseville	266	1.3%	68.0%	4,792	5.6%
95815	Sacramento	232	1.2%	69.2%	3,433	6.8%
95678	Roseville	230	1.2%	70.4%	3,412	6.7%
95825	Sacramento	200	1.0%	71.4%	3,519	5.7%
95864	Sacramento	151	0.8%	72.2%	1,821	8.3%
95626	Elverta	138	0.7%	72.9%	571	24.2%
95827	Sacramento	133	0.7%	73.5%	2,093	6.4%
95661	Roseville	132	0.7%	74.2%	2,583	5.1%
95826	Sacramento	132	0.7%	74.9%	3,195	4.1%
95746	Granite Bay	53	0.3%	75.1%	1,406	3.8%
95742	Rancho Cordova	42	0.2%	75.4%	825	5.1%
95609	Carmichael	40	0.2%	75.6%	128	31.3%
95611	Citrus Heights	29	0.1%	75.7%	110	26.4%
95655	Mather	19	0.1%	75.8%	280	6.8%
95652	McClellan	12	0.1%	75.9%	69	17.4%
95741	Rancho Cordova	11	0.1%	75.9%	108	10.2%
95860	Sacramento	6	0.0%	75.9%	68	8.8%
<b>Subtotal</b>		<b>14,966</b>	<b>75.9%</b>	<b>75.9%</b>	<b>83,186</b>	<b>18.0%</b>
Other ZIPs		4,740	24.1%	100%		
<b>Total Discharges</b>		<b>19,706</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Methodist Hospital of Sacramento<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Methodist Hospital of Sacramento or the real property on which Methodist Hospital of Sacramento is located, any and all current and future owners, lessees, licensees, or operators of Methodist Hospital of Sacramento, and any and all current and future lessees and owners of the real property on which Methodist Hospital of Sacramento is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, Methodist Hospital of Sacramento's Hospital Community Board, and

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<sup>1</sup> Throughout this document, the term "Methodist Hospital of Sacramento" shall mean the general acute care hospital located at 7500 Hospital Drive, Sacramento, California 95823 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective December 31, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of Methodist Hospital of Sacramento shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Methodist Hospital of Sacramento; or

(b) Transfer control, responsibility, management, or governance of Methodist Hospital of Sacramento. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of Methodist Hospital of Sacramento shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Methodist Hospital of Sacramento shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 29 Emergency Treatment Stations at a minimum; and
- b) Certification as a Primary Stroke Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Methodist Hospital of Sacramento shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Community Care shall notify the Attorney General in

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<sup>3</sup> The term "current" or "currently" throughout this document means as of December 31, 2017.

writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivisions b). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in Methodist Hospital of Sacramento's service area (23 ZIP codes), as defined on page 44 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 22 perinatal beds;
- b) Intensive Care Newborn Nursery services, including a minimum of 12 neonatal intensive care unit beds;
- c) Critical care services, including a minimum of 10 intensive care beds and 10 coronary care beds; and
- d) Skilled nursing services, including a minimum of 171 skilled nursing beds<sup>4</sup>.

Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Methodist Hospital of Sacramento shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

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<sup>4</sup> Methodist Hospital of Sacramento operates a 171-bed distinct part skilled nursing facility, known as Bruceville Terrace, located at 8151 Bruceville Road, Sacramento, CA 95823.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Methodist Hospital of Sacramento shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Methodist Hospital of Sacramento's service area (23 ZIP codes), as defined on page 44 of the Sacramento County Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) General cardiology services;
- b) Oncology services, including inpatient medical and surgical oncology;
- c) Orthopedic surgery services, including total joint replacements;
- d) General surgery services, including bariatric surgery services;
- e) Outpatient Clinic – Mercy Family Health Center Clinic
- f) Outpatient Services – Surgery at Dignity Health Medical Plaza Women's Health Clinic;
- g) Nuclear medicine services;
- h) Imaging and radiology services (inpatient and outpatient);
- i) Laboratory services;
- j) Occupational therapy services;
- k) Physical therapy services;
- l) Respiratory care services;
- m) Social services; and
- n) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Methodist Hospital of Sacramento;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Methodist Hospital of Sacramento to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor;
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
  - iii) Commercial Plan: Molina Healthcare of California Partner Plan, Inc. or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Methodist Hospital of Sacramento to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Methodist Hospital of Sacramento equal to or greater than \$3,639,006 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at Methodist Hospital of Sacramento. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Methodist Hospital of Sacramento and in compliance with California and Federal law. Within 90 days from the closing date of the

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<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”



Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in

U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Methodist Hospital of Sacramento for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health; and Dignity Community Care shall provide an annual amount of Community Benefit Services at Methodist Hospital of Sacramento equal to or greater than \$4,466,439 (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:

- a) Chronic Disease Self-Management Program;
- b) Lutheran Social Services Homeless Housing;
- c) Dignity Health Community Grants;
- d) Wellspace Interim Care Program;
- e) Mercy Family Health Center (Family Practice Residency).

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Methodist Hospital of Sacramento for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Methodist Hospital of Sacramento's service area (23 ZIP codes), as defined on page 44 of the Sacramento County Health Care Impact Report, dated August 13, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## **XII.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Sacramento or the County of Sacramento or their subdivisions, departments, or agencies for services at Methodist Hospital of Sacramento including the following:

- a) Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
- b) Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.

## **XIII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Methodist Hospital of Sacramento until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## **XIV.**

Dignity Community Care shall maintain privileges for current medical staff at Methodist Hospital of Sacramento who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Methodist Hospital of Sacramento.

## **XV.**

For five years from the closing date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Community Care shall consult with Methodist Hospital of Sacramento's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Methodist Hospital of Sacramento's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Methodist Hospital of Sacramento, and community representatives from Methodist Hospital of Sacramento's service area (23 ZIP codes), as defined on page 44 of the Sacramento Health Care Impact Statement, dated August 13, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Methodist Hospital of Sacramento's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## **XVII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Methodist Hospital of Sacramento. This prohibition must be explicitly set forth in Dignity Community Care's written policies applicable at Methodist Hospital of Sacramento, adhered to, and strictly enforced.

## **XIX.**

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue Methodist Hospital of Sacramento's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and Methodist Hospital of Sacramento's Hospital Community Board and the Chief Executive Officers of Dignity Community Care and Methodist Hospital of Sacramento shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

### Analysis of Methodist Hospital of Sacramento

#### Service Area Definition

Methodist Hospital of Sacramento's service area is comprised of 23 ZIP Codes from which 78% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top five ZIP Codes, all of which are in the Cities of Sacramento and Elk Grove. In CY 2016, the Hospital's market share in the service area was 15.5%.

METHODIST HOSPITAL OF SACRAMENTO						
PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95823	Sacramento	2,030	18.4%	18.4%	8,524	23.8%
95828	Sacramento	1,283	11.6%	30.0%	5,823	22.0%
95624	Elk Grove	918	8.3%	38.3%	4,638	19.8%
95758	Elk Grove	773	7.0%	45.3%	4,321	17.9%
95822	Sacramento	719	6.5%	51.8%	4,744	15.2%
95824	Sacramento	562	5.1%	56.9%	3,340	16.8%
95757	Elk Grove	484	4.4%	61.3%	2,742	17.7%
95829	Sacramento	340	3.1%	64.3%	2,001	17.0%
95632	Galt	324	2.9%	67.3%	2,558	12.7%
95831	Sacramento	284	2.6%	69.8%	3,349	8.5%
95820	Sacramento	273	2.5%	72.3%	4,267	6.4%
95832	Sacramento	263	2.4%	74.7%	1,205	21.8%
95826	Sacramento	122	1.1%	75.8%	3,195	3.8%
95693	Wilton	77	0.7%	76.5%	507	15.2%
95817	Sacramento	63	0.6%	77.1%	1,705	3.7%
95827	Sacramento	55	0.5%	77.6%	2,093	2.6%
95638	Herald	31	0.3%	77.8%	213	14.6%
95612	Clarksburg	14	0.1%	78.0%	116	12.1%
95615	Courtland	13	0.1%	78.1%	54	24.1%
95639	Hood	11	0.1%	78.2%	43	25.6%
95655	Mather	9	0.1%	78.3%	280	3.2%
95830	Sacramento	8	0.1%	78.3%	92	8.7%
95759	Elk Grove	7	0.1%	78.4%	63	11.1%
<b>Subtotal</b>		<b>8,663</b>	<b>78.4%</b>	<b>78.4%</b>	<b>55,873</b>	<b>15.5%</b>
<b>Other ZIPs</b>		<b>2,386</b>	<b>21.6%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>11,049</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Community Hospital of San Bernardino<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, Community Hospital of San Bernardino (Community Hospital of San Bernardino Corporation), a California nonprofit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Community Hospital of San Bernardino or the real property on which Community Hospital of San Bernardino is located, any and all current and future owners, lessees, licensees, or operators of Community Hospital of San Bernardino, and any and all current and future lessees and owners of the real property on which Community Hospital of San Bernardino is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents

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<sup>1</sup> Throughout this document, the term "Community Hospital of San Bernardino" shall mean the general acute care hospital located at 1805 Medical Center Dr., San Bernardino, California 92411 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 1, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.



including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino's Hospital Community Board, Community Hospital of San Bernardino Corporation, and Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, Community Hospital of San Bernardino Corporation, and all future owners, managers, lessees, licensees, or operators of Community Hospital of San Bernardino shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Community Hospital of San Bernardino; or
- (b) Transfer control, responsibility, management, or governance of Community Hospital of San Bernardino. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, or Dignity Community Care that transfers the control of, responsibility for, or governance of Community Hospital of San Bernardino shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Community Hospital of San Bernardino shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 18 Emergency Treatment Stations at a minimum; and

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 1, 2018.

b) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150 Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150 and other California laws and regulations.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Community Hospital of San Bernardino shall maintain and provide 24-hour emergency services. During years 6-10, Community Hospital of San Bernardino Corporation and Dignity Community Care shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Community Hospital of San Bernardino Corporation and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in Community Hospital of San Bernardino's service area (31 ZIP codes), as defined on page 41 of the San Bernardino Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Community Hospital of San Bernardino Corporation and Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Community Hospital of San Bernardino Corporation and Dignity Community Care for providing the assessments to the Attorney General.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Community Hospital of San Bernardino shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 11 intensive care beds and 10 coronary care beds;
- b) Obstetrics services, including a minimum of 24 perinatal beds;
- c) Pediatric services, including a minimum of 27 pediatric beds; and
- d) Intensive Care Newborn Nursery services, including a minimum of 9 neonatal intensive care unit beds.

Community Hospital of San Bernardino Corporation and Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Community Hospital of San Bernardino shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and mammography services currently provided at 1800 North Western Avenue, Suite 102, San Bernardino, California 92411, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Community Hospital of San Bernardino shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Community Hospital of San Bernardino Corporation and Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Community Hospital of San Bernardino Corporation and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Community Hospital of San Bernardino's service area (31 ZIP codes), as defined on page 41 of the San Bernardino Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Community Hospital of San Bernardino Corporation and Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Community Hospital of San Bernardino Corporation and Dignity Community Care for providing the assessments to the Attorney General.

## VIII.

For ten years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Acute Psychiatric services, including a minimum of 74 acute psychiatric beds and behavioral health partial hospitalization unit/services; and
- b) Sub-Acute Care services, including a minimum of 88 skilled nursing beds.

Community Hospital of San Bernardino Corporation and Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiac catheterization laboratory services and general cardiology services;
- b) Oncology services, including inpatient medical and surgical oncology services;
- c) General surgery services;
- d) Nuclear medicine services;
- e) Imaging and radiology services (inpatient and outpatient);
- f) Laboratory services;
- g) Audiology services;
- h) Occupational therapy services;
- i) Physical therapy services;
- j) Podiatry services;
- k) Respiratory care services;
- l) Social services; and
- m) Speech pathology services.

## X.

For five years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino Corporation and Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Community Hospital of San Bernardino;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Community Hospital of San Bernardino to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: Inland Empire Health Plan or its successor; and
  - ii) Commercial Plan: Molina Healthcare of California Partner Plan, Inc. or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Community Hospital of San Bernardino to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Community Hospital of San Bernardino equal to or greater than \$7,103,570 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care in connection with the operation and provision of services at Community Hospital of San Bernardino. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Community Hospital of San Bernardino and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, Community Hospital of San Bernardino Corporation, and Dignity Community Care' obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Community Hospital of San Bernardino Corporation or Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Riverside-San Bernardino-Ontario, CA Consolidated Metropolitan Statistical Area Base Period: December 2017=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Community Hospital of San Bernardino for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVIII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Community Hospital of San Bernardino equal to or greater than \$1,757,671 (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:

- a) Dignity Health Community Grants Program;
- b) Health Education Center;
- c) Community Health Navigator;
- d) Diabetes and Chronic Disease Self-Management Program; and

e) Stepping Stones Program.

Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care' obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Community Hospital of San Bernardino Corporation or Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the Riverside-San Bernardino-Ontario, CA Consolidated Metropolitan Statistical Area Base Period: December 2017=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Community Hospital of San Bernardino for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Community Hospital of San Bernardino's service area (31 ZIP codes), as defined on page 41 of the San Bernardino County Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

**XIII.**

For five years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino Corporation and Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of San Bernardino or the County of San Bernardino or their subdivisions, departments, or agencies for services at Community Hospital of San Bernardino including the following:

- a. Transfer Agreement;
- b. Fee for Service Agreement;
- c. Memorandum of Understanding – HPP Equipment;
- d. Outstationed Eligibility Worker;
- e. Medically Indigent Adult Medical Care; and
- f. Neighborhood Policing Program Services Agreement

**XIV.**

Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Community Hospital of San Bernardino until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

**XV.**

Community Hospital of San Bernardino Corporation and Dignity Community Care shall maintain privileges for current medical staff at Community Hospital of San Bernardino who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Community Hospital of San Bernardino.

**XVI.**

For five years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Community Hospital of San Bernardino Corporation and Dignity Community Care shall consult with Community Hospital of San Bernardino's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Community Hospital of San Bernardino's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Community Hospital of San Bernardino, and community representatives from Community Hospital of San Bernardino's service area (31 ZIP codes), as defined on page 41 of the San Bernardino County Health Care Impact Statement, dated September 13, 2018 and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Community Hospital of San Bernardino's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

**XVII.**

Within 90 days of the closing date of Ministry Alignment Agreement, Community Hospital of San Bernardino Corporation and Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

**XVIII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend



a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XIX.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Community Hospital of San Bernardino. This prohibition must be explicitly set forth in Community Hospital of San Bernardino Corporation and Dignity Community Care's written policies applicable at Community Hospital of San Bernardino, adhered to, and strictly enforced.

#### **XX.**

Dignity Health, CommonSpirit Health, Community Hospital of San Bernardino Corporation, and Dignity Community Care are required to continue Community Hospital of San Bernardino's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

#### **XXI.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Community Hospital of San Bernardino Corporation and Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Community Hospital of San Bernardino Corporation, Dignity Community Care, and Community Hospital of San Bernardino's Hospital Community Board and the Chief Executive Officers of Community Hospital of San Bernardino Corporation and Dignity Community Care shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XXII.

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## XXIII.

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Community Hospital of San Bernardino's Service Area

### Service Area Definition

Community Hospital of San Bernardino's service area is comprised of 31 ZIP Codes from which 79% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's inpatient discharges originated from the top five ZIP Codes, four of which are in the City of San Bernardino and one in the City of Rialto. Additionally, 75.1% inpatient discharges originated from the top 13 ZIP Codes. In CY 2016, Community Hospital of San Bernardino's market share in the service area was 11.9%.

COMMUNITY HOSPITAL OF SAN BERNARDINO PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
92411	San Bernardino	1,433	12.3%	12.3%	3,690	38.8%
92407	San Bernardino	1,383	11.9%	24.2%	5,922	23.4%
92404	San Bernardino	1,270	10.9%	35.1%	8,393	15.1%
92410	San Bernardino	1,111	9.5%	44.6%	5,915	18.8%
92376	Rialto	804	6.9%	51.5%	8,160	9.9%
92405	San Bernardino	797	6.8%	58.3%	3,427	23.3%
92335	Fontana	537	4.6%	62.9%	8,245	6.5%
92346	Highland	393	3.4%	66.3%	5,127	7.7%
92336	Fontana	303	2.6%	68.9%	6,665	4.5%
92324	Colton	285	2.4%	71.4%	5,796	4.9%
92408	San Bernardino	182	1.6%	72.9%	1,596	11.4%
92377	Rialto	129	1.1%	74.0%	1,582	8.2%
92316	Bloomington	120	1.0%	75.1%	2,804	4.3%
92337	Fontana	83	0.7%	75.8%	2,320	3.6%
92401	San Bernardino	71	0.6%	76.4%	515	13.8%
92313	Grand Terrace	41	0.4%	76.7%	1,155	3.5%
92354	Loma Linda	40	0.3%	77.1%	2,368	1.7%
92325	Crestline	40	0.3%	77.4%	1,032	3.9%
92415	San Bernardino	30	0.3%	77.7%	154	19.5%
92369	Patton	28	0.2%	77.9%	290	9.7%
92402	San Bernardino	22	0.2%	78.1%	110	20.0%
92382	Running Springs	13	0.1%	78.2%	533	2.4%
92358	Lytle Creek	11	0.1%	78.3%	105	10.5%
92406	San Bernardino	8	0.1%	78.4%	69	11.6%
92391	Twin Peaks	7	0.1%	78.4%	211	3.3%
92352	Lake Arrowhead	6	0.1%	78.5%	447	1.3%
92317	Blue Jay	6	0.1%	78.5%	324	1.9%
92334	Fontana	5	0.0%	78.6%	96	5.2%
92427	San Bernardino	4	0.0%	78.6%	44	9.1%
92321	Cedar Glen	4	0.0%	78.7%	157	2.5%
92413	San Bernardino	4	0.0%	78.7%	44	9.1%
<b>Total Percentage</b>		<b>9,170</b>	<b>78.7%</b>	<b>78.7%</b>	<b>77,296</b>	<b>11.9%</b>
<b>Other ZIPs</b>		<b>2,483</b>	<b>21.3%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>11,653</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. Bernardine Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Bernardine Medical Center or the real property on which St. Bernardine Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Bernardine Medical Center, and any and all current and future lessees and owners of the real property on which St. Bernardine Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. Bernardine Medical Center's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "St. Bernardine Medical Center" shall mean the general acute care hospital located at 2101 N. Waterman Ave., San Bernardino, California 92404 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective January 1, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. Bernardine Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Bernardine Medical Center; or
- (b) Transfer control, responsibility, management, or governance of St. Bernardine Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of St. Bernardine Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Bernardine Medical Center shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation with the same types and/or levels of services, including the following:

- a) 24 Emergency Treatment Stations at a minimum; and
- b) Designation as a STEMI Receiving Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Bernardine Medical Center shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall be provided at least forty-

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<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2018.

five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in St. Bernardine Medical Center's service area (35 ZIP codes), as defined on page 57 of the San Bernardino Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 46 perinatal beds (2 beds used as Labor, Delivery, Recovery, Postpartum rooms);
- b) Intensive Care Newborn Nursery services, including a minimum of 20 neonatal intensive care unit beds; and
- c) Critical care services, including a minimum of 27 intensive care beds and 20 coronary care beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Bernardine Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at the Center for Imaging at St. Bernardine Medical Center located at 401 East Highland Avenue, Suite 100, San Bernardino, California 92404.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Bernardine Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not

unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in St. Bernardine Medical Center's service area (35 ZIP codes), as defined on page 57 of the San Bernardino Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiovascular surgery, interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Orthopedic surgery services, including total joint replacements;
- c) General surgery services;
- d) Oncology services, including inpatient medical and surgical oncology services;
- e) Outpatient Services – Surgery, Rehabilitation and Physical Therapy;
- f) Outpatient Services – Urgent Care Clinics (Highland and Fontana);
- g) Outpatient Services – Multispecialty Clinic;
- h) Nuclear medicine services;
- i) Imaging and radiology services (inpatient and outpatient);
- j) Laboratory services;
- k) Occupational therapy services;
- l) Respiratory care services;
- m) Social services; and
- n) Physical therapy services.

### IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. Bernardine Medical Center;
- b) Maintain and have Medi-Cal Managed Care contract with the Inland Empire Health Plan or its successor to provide the same types and/or levels of emergency and non-emergency services at St. Bernardine Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause; and

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. Bernardine Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. Bernardine Medical Center equal to or greater than \$5,649,744 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at St. Bernardine Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. Bernardine Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Riverside-San Bernardino-Ontario, CA Consolidated Metropolitan Statistical Area Base Period: December 2017=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Bernardine Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. Bernardine Medical Center equal to or greater than \$3,056,862 (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:

- a) Dignity Health Community Grants Program;

- b) Stepping Stones Program;
- c) Community Health Navigator;
- d) Transportation; and
- e) Family Focus Center - Programs.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the Riverside-San Bernardino-Ontario, CA Consolidated Metropolitan Statistical Area Base Period: December 2017=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Bernardine Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Bernardine Medical Center's service area (35 ZIP codes), as defined on page 57 of the San Bernardino Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of San Bernardino or the County of San Bernardino or their subdivisions, departments, or agencies for services at St. Bernardine Medical Center including the following:

- a. Transfer Agreement;
- b. Resident Rotation Agreement;
- c. Affiliation Agreement (Neurosurgery Resident Program);
- d. Outstationed Eligibility Worker;
- e. STEMI Receiving Center Designation;
- f. Neurovascular Stroke Receiving Center Designation;
- g. Medically Indigent Adult Medical Care; and
- h. Neighborhood Policing Programs Services Agreement.

## XIII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Bernardine Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIV.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at St. Bernardine Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Bernardine Medical Center.

#### **XV.**

For five years from the closing date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. Bernardine Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with St. Bernardine Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. Bernardine Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. Bernardine Medical Center, and community representatives from St. Bernardine Medical Center's service area (35 ZIP codes), as defined on page 57 of the San Bernardino County Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The St. Bernardine Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### **XVII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This

obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. Bernardine Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at St. Bernardine Medical Center, adhered to, and strictly enforced.

#### **XIX.**

Dignity Health and CommonSpirit Health are required to continue St. Bernardine Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

#### **XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of St. Bernardine Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## XXII.

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of St. Bernardine Medical Center

### Service Area Definition

St. Bernardine Medical Center's service area is comprised of 35 ZIP Codes from which 80% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's inpatient discharges originated from the top five ZIP Codes, four of which are in the City of San Bernardino and one in the City of Highland. Furthermore, 65.8% of the inpatient discharges originated from the top ten ZIP Codes. In CY 2016, the Hospital's market share in the service area was 12.6%.

ST. BERNARDINE MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
92404	San Bernardino	2,975	21.4%	21.4%	8,393	35.4%
92410	San Bernardino	1,131	8.1%	29.5%	5,915	19.1%
92346	Highland	1,082	7.8%	37.3%	5,127	21.1%
92407	San Bernardino	959	6.9%	44.2%	5,922	16.2%
92405	San Bernardino	803	5.8%	50.0%	3,427	23.4%
92376	Rialto	624	4.5%	54.5%	8,160	7.6%
92411	San Bernardino	505	3.6%	58.1%	3,690	13.7%
92335	Fontana	390	2.8%	60.9%	8,245	4.7%
92336	Fontana	374	2.7%	63.6%	6,665	5.6%
92324	Colton	304	2.2%	65.8%	5,796	5.2%
92325	Crestline	251	1.8%	67.6%	1,032	24.3%
92408	San Bernardino	235	1.7%	69.3%	1,596	14.7%
92377	Rialto	178	1.3%	70.6%	1,582	11.3%
92369	Patton	157	1.1%	71.7%	290	54.1%
92399	Yucaipa	148	1.1%	72.8%	5,034	2.9%
92316	Bloomington	143	1.0%	73.8%	2,804	5.1%
92374	Redlands	122	0.9%	74.7%	3,475	3.5%
92401	San Bernardino	113	0.8%	75.5%	515	21.9%
92373	Redlands	101	0.7%	76.2%	3,250	3.1%
92317	Blue Jay	76	0.5%	76.8%	324	23.5%
92354	Loma Linda	74	0.5%	77.3%	2,368	3.1%
92382	Running Springs	70	0.5%	77.8%	533	13.1%
92352	Lake Arrowhead	68	0.5%	78.3%	447	15.2%
92313	Grand Terrace	45	0.3%	78.6%	1,155	3.9%
92359	Mentone	43	0.3%	78.9%	786	5.5%
92391	Twin Peaks	30	0.2%	79.2%	211	14.2%
92320	Calimesa	29	0.2%	79.4%	958	3.0%
92406	San Bernardino	24	0.2%	79.5%	69	34.8%
92321	Cedar Glen	22	0.2%	79.7%	157	14.0%
92402	San Bernardino	17	0.1%	79.8%	110	15.5%
92322	Cedarpines Park	13	0.1%	79.9%	58	22.4%
92378	Rimforest	11	0.1%	80.0%	54	20.4%
92427	San Bernardino	8	0.1%	80.0%	44	18.2%
92413	San Bernardino	8	0.1%	80.1%	44	18.2%
92385	Skyforest	6	0.0%	80.1%	31	19.4%
<b>Total Percentage</b>		<b>11,139</b>	<b>80.1%</b>	<b>80.1%</b>	<b>88,267</b>	<b>12.6%</b>
Other ZIPs		2,759	19.9%	100%		
<b>Total Discharges</b>		<b>13,898</b>	<b>100.0%</b>			

Note: Excludes normal newborns



**Attorney General's Conditions to Change in Control and Governance of St. Joseph's Behavioral Health Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Port City Operating Company, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Joseph's Behavioral Health Center or the real property on which St. Joseph's Behavioral Health Center is located, any and all current and future owners, lessees, licensees, or operators of St. Joseph's Behavioral Health Center, and any and all current and future lessees and owners of the real property on which St. Joseph's Behavioral Health Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. Joseph's Behavioral Health Center's Hospital Community Board.

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<sup>1</sup> Throughout this document, the term "St. Joseph's Behavioral Health Center" shall mean the acute psychiatric hospital located at 2510 N. California Street, Stockton, California 95204 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective September 6, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. Joseph's Behavioral Health Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Joseph's Behavioral Health Center; or
- (b) Transfer control, responsibility, management, or governance of St. Joseph's Behavioral Health Center. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Port City Operating Company, LLC that transfers the control of, responsibility for, or governance of St. Joseph's Behavioral Health Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Port City Operating Company, LLC, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Port City Operating Company, LLC shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. Joseph's Behavioral Health Center shall be operated and maintained as a licensed acute psychiatric hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide acute psychiatric inpatient and outpatient services at current<sup>3</sup> licensure and designation and certification with the current types and/or levels of services, including the following:

- a) A minimum of 35 acute psychiatric beds; and
- b) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150 Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150, and other California laws and regulations.

### V.

For five years from the closing date of the Ministry Alignment Agreement, St. Joseph's Behavioral Health Center shall maintain and provide the following healthcare services at current

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<sup>3</sup> The term "current" or "currently" throughout this document means as of September 6, 2018.

licensure and designation with the current types and/or levels of services as committed to in Attachment D to Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a. Outpatient Services – Chemical Dependency Program;
- b. Outpatient Services – Marriage/Family Therapy;
- c. Outpatient Services - Partial hospitalization services/IOP; and
- d. Outpatient Services - Suboxone Clinic.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. Joseph’s Behavioral Health Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at St. Joseph’s Behavioral Health Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: Health Plan of San Joaquin or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. Joseph’s Behavioral Health Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## VII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. Joseph’s Behavioral Health Center equal to or greater than \$85,514 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health in connection with the operation and provision of services at St. Joseph’s Behavioral Health Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, “the determination of what is classified as . . . charity care can be made by establishing whether

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. Joseph's Behavioral Health Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

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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.”

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health, Port City Operating Company, LLC, or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Joseph's Behavioral Health Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XIII. Such payment(s) shall be made within six months following the end of such fiscal year.

### VIII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. Joseph's Behavioral Health Center equal to or greater than \$618,006 (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:

- a. Free 24-hour Behavioral Evaluations;
- b. Health Professions Education: Nursing Students Clinical Rotation;
- c. Health Professions Education: Social Services Students; and
- d. Sponsored Support Groups and Aftercare.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health, Port City Operating Company, LLC, or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Joseph's Behavioral Health Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Joseph's Behavioral Health Center's service area (29 ZIP

codes), as defined on page 58 of the San Joaquin County Health Care Impact Statement, dated August 31, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### IX.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Joseph's Behavioral Health Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### X.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall maintain privileges for current medical staff at St. Joseph's Behavioral Health Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Joseph's Behavioral Health Center.

#### XI.

For five years from the closing date of the Ministry Alignment Agreement, St. Joseph's Behavioral Health Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. Joseph's Behavioral Health Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall consult with St. Joseph's Behavioral Health Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. Joseph's Behavioral Health Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. Joseph's Behavioral Health Center, and community representatives from St. Joseph's Behavioral Health Center's service area (29 ZIP codes), as defined on page 58 of the San Joaquin County Health Care Impact Statement, dated August 31, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The St. Joseph's Behavioral Health Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XII.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XIII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XIV.

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. Joseph's Behavioral Health Center. This prohibition must be explicitly set forth in Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health's written policies applicable at St. Joseph's Behavioral Health Center, adhered to, and strictly enforced.

## XV.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health are required to continue St. Joseph's Behavioral Health Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## **XVI.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health Port City Operating Company, LLC, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of St. Joseph's Behavioral Health Center's Hospital Community Board and the Chief Executive Officers of Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XVII.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## **XVIII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.



**EXHIBIT 1**

## Analysis of St. Joseph's Behavioral Health Center

### Service Area Definition

St. Joseph's Behavioral Health Center's service area is comprised of 29 ZIP Codes where 51.3% of its inpatient discharges originated in CY 2016. Approximately 50% of St. Joseph's Behavioral Health Center's inpatient discharges originated from 20 ZIP Codes. In CY 2016, St. Joseph's Behavioral Health Center's market share in the service area was 32.6%.

ST. JOSEPH BEHAVIORAL HEALTH CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95207	Stockton	100	5.60%	5.60%	240	41.67%
95240	Lodi	79	4.42%	10.02%	202	39.11%
95210	Stockton	72	4.03%	14.05%	180	40.00%
95205	Stockton	68	3.81%	17.85%	165	41.21%
95206	Stockton	67	3.75%	21.60%	213	31.46%
95204	Stockton	58	3.25%	24.85%	137	42.34%
95209	Stockton	54	3.02%	27.87%	140	38.57%
95202	Stockton	53	2.97%	30.83%	234	22.65%
95203	Stockton	49	2.74%	33.58%	132	37.12%
95376	Tracy	48	2.69%	36.26%	162	29.63%
95219	Stockton	47	2.63%	38.89%	108	43.52%
95212	Stockton	36	2.01%	40.91%	86	41.86%
95337	Manteca	29	1.62%	42.53%	127	22.83%
95336	Manteca	29	1.62%	44.15%	121	23.97%
95242	Lodi	28	1.57%	45.72%	89	31.46%
95215	Stockton	21	1.18%	46.89%	90	23.33%
95377	Tracy	15	0.84%	47.73%	65	23.08%
95304	Tracy	15	0.84%	48.57%	40	37.50%
95320	Escalon	10	0.56%	49.13%	53	18.87%
95366	Ripon	9	0.50%	49.64%	57	15.79%
95330	Lathrop	7	0.39%	50.03%	48	14.58%
95231	French Camp	4	0.22%	50.25%	44	9.09%
95220	Acampo	4	0.22%	50.48%	19	21.05%
95236	Linden	3	0.17%	50.64%	9	33.33%
95258	Woodbridge	3	0.17%	50.81%	13	23.08%
95237	Lockeford	3	0.17%	50.98%	8	37.50%
95201	Stockton	2	0.11%	51.09%	22	9.09%
95227	Clements	2	0.11%	51.20%	6	33.33%
95208	Stockton	2	0.11%	51.32%	2	100.00%
<b>Subtotal</b>		<b>917</b>	<b>51.32%</b>		<b>2,812</b>	<b>32.61%</b>
Other ZIPs		870	48.68%			
<b>Total Discharges</b>		<b>1,787</b>	<b>100%</b>			

Note: Only includes Behavioral Health inpatient discharges  
 Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. Joseph's Medical Center of Stockton<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Port City Operating Company, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Joseph's Medical Center of Stockton or the real property on which St. Joseph's Medical Center of Stockton is located, any and all current and future owners, lessees, licensees, or operators of St. Joseph's Medical Center of Stockton, and any and all current and future lessees and owners of the real property on which St. Joseph's Medical Center of Stockton is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. Joseph's Medical Center of Stockton's Hospital Community

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<sup>1</sup> Throughout this document, the term "St. Joseph's Medical Center of Stockton" shall mean the general acute care hospital located at 1800 N. California Street, Stockton, California 95204 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective June 1, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. Joseph's Medical Center of Stockton shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Joseph's Medical Center of Stockton; or
- (b) Transfer control, responsibility, management, or governance of St. Joseph's Medical Center of Stockton. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Port City Operating Company, LLC that transfers the control of, responsibility for, or governance of St. Joseph's Medical Center of Stockton shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Port City Operating Company, LLC, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Port City Operating Company, LLC shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Joseph's Medical Center of Stockton shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 60 Emergency Treatment Stations at a minimum;
- b) Designation as a STEMI Receiving Center;
- c) Designation as a ROSC Receiving Center; and
- d) Certification as a Primary Stroke Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Joseph's Medical Center of Stockton shall maintain and provide 24-hour emergency

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<sup>3</sup> The term "current" or "currently" throughout this document means as of June 1, 2018.

services. During years 6-10, Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through d). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through d). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in St. Joseph's Medical Center of Stockton's service area (24 ZIP codes), as defined on page 43 of the San Joaquin County Health Care Impact Statement, dated August 31, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Pediatrics services, including a minimum of 13 pediatric beds;
- b) Obstetrics services, including a minimum of 27 perinatal beds;
- c) Intensive Care Newborn Nursery services, including a minimum of 30 neonatal intensive care unit beds;
- d) Critical care services, including a minimum of 20 intensive care beds and 9 coronary care beds; and
- e) Acute respiratory care services, including a minimum of 10 acute respiratory care beds.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Joseph's Medical Center of Stockton shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Women's Imaging Center currently located at 3439 Brookside Road, Suite 107, Stockton, California 95219.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Joseph's Medical Center of Stockton shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in St. Joseph's Medical Center of Stockton's service area (24 ZIP codes), as defined on page 43 of the San Joaquin County Health Care Impact Statement, dated August 31, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Port City Operating Company, LLC, Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

#### VIII.

For five years from the closing date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiovascular surgery, cardiovascular laboratory services, interventional cardiology services, and general cardiology services;
- b) Neuroscience services, including neurosurgery services;
- c) Orthopedic surgery services, including total joint replacements;
- d) General surgery services;
- e) Oncology services, including inpatient medical and surgical oncology services, and radiation therapy services
- f) Outpatient Services – Imaging Center;
- g) Outpatient Services – Physical Therapy;
- h) Outpatient Services – Women's Imaging Center;
- i) Nuclear medicine services;
- j) Imaging and radiology services (inpatient and outpatient);
- k) Laboratory services;
- l) Physical therapy services;
- m) Occupational therapy services;
- n) Respiratory care services;
- o) Social services; and
- p) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. Joseph's Medical Center of Stockton;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at St. Joseph's Medical Center of Stockton to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: Health Plan of San Joaquin or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. Joseph's Medical Center of Stockton to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. Joseph's Medical Center of Stockton equal to or greater than \$3,174,462 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health in connection with the operation and provision of services at St. Joseph's Medical Center of Stockton. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. Joseph's Medical Center of Stockton and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement,

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health, Port City Operating Company, LLC, or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in



U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Joseph's Medical Center of Stockton for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. Joseph's Medical Center of Stockton equal to or greater than \$7,402,707 (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:

- a. Diabetes Education, Prevention and Self-Management;
- b. Outreach Activities;
- c. Ancillary Services for St. Mary's Clinic (Outpatient);
- d. Dignity Health Community Grant Program; and
- e. Graduate Medical Education.

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health, Port City Operating Company, LLC, or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Joseph's Medical Center of Stockton for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Joseph's Medical Center of Stockton's service area (24 ZIP codes), as defined on page 43 of the San Joaquin County Health Care Impact Statement, dated August 31, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## **XII.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Stockton or the County of San Joaquin or their subdivisions, departments, or agencies for services at St. Joseph's Medical Center of Stockton including the following:

- a. Memorandum of Understanding – Drug Discount Program;
- b. Primary Stroke Center Designation Agreement; and
- c. STEMI Receiving Center Designation.

## **XIII.**

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Joseph's Medical Center of Stockton until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## **XIV.**

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall maintain privileges for current medical staff at St. Joseph's Medical Center of Stockton who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Joseph's Medical Center of Stockton.

## **XV.**

For five years from the closing date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall consult with St. Joseph's Medical Center of Stockton's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. Joseph's Medical Center of Stockton's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. Joseph's Medical Center of Stockton, and community representatives from St. Joseph's Medical Center of Stockton's service area (24 ZIP codes), as defined on page 43 of the San Joaquin County Health Care Impact Statement, dated August 31, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an

emergency basis. The St. Joseph's Medical Center of Stockton's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### **XVII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. Joseph's Medical Center of Stockton. This prohibition must be explicitly set forth in Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health's written policies applicable at St. Joseph's Medical Center of Stockton, adhered to, and strictly enforced.

#### **XIX.**

Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health are required to continue St. Joseph's Medical Center of Stockton's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## **XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health Port City Operating Company, LLC, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of St. Joseph's Medical Center of Stockton's Hospital Community Board and the Chief Executive Officers of Dignity Health, Port City Operating Company, LLC, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## **XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of St. Joseph's Medical Center of Stockton

### Service Area Definition

St. Joseph's Medical Center of Stockton's service area is comprised of 24 ZIP Codes from which 90% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top five ZIP Codes and 83% from the top 11 ZIP codes, all of which are in the City of Stockton. In CY 2016, the Hospital's market share in the service area was 34%.

<b>ST. JOSEPH'S MEDICAL CENTER OF STOCKTON</b>						
<b>PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
95207	Stockton	2,567	13.6%	13.6%	5,216	49.2%
95206	Stockton	2,054	10.9%	24.5%	5,876	35.0%
95205	Stockton	1,958	10.4%	34.9%	4,076	48.0%
95210	Stockton	1,858	9.9%	44.8%	3,868	48.0%
95209	Stockton	1,647	8.7%	53.5%	3,717	44.3%
95204	Stockton	1,581	8.4%	61.9%	3,103	51.0%
95215	Stockton	934	5.0%	66.9%	3,115	30.0%
95212	Stockton	878	4.7%	71.5%	1,991	44.1%
95219	Stockton	804	4.3%	75.8%	1,984	40.5%
95203	Stockton	795	4.2%	80.0%	1,896	41.9%
95202	Stockton	505	2.7%	82.7%	1,293	39.1%
95240	Lodi	474	2.5%	85.2%	4,628	10.2%
95242	Lodi	286	1.5%	86.7%	2,427	11.8%
95336	Manteca	233	1.2%	87.9%	4,345	5.4%
95236	Linden	124	0.7%	88.6%	361	34.3%
95330	Lathrop	99	0.5%	89.1%	1,602	6.2%
95231	French Camp	57	0.3%	89.4%	458	12.4%
95237	Lockeford	50	0.3%	89.7%	375	13.3%
95269	Stockton	23	0.1%	89.8%	77	29.9%
95208	Stockton	22	0.1%	89.9%	47	46.8%
95201	Stockton	22	0.1%	90.1%	125	17.6%
95267	Stockton	11	0.1%	90.1%	42	26.2%
95213	Stockton	7	0.0%	90.2%	34	20.6%
95211	Stockton	3	0.0%	90.2%	11	27.3%
<b>Subtotal</b>		<b>16,992</b>	<b>90.2%</b>	<b>90.2%</b>	<b>50,667</b>	<b>33.5%</b>
<b>Other ZIPs</b>		<b>1,853</b>	<b>9.8%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>18,845</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of French Hospital Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of French Hospital Medical Center or the real property on which French Hospital Medical Center is located, any and all current and future owners, lessees, licensees, or operators of French Hospital Medical Center, and any and all current and future lessees and owners of the real property on which French Hospital Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, French Hospital Medical Center's Hospital Community Board, and

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<sup>1</sup> Throughout this document, the term "French Hospital Medical Center" shall mean the general acute care hospital located at 1911 Johnson Ave., San Luis Obispo, California 93401 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective June 1, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of French Hospital Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of French Hospital Medical Center; or
- (b) Transfer control, responsibility, management, or governance of French Hospital Medical Center. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of French Hospital Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, French Hospital Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations with the same types and/or levels of services, including the following:

- a) 14 Emergency Treatment Stations at a minimum;
- b) Designation as a STEMI Receiving Center; and
- c) Designation as a Paramedic Base Station.

### V.

For five years from the closing date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 9 perinatal beds; and
- b) Intensive care services, including a minimum of 11 intensive care beds.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of June 1, 2018.



Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), French Hospital Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at the Women's Health & Imaging Center currently located at 1941 Johnson Avenue Suite 104, San Luis Obispo, California 93401 and the San Luis Diagnostic Center currently located at 1100 Monterey Street Suite 210, San Luis Obispo, California, 93401, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), French Hospital Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in French Hospital Medical Center's service area (31 ZIP codes), as defined on page 67 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Oncology services, including inpatient medical and surgical oncology services;
- b) Cardiovascular services, including cardiovascular surgery services, interventional radiology services, cardiac catheterization laboratory services, electrophysiology services, and general cardiology services;

- c) Neuroscience services, including neurosurgery services;
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services, including Outpatient Services – Surgery;
- f) Outpatient Services – French Hospital Women’s Health and Imaging Center;
- g) Outpatient Services – San Luis Diagnostic Center;
- h) Nuclear medicine services;
- i) Imaging and radiology services (inpatient and outpatient);
- j) Laboratory services;
- k) Occupational therapy services;
- l) Physical therapy services;
- m) Respiratory care services;
- n) Social services; and
- p) Speech pathology services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at French Hospital Medical Center;
- b) Maintain and have a Medi-Cal Managed Care contract with CenCal Health its successor to provide the same types and/or levels of emergency and non-emergency services at French Hospital Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at French Hospital Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at French Hospital Medical Center equal to or greater than \$609,057 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at French Hospital Medical Center. The definition and methodology for calculating “charity care”

and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at French Hospital Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at French Hospital Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

#### X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Community Benefit Services at French Hospital Medical Center equal to or greater than \$1,586,120 (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:

- a. Dignity Health Community Grant Program;
- b. Community Health Education-Poor;
- c. Health Fairs and Screenings;
- d. Health Professions Education: Nursing; and
- e. Healthier Living: Take Care of Yourself.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at French Hospital Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted

pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in French Hospital Medical Center's service area (31 ZIP codes), as defined on page 67 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of San Luis Obispo or the County of San Luis Obispo or their subdivisions, departments, or agencies for services at French Hospital Medical Center including the following:

- a. Agreement for Designation as a STEMI Receiving Center;
- b. Contract for Behavior Health Services;
- c. Contract for Special Services (Participation in hospital preparedness drills and other emergency preparedness activities);
- d. Paramedic Base Station Agreement; and
- e. Laboratory Services Purchase Agreement.

#### **XII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at French Hospital Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Community Care shall maintain privileges for current medical staff at French Hospital Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at French Hospital Medical Center.

#### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, French Hospital Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, French Hospital Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of

directors entitled “Dignity Health – 2.100 Qualification of Members of Community Boards.” Dignity Community Care shall consult with French Hospital Medical Center’s Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the French Hospital Medical Center’s Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from French Hospital Medical Center, and community representatives from French Hospital Medical Center’s service area (31 ZIP codes), as defined on page 67 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The French Hospital Medical Center’s Hospital Community Board’s approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health’s written policy for diversification of its board of directors entitled “Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors.”

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at French Hospital Medical Center. This prohibition must be explicitly set forth in Dignity Community Care's written policies applicable at French Hospital Medical Center, adhered to, and strictly enforced.

**XVIII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue French Hospital Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XIX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and French Hospital Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Community Care and French Hospital Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**



## Analysis of French Hospital Medical Center

### Service Area Definition

French Hospital Medical Center's service area is comprised of 31 ZIP Codes from which 91.5% of its inpatient discharges originated in CY 2016. Approximately 50% of French Hospital Medical Center's inpatient discharges originated from the top five ZIP Codes that are in the Cities of San Luis Obispo, Arroyo Grande, Atascadero, Los Osos and Paso Robles. Additionally, 75.3% of the inpatient discharges originated from the top ten ZIP Codes. In CY 2016, the Hospital's market share in the service area was 18.9%.

<b>FRENCH HOSPITAL MEDICAL CENTER</b>						
<b>PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93401	San Luis Obispo	822	19.2%	19.2%	1,986	41.4%
93420	Arroyo Grande	410	9.6%	28.8%	2,466	16.6%
93422	Atascadero	371	8.7%	37.4%	2,471	15.0%
93402	Los Osos	365	8.5%	46.0%	1,142	32.0%
93446	Paso Robles	329	7.7%	53.7%	3,456	9.5%
93405	San Luis Obispo	285	6.7%	60.3%	1,010	28.2%
93442	Morro Bay	233	5.4%	65.8%	880	26.5%
93433	Grover Beach	139	3.2%	69.0%	1,058	13.1%
93428	Cambria	136	3.2%	72.2%	497	27.4%
93444	Nipomo	132	3.1%	75.3%	1,751	7.5%
93449	Pismo Beach	131	3.1%	78.3%	653	20.1%
93465	Templeton	93	2.2%	80.5%	729	12.8%
93430	Cayucos	80	1.9%	82.4%	249	32.1%
93445	Oceano	76	1.8%	84.1%	523	14.5%
93453	Santa Margarita	60	1.4%	85.5%	256	23.4%
93423	Atascadero	48	1.1%	86.7%	277	17.3%
93424	Avila Beach	35	0.8%	87.5%	89	39.3%
93447	Paso Robles	26	0.6%	88.1%	332	7.8%
93406	San Luis Obispo	25	0.6%	88.7%	98	25.5%
93443	Morro Bay	19	0.4%	89.1%	70	27.1%
93421	Arroyo Grande	15	0.4%	89.5%	110	13.6%
93409	San Luis Obispo	13	0.3%	89.8%	90	14.4%
93432	Creston	12	0.3%	90.0%	96	12.5%
93412	Los Osos	12	0.3%	90.3%	37	32.4%
93448	Pismo Beach	12	0.3%	90.6%	96	12.5%
93403	San Luis Obispo	10	0.2%	90.8%	119	8.4%
93452	San Simeon	10	0.2%	91.1%	24	41.7%
93475	Océano	8	0.2%	91.3%	54	14.8%
93483	Grover Beach	4	0.1%	91.4%	79	5.1%
93435	Harmony	2	0.0%	91.4%	4	50.0%
93408	San Luis Obispo	2	0.0%	91.5%	6	33.3%
<b>Total Percentage</b>		<b>3,915</b>	<b>91.5%</b>	<b>91.5%</b>	<b>20,708</b>	<b>18.9%</b>
<b>Other ZIPs</b>		<b>366</b>	<b>8.5%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>4,281</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General’s Conditions to Change in Control and Governance of Marian Regional Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Marian Regional Medical Center or the real property on which Marian Regional Medical Center is located, any and all current and future owners, lessees, licensees, or operators of Marian Regional Medical Center, and any and all current and future lessees and owners of the real property on which Marian Regional Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now know as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Marian Regional Medical Center’s Hospital Community Board.

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<sup>1</sup> Throughout this document, the term “Marian Regional Medical Center” shall mean the general acute care hospital located at 1400 E Church St., Santa Maria, California 93454 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 26, 2017, unless otherwise indicated.

<sup>2</sup> The term “System Corporation” shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement and the entity that will be renamed pursuant to section 9.1 of the Ministry Alignment Agreement.

Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Marian Regional Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Marian Regional Medical Center; or
- (b) Transfer control, responsibility, management, or governance of Marian Regional Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Marian Regional Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250 and shall maintain and provide 24-hour emergency services and trauma medical services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 32 Emergency Treatment Stations at a minimum; and
- b) Designation as a STEMI Receiving Center;
- c) Designation as a Paramedic Base Station;
- d) Level III Trauma Center; and
- e) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 42 perinatal beds;

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 26, 2017.

- b) Coronary care services, including a minimum of 20 coronary care beds;
- c) Intensive Care Newborn Nursery services, including a minimum of 21 neonatal intensive care unit beds;
- d) Pediatric services, including a minimum of 8 pediatric beds; and
- e) Skilled nursing services, including a minimum of 95 skilled nursing beds<sup>4</sup>.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Marian Regional Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Marian Breast Imaging Center currently located at 1325 E. Church Street Suite 201, Santa Maria, California.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Marian Regional Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Marian Regional Medical Center's service area (14 ZIP codes) as defined on page 46 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

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<sup>4</sup> These services are provided at Marian Extended Care Center located at 1530 Cypress Way, Santa Maria, California 93454

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiology services, including interventional cardiology services, electrophysiology services, cardiac catheterization laboratory services, cardiovascular surgery services, general cardiology services, and Outpatient Services – Cardiopulmonary Rehabilitation;
- b) Neuroscience services, including neurosurgery services
- c) Oncology services, including inpatient medical and surgical oncology services, Outpatient Services – Infusion Center of San Luis Obispo and Outpatient Services-Mission Hope Infusion Center;
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services;
- f) Outpatient Services – Dignity Health Perinatal Center;
- g) Nuclear medicine services;
- h) Imaging and radiology services (inpatient and outpatient), Outpatient Services-Breast Imaging at Marian Breast Imaging Center, Outpatient Services-Diagnostic Imaging at Plaza Diagnostic Imaging, Outpatient Services-Lab and Imaging at Parkway Imaging & Lab Center, and Outpatient Services-PET/CT at Mission Hope Cancer Center;
- i) Laboratory services;
- j) Outpatient Services-Dignity Health Laboratory and Diagnostics;
- k) Outpatient Services-Pain Management;
- l) Outpatient Services-Occupational, Physical and Speech Therapy at Marian Wellness Center;
- m) Outpatient Clinics – urgent care;
- n) Occupational therapy services;
- o) Physical therapy services;
- p) Respiratory care services;
- q) Social services; and
- r) Speech pathology services.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Marian Regional Medical Center;
- b) Maintain and have a Medi-Cal Managed Care contract with CenCal Health or its successor to provide the same types and/or levels of emergency and non-emergency services at Marian Regional Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause; and

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Marian Regional Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande<sup>5</sup> equal to or greater than \$3,715,529 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>6</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive

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<sup>5</sup> Throughout this document, the term “Marian Regional Medical Center, Arroyo Grande” shall mean the general acute care hospital located at 345 S Halcyon Rd., Arroyo Grande, California 93420 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 26, 2017, unless otherwise indicated.

<sup>6</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).

- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande equal to or greater than \$8,063,026 (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:

- a. Health for Life Nutrition Program;
- b. Healthier Living Take Care of Yourself;
- c. Dignity Health Community Grants Program;
- d. Health Professions Education - Marian Residency Program; and
- e. Health Promotion and Screenings.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande's service area (14 ZIP codes) as defined on page 46 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Santa Maria or the County of Santa Barbara or their subdivisions, departments, or agencies for services at Marian Regional Medical Center including the following:

- a. Operational Agreement (North County Intervention Program);
- b. Data Use Agreement (Get with The Guidelines-Stroke Program);
- c. Operational Agreement (Trial Study for Direct Communication);
- d. Designation as ST-Segment Elevation Myocardial Infarction (STEMI) Receiving Center;



- e. Agreement for Services for Level III Trauma Center Designation;
- f. Partnership Agreement (Child Development, Health Linkages Program);
- g. Paramedic Base Hospital Agreement; and
- h. Laboratory Services Purchase Agreement.

## XII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Marian Regional Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIII.

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Marian Regional Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Marian Regional Medical Center.

## XIV.

For five years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Marian Regional Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Marian Regional Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Marian Regional Medical Center, and community representatives from Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande's service area (14 ZIP codes), as defined on page 46 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Marian Regional Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XVII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Marian Regional Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Marian Regional Medical Center, adhered to, and strictly enforced.

## XVIII.

Dignity Health and CommonSpirit Health are required to continue Marian Regional Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## **XIX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Marian Regional Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## **XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's Service Areas

### *Service Area Definition*

The following tables list Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas that are based on CY 2016 inpatient discharges.

#### Marian Regional Medical Center:

Marian Regional Medical Center's service area is comprised of 14 ZIP Codes from which 93.7% of its inpatient discharges originated in CY 2016. Approximately 75% of Marian Regional Medical Center's inpatient discharges originated from the top three ZIP Codes, all are in the City of Santa Maria, and 84.8% in the top five ZIP Codes. In CY 2016, the Hospital's market share in the service area was 52.7%.

<b>MARIAN REGIONAL MEDICAL CENTER PATIENT ORIGIN CY 2016</b>						
<b>ZIP Codes</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93458	Santa Maria	3,822	29.1%	29.1%	4,497	85.0%
93454	Santa Maria	3,225	24.6%	53.7%	3,900	82.7%
93455	Santa Maria	2,772	21.1%	74.8%	3,657	75.8%
93444	Nipomo	843	6.4%	81.2%	1,751	48.1%
93434	Guadalupe	466	3.5%	84.8%	576	80.9%
93436	Lompoc	439	3.3%	88.1%	5,299	8.3%
93420	Arroyo Grande	288	2.2%	90.3%	2,466	11.7%
93456	Santa Maria	149	1.1%	91.4%	203	73.4%
93437	Lompoc	144	1.1%	92.5%	237	60.8%
93440	Los Alamos	69	0.5%	93.1%	124	55.6%
93457	Santa Maria	34	0.3%	93.3%	44	77.3%
93427	Buellton	26	0.2%	93.5%	450	5.8%
93438	Lompoc	13	0.1%	93.6%	119	10.9%
93429	Casmalia	8	0.1%	93.7%	13	61.5%
<b>Subtotal</b>		<b>12,298</b>	<b>93.7%</b>	<b>93.7%</b>	<b>23,336</b>	<b>52.7%</b>
Other ZIPs		829	6.3%	100%		
<b>Total Discharges</b>		<b>13,127</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Marian Regional Medical Center, Arroyo Grande<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Marian Regional Medical Center, Arroyo Grande or the real property on which Marian Regional Medical Center, Arroyo Grande is located, any and all current and future owners, lessees, licensees, or operators of Marian Regional Medical Center, Arroyo Grande, and any and all current and future lessees and owners of the real property on which Marian Regional Medical Center, Arroyo Grande is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now know as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Marian Regional Medical Center, Arroyo Grande's Hospital

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<sup>1</sup> Throughout this document, the term "Marian Regional Medical Center, Arroyo Grande" shall mean the general acute care hospital located at 345 S Halcyon Rd., Arroyo Grande, California 93420 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 26, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Marian Regional Medical Center, Arroyo Grande shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Marian Regional Medical Center, Arroyo Grande; or
- (b) Transfer control, responsibility, management, or governance of Marian Regional Medical Center, Arroyo Grande. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Marian Regional Medical Center, Arroyo Grande shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center, Arroyo Grande shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250 and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 11 Emergency Treatment Stations at a minimum; and
- b) Designation as a Paramedic Base Station;
- c) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center, Arroyo Grande shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a). Rehabilitation services, including a minimum of 20 rehabilitation beds; and
- b) Intensive care services, including a minimum of 8 intensive care beds.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 26, 2017.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Marian Regional Medical Center, Arroyo Grande shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Coastal Diagnostic Center located at 921 Oak Park Boulevard Suite 100-B, Pismo Beach, California, regardless of any amendments that increases or expands prohibited services to the current Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Marian Regional Medical Center, Arroyo Grande shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Marian Regional Medical Center, Arroyo Grande's service area (14 ZIP codes) as defined on page 46 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center, Arroyo Grande shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Oncology services, including inpatient medical and surgical oncology services;
- b) Orthopedic surgery services;
- c) General surgery services, including bariatric surgery;
- d) Nuclear medicine services;
- e) Imaging and radiology services (inpatient and outpatient), Outpatient Services-Mobile MRI, and Outpatient Services-Coastal Diagnostic Imaging Center



- f) Podiatry services;
- g) Mobile Unit-Lithotripsy;
- h) Laboratory services;
- i) Occupational therapy services; and
- j) Physical therapy services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Marian Regional Medical Center, Arroyo Grande;
- b) Maintain and have a Medi-Cal Managed Care contract with CenCal Health or its successor to provide the same types and/or levels of emergency and non-emergency services at Marian Regional Medical Center, Arroyo Grande to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Marian Regional Medical Center, Arroyo Grande to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Marian Regional Medical Center<sup>4</sup> and Marian Regional Medical Center, Arroyo Grande equal to or greater than \$3,715,529 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande. The definition and methodology for calculating "charity care" and the methodology for calculating

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<sup>4</sup> Throughout this document, the term "Marian Regional Medical Center" shall mean the general acute care hospital located at 1400 E Church St., Santa Maria, California 93454 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 26, 2017, unless otherwise indicated.

“costs” shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande, and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial

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<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

assistance) about the availability of financial assistance at each California hospital.

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande equal to or greater than \$8,063,026 (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:

- a. Health for Life Nutrition Program;
- b. Healthier Living Take Care of Yourself;
- c. Dignity Health Community Grants Program;
- d. Health Professions Education - Marian Residency Program; and
- e. Health Promotion and Screenings.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande's service area (14 ZIP codes) as defined on page 46 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Arroyo Grande or the County of San Luis Obispo or their subdivisions, departments, or agencies for services at Marian Regional Medical Center, Arroyo Grande including the following:

- a. Paramedic Base Hospital Agreement; (North County Intervention Program); and
- b. Partnership Agreement (Child Development, Health Linkages Program).

#### **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Marian Regional Medical Center, Arroyo Grande until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Marian Regional Medical Center, Arroyo Grande who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Marian Regional Medical Center, Arroyo Grande.

#### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center, Arroyo Grande shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Marian Regional Medical Center, Arroyo Grande's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with

Marian Regional Medical Center, Arroyo Grande's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Marian Regional Medical Center, Arroyo Grande's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Marian Regional Medical Center, Arroyo Grande, and community representatives from Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande's service area (14 ZIP codes), as defined on page 46 of the Santa Barbara County and San Luis Obispo County Health Care Impact Statement, dated September 8, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Marian Regional Medical Center, Arroyo Grande's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Marian Regional Medical Center, Arroyo Grande. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Marian Regional Medical Center, Arroyo Grande, adhered to, and strictly enforced.

**XVIII.**

Dignity Health and CommonSpirit Health are required to continue Marian Regional Medical Center, Arroyo Grande's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Marian Regional Medical Center, Arroyo Grande's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's Service Areas

### *Service Area Definition*

The following tables list Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas that are based on CY 2016 inpatient discharges.

#### Marian Regional Medical Center:

Marian Regional Medical Center's service area is comprised of 14 ZIP Codes from which 93.7% of its inpatient discharges originated in CY 2016. Approximately 75% of Marian Regional Medical Center's inpatient discharges originated from the top three ZIP Codes, all are in the City of Santa Maria, and 84.8% in the top five ZIP Codes. In CY 2016, the Hospital's market share in the service area was 52.7%.

<b>MARIAN REGIONAL MEDICAL CENTER PATIENT ORIGIN CY 2016</b>						
<b>ZIP Codes</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93458	Santa Maria	3,822	29.1%	29.1%	4,497	85.0%
93454	Santa Maria	3,225	24.6%	53.7%	3,900	82.7%
93455	Santa Maria	2,772	21.1%	74.8%	3,657	75.8%
93444	Nipomo	843	6.4%	81.2%	1,751	48.1%
93434	Guadalupe	466	3.5%	84.8%	576	80.9%
93436	Lompoc	439	3.3%	88.1%	5,299	8.3%
93420	Arroyo Grande	288	2.2%	90.3%	2,466	11.7%
93456	Santa Maria	149	1.1%	91.4%	203	73.4%
93437	Lompoc	144	1.1%	92.5%	237	60.8%
93440	Los Alamos	69	0.5%	93.1%	124	55.6%
93457	Santa Maria	34	0.3%	93.3%	44	77.3%
93427	Buellton	26	0.2%	93.5%	450	5.8%
93438	Lompoc	13	0.1%	93.6%	119	10.9%
93429	Casmalia	8	0.1%	93.7%	13	61.5%
<b>Subtotal</b>		<b>12,298</b>	<b>93.7%</b>	<b>93.7%</b>	<b>23,336</b>	<b>52.7%</b>
<b>Other ZIPs</b>		<b>829</b>	<b>6.3%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>13,127</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database



**Attorney General's Conditions to Change in Control and Governance of Dominican Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Dominican Hospital or the real property on which Dominican Hospital is located, any and all current and future owners, lessees, licensees, or operators of Dominican Hospital, and any and all current and future lessees and owners of the real property on which Dominican Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now know as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Dominican Hospital's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Dominican Hospital" shall mean the general acute care hospital located at 1555 Soquel Dr., Santa Cruz, California 95065 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 1, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Dominican Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Dominican Hospital; or
- (b) Transfer control, responsibility, management, or governance of Dominican Hospital. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Dominican Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Dominican Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For ten years from the closing date of the Ministry Alignment Agreement, Dominican Hospital shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 24 Emergency Treatment Stations at a minimum; and
- b) Designation as a STEMI Receiving Center;
- c) Designation as a Paramedic Base Station;
- d) Designation as an Emergency Department Approved for Pediatrics; and
- e) Certification as a Primary Stroke Center.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 1, 2018.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Dominican Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Rehabilitation services, including a minimum of 20 rehabilitation beds;
- b) Obstetrics services, including a minimum of 11 perinatal beds (11 beds used as Labor, Delivery, Recovery, Postpartum rooms);
- c) Critical care services, including a minimum of 10 intensive care beds and 6 coronary care beds;
- d) Intensive Care Newborn Nursery services, including a minimum of 14 neonatal intensive care unit beds; and
- e) Pediatric services, including a minimum of 8 pediatric beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Dominican Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Dominican Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Dominican Hospital's service area (23 ZIP codes), as defined on page 43 of the Santa Cruz County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dominican Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiology services, including cardiac catheterization laboratory services and cardiovascular surgery;
- b) Outpatient Services – Infusion Clinic;
- c) Neuroscience services, including neurosurgery (spine and cranial);
- d) Oncology services, including inpatient medical and surgical oncology services;
- e) Orthopedic surgery services;
- f) General surgery services;
- g) Physical therapy services;
- h) Outpatient Therapy Services at Dominican Outpatient Services;
- i) Nuclear medicine services;
- j) Imaging and radiology services (inpatient and outpatient), Mobile Unit – CAT Scan and Mobile Unit – PET/Proton therapy;
- k) Mobile Unit – primary care services;
- l) Laboratory services;
- m) Occupational therapy services;
- n) Respiratory care services;
- o) Social services; and
- p) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Dominican Hospital;
- b) Maintain and have a Medi-Cal Managed Care contract with Central California Alliance for Health or its successor to provide the same types and/or levels of emergency and non-emergency services at Dominican Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Dominican Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Dominican Hospital equal to or greater than \$2,371,405 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Dominican Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Dominican Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
  - h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Dominican Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Dominican Hospital equal to or greater than \$7,596,529 (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:

- a. Dignity Health Community Grants;
- b. Mobile Health Van;
- c. Psychiatric Resource Team; and
- d. Donation - Cash: Santa Cruz County SANE/SART.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Dominican Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Dominican Hospital's service area (23 ZIP codes), as defined on page 43 of the Santa Cruz County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## **XII.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Santa Cruz or the County of Santa Cruz or their subdivisions, departments, or agencies for services at Dominican Hospital including the following:

- a. Memorandum of Understanding – EMS System;
- b. Voluntary Declaration of Paternity Collaborative Program;
- c. Memorandum of Understanding – Baby Gateway;
- d. Agreement for Services STEMI Receiving Center Designation;
- e. Hospital Base Station Agreement (EMS);
- f. Hospital Services Agreement;
- g. Sexual Assault Nurse Examiners Agreement;
- h. Memorandum of Understanding – Drug Exposed Infants; and
- i. Memorandum of Understanding – Emergency Medical Treatment.

## **XIII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Dominican Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## **XIV.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Dominican Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Dominican Hospital.

## XV.

For five years from the closing date of the Ministry Alignment Agreement, Dominican Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Dominican Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Dominican Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Dominican Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Dominican Hospital, and community representatives from Dominican Hospital's service area (23 ZIP codes), as defined on page 43 of the Santa Cruz County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Dominican Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XVI.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify



that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Dominican Hospital. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Dominican Hospital, adhered to, and strictly enforced.

#### **XIX.**

Dignity Health and CommonSpirit Health are required to continue Dominican Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

#### **XX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of Dominican Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

#### **XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions.

Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Dominican Hospital

### Service Area Definition

Dominican Hospital's service area is comprised of 23 ZIP Codes from which 91% of its inpatient discharges originated in CY 2016. Approximately 56% of the Hospital's discharges originated from the top four ZIP Codes, all of which are in the Cities of Santa Cruz, Watsonville, and Aptos. In CY 2016, the Hospital's market share in the service area was 47.6%.

<b>DOMINICAN HOSPITAL PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cum % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
95060	Santa Cruz	1,816	16.7%	16.7%	2,937	61.8%
95062	Santa Cruz	1,667	15.4%	32.1%	2,602	64.1%
95076	Watsonville	1,651	15.2%	47.3%	6,340	26.0%
95003	Aptos	959	8.8%	56.1%	1,679	57.1%
95066	Scotts Valley	653	6.0%	62.1%	1,081	60.4%
95073	Soquel	567	5.2%	67.3%	841	67.4%
95010	Capitola	547	5.0%	72.4%	813	67.3%
95065	Santa Cruz	453	4.2%	76.6%	672	67.4%
95006	Boulder Creek	376	3.5%	80.0%	684	55.0%
95018	Felton	321	3.0%	83.0%	544	59.0%
95005	Ben Lomond	249	2.3%	85.3%	389	64.0%
95019	Freedom	196	1.8%	87.1%	709	27.6%
95001	Aptos	73	0.7%	87.7%	134	54.5%
95063	Santa Cruz	70	0.6%	88.4%	125	56.0%
95061	Santa Cruz	65	0.6%	89.0%	99	65.7%
95033	Los Gatos	52	0.5%	89.5%	525	9.9%
95067	Scotts Valley	39	0.4%	89.8%	70	55.7%
95017	Davenport	31	0.3%	90.1%	53	58.5%
95077	Watsonville	28	0.3%	90.4%	155	18.1%
95064	Santa Cruz	25	0.2%	90.6%	64	39.1%
95041	Mount Hermon	23	0.2%	90.8%	39	59.0%
95007	Brookdale	18	0.2%	91.0%	41	43.9%
95039	Moss Landing	6	0.1%	91.0%	160	3.8%
<b>Subtotal</b>		<b>9,885</b>	<b>91.0%</b>	<b>91.0%</b>	<b>20,756</b>	<b>47.6%</b>
Other ZIPs		974	9.0%	100%		
<b>Total Discharges</b>		<b>10,859</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

## **Attorney General's Conditions to Change in Control and Governance of Mercy Medical Center Redding<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

### **I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy Medical Center Redding or the real property on which Mercy Medical Center Redding is located, any and all current and future owners, lessees, licensees, or operators of Mercy Medical Center Redding, and any and all current and future lessees and owners of the real property on which Mercy Medical Center Redding is located.

### **II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy Medical Center Redding's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "Mercy Medical Center Redding" shall mean the general acute care hospital located at 2175 Rosaline Ave., Redding, California 96001 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 2, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy Medical Center Redding shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy Medical Center Redding; or
- (b) Transfer control, responsibility, management, or governance of Mercy Medical Center Redding. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy Medical Center Redding shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Redding shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designations and certification with the same types and/or levels of services, including the following:

- a) 30 Emergency Treatment Stations at a minimum;
- b) Designation as a Paramedic Base Station;
- c) Designation as a STEMI Receiving Center;
- d) Certification as a Primary Stroke Center; and
- e) Level II Trauma Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Redding shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 34 intensive care beds and 10 coronary care beds;
- b) Obstetrics services, including a minimum of 31 perinatal beds;

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 2, 2018.

- c) Pediatric services, including a minimum of 19 pediatric beds; and
- d) Intensive Care Newborn Nursery services, including a minimum of 16 neonatal intensive care beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Medical Center Redding shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Medical Center Redding shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy Medical Center Redding's service area (31 ZIP codes), as defined on page 40 of the Shasta County Health Care Impact Statement, dated September 4, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Redding shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiac catheterization laboratory services, cardiovascular surgery, interventional cardiology, electrophysiology, general cardiology, and Outpatient Services – cardiac rehabilitation;
- b) Neuroscience services, including neurosurgery services;

- c) Oncology services, including inpatient medical and surgical oncology services and Outpatient Services – Oncology, and Outpatient Services at Dignity Health Mercy Oncology Center
- d) Orthopedic surgery services, including total joint replacements;
- e) General surgery services;
- f) Nuclear medicine services;
- g) Imaging and radiology services (inpatient and outpatient);
- h) Laboratory services;
- i) Outpatient Services – MRI
- j) Outpatient Services – Endoscopy;
- k) Outpatient Services – Pulmonary;
- l) Outpatient Clinics – Mercy Family Health Center;
- m) Outpatient Clinics – Mercy Wound Care Clinic;
- n) Audiology services;
- o) Occupational therapy services;
- p) Physical therapy services;
- q) Respiratory care services;
- r) Social services; and
- s) Speech pathology services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy Medical Center Redding;
- b) Maintain and have a Medi-Cal Managed Care contract with Partnership Health Plan of California or its successor to provide the same types and/or levels of emergency and non-emergency services at Mercy Medical Center Redding to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy Medical Center Redding to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy Medical Center Redding equal to or greater than \$2,811,416 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the



operation and provision of services at Mercy Medical Center Redding. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup> Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy Medical Center Redding and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

assistance) about the availability of financial assistance at each California hospital.

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy Medical Center Redding for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy Medical Center Redding equal to or greater than \$4,110,598 (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:

- a. Community Health Education;
- b. Community Grants Program;
- c. Hospitality House;
- d. Residency Program; and
- e. Transportation for patient in need.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy Medical Center Redding for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy Medical Center Redding's service area (31 ZIP codes), as defined on page 40 of the Shasta County Health Care Impact Statement, dated September 4, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Redding or the County of Shasta or their subdivisions, departments, or agencies for services at Mercy Medical Center Redding including the following:

- a. Facility Services Agreement;
- b. Agreement for Combi-tube and Automated External Defibrillation Services;
- c. Modification to Approval to Provide for Combi-tube and Automated External Defibrillation Services;
- d. Personal Services Agreement (CAPR System Kits);
- e. Paternity Opportunity Program Agreement;
- f. Personal Services Agreement (Lab Testing);
- g. Personal Services Agreement (Decontamination Equipment);
- h. Services Agreement (Blood Draws and Expert Testimony);
- i. Thermal Energy Storage Agreement; and
- j. Domestic Violence/Sexual Assault Victim Services Agreement.

#### **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Medical Center Redding until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy Medical Center Redding who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy Medical Center Redding.

#### XIV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Redding shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy Medical Center Redding's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy Medical Center Redding's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy Medical Center Redding's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy Medical Center Redding, and community representatives from Mercy Medical Center Redding's service area (31 ZIP codes), as defined on page 40 of the Shasta County Health Care Impact Statement, dated September 4, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy Medical Center Redding's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Mercy Medical Center Redding. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy Medical Center Redding, adhered to, and strictly enforced.

**XVIII.**

Dignity Health and CommonSpirit Health are required to continue Mercy Medical Center Redding's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XIX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Mercy Medical Center Redding's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Mercy Medical Center Redding

### *Service Area Definition*

Mercy Medical Center Redding's service area is comprised of 31 ZIP Codes from which 86% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top three ZIP Codes in the City of Redding. In CY 2016, the Hospital's market share in the service area was 46.5%.

<b>MERCY MEDICAL CENTER REDDING</b>						
<b>PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cum % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
96003	Redding	2,302	17.1%	17.1%	4,539	50.7%
96001	Redding	1,994	14.8%	32.0%	4,079	48.9%
96002	Redding	1,977	14.7%	46.7%	3,806	51.9%
96007	Anderson	1,617	12.0%	58.8%	2,884	56.1%
96022	Cottonwood	759	5.7%	64.4%	1,563	48.6%
96080	Red Bluff	686	5.1%	69.5%	3,215	21.3%
96019	Shasta Lake	597	4.4%	74.0%	1,191	50.1%
96088	Shingletown	253	1.9%	75.8%	540	46.9%
96073	Palo Cedro	196	1.5%	77.3%	415	47.2%
96093	Weaverville	179	1.3%	78.6%	501	35.7%
96049	Redding	151	1.1%	79.8%	269	56.1%
96041	Hayfork	126	0.9%	80.7%	298	42.3%
96008	Bella Vista	102	0.8%	81.5%	211	48.3%
96051	Lakehead	79	0.6%	82.0%	164	48.2%
96087	Shasta	74	0.6%	82.6%	132	56.1%
96052	Lewiston	62	0.5%	83.1%	153	40.5%
96069	Oak Run	50	0.4%	83.4%	99	50.5%
96089	Shasta Lake	49	0.4%	83.8%	81	60.5%
96062	Millville	47	0.3%	84.1%	101	46.5%
96024	Douglas City	40	0.3%	84.4%	93	43.0%
96047	Igo	36	0.3%	84.7%	75	48.0%
96059	Manton	35	0.3%	85.0%	66	53.0%
96084	Round Mountain	33	0.2%	85.2%	66	50.0%
96091	Trinity Center	29	0.2%	85.4%	76	38.2%
96033	French Gulch	21	0.2%	85.6%	57	36.8%
96096	Whitmore	17	0.1%	85.7%	58	29.3%
96065	Montgomery Creek	13	0.1%	85.8%	46	28.3%
96076	Platina	11	0.1%	85.9%	23	47.8%
96011	Big Bend	10	0.1%	86.0%	31	32.3%
96075	Paynes Creek	6	0.0%	86.0%	25	24.0%
96079	Shasta Lake	6	0.0%	86.1%	12	50.0%
<b>Subtotal</b>		<b>11,557</b>	<b>86.1%</b>	<b>86.1%</b>	<b>24,869</b>	<b>46.5%</b>
<b>Other ZIPs</b>		<b>1,872</b>	<b>13.9%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>13,429</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Mercy Medical Center Mt. Shasta<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Mercy Medical Center Mt. Shasta or the real property on which Mercy Medical Center Mt. Shasta is located, any and all current and future owners, lessees, licensees, or operators of Mercy Medical Center Mt. Shasta, and any and all current and future lessees and owners of the real property on which Mercy Medical Center Mt. Shasta is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and Mercy Medical Center Mt. Shasta's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to

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<sup>1</sup> Throughout this document, the term "Mercy Medical Center Mt. Shasta" shall mean the general acute care hospital located at 914 Pine St., Mount Shasta, California 96067 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective July 30, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.



allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of Mercy Medical Center Mt. Shasta shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Mercy Medical Center Mt. Shasta; or
- (b) Transfer control, responsibility, management, or governance of Mercy Medical Center Mt. Shasta. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of Mercy Medical Center Mt. Shasta shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Mt. Shasta shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designation with the same types and/or levels of services, including the following:

- a) 8 Emergency Treatment Stations at a minimum; and
- b) Level III Trauma Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Mt. Shasta shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Intensive care services, including a minimum of 4 intensive care beds; and
- b) Obstetrics services, including a minimum of 4 perinatal beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of July 30, 2018.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Mercy Medical Center Mt. Shasta shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Breast Imaging located at 914 Pine Street, Mount Shasta, California, 96067.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Mercy Medical Center Mt. Shasta shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Mercy Medical Center Mt. Shasta's service area (16 ZIP codes), as defined on page 40 of the Siskiyou County Health Care Impact Statement, dated September 10, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Mt. Shasta shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiology services, including general, non-invasive cardiology;
- b) Oncology services, including inpatient medical and surgical oncology services;
- c) Orthopedic surgery services;
- d) General surgery services, including Outpatient Services - Surgery;
- e) Nuclear medicine services;
- f) Imaging and radiology services (inpatient and outpatient) and Mobile Unit - MRI;
- g) Laboratory services;
- h) Outpatient Services – Physical Therapy at Mercy Physical Therapy;
- i) Rural health clinic – Mercy Mt. Shasta Community Clinic;
- j) Rural health clinic – Pine Street Clinic;
- k) Rural health clinic – Mercy Lake Shastina Community Clinic;
- l) Occupational therapy services;

- m) Physical therapy services;
- n) Respiratory care services;
- o) Speech therapy services

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at Mercy Medical Center Mt. Shasta;
- b) Maintain and have a Medi-Cal Managed Care contract with Partnership Health Plan of California or its successor to provide the same types and/or levels of emergency and non-emergency services at Mercy Medical Center Mt. Shasta to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Mercy Medical Center Mt. Shasta to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at Mercy Medical Center Mt. Shasta equal to or greater than \$433,422 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at Mercy Medical Center Mt. Shasta. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Mercy Medical Center Mt. Shasta and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Mercy Medical Center Mt. Shasta for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at Mercy Medical Center Mt. Shasta equal to or greater than \$76,900 (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:

- a. Community Health Education;
- b. Community Grants Program; and
- c. Transportation System.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Mercy Medical Center Mt. Shasta for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Mercy Medical Center Mt. Shasta's service area (16 ZIP codes), as defined on page 40 of the Siskiyou County Health Care Impact Statement, dated September 10, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Mount Shasta or the County of Siskiyou or their subdivisions, departments, or agencies for services at Mercy Medical Center Mt. Shasta including the following:

- a. Emergency Preparedness Plan and Memorandum of Understanding;
- b. Memorandum of Understanding – Physical Examinations for City Personnel;
- c. Contract for Services (Modoc Regional Department of Child Support Services);

- a. Memorandum of Understanding – Employee Physicals;
- b. Domestic Violence and Crisis Agreement (Sexual Assault); and
- c. Domestic Violence and Crisis Agreement (Domestic Violence).

## XII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Medical Center Mt. Shasta until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIII.

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at Mercy Medical Center Mt. Shasta who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Mercy Medical Center Mt. Shasta.

## XIV.

For five years from the closing date of the Ministry Alignment Agreement, Mercy Medical Center Mt. Shasta shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Mercy Medical Center Mt. Shasta's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with Mercy Medical Center Mt. Shasta's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Mercy Medical Center Mt. Shasta's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Mercy Medical Center Mt. Shasta, and community representatives from Mercy Medical Center Mt. Shasta's service area (16 ZIP codes), as defined on page 40 of the Siskiyou County Health Care Impact Statement, dated September 10, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Mercy Medical Center Mt. Shasta's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XVII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender or queer individuals at Mercy Medical Center Mt. Shasta. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at Mercy Medical Center Mt. Shasta, adhered to, and strictly enforced.

## XVIII.

Dignity Health and CommonSpirit Health are required to continue Mercy Medical Center Mt. Shasta's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of Mercy Medical Center Mt. Shasta's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.



**EXHIBIT 1**

## Analysis of Mercy Medical Center Mt. Shasta

### *Service Area Definition*

Mercy Medical Center Mt. Shasta's service area is comprised of 16 ZIP Codes where 90% of its inpatient discharges originated in CY 2016. Approximately 55% of the Hospital's inpatient discharges originated from the top two ZIP Codes, in the Cities of Mount Shasta and Weed. Furthermore, 81.7% of the Hospital's inpatient discharges were from in the top five ZIP Codes. In CY 2016, the Hospital's market share in the service area was 29.1%.

<b>MERCY MEDICAL CENTER MT. SHASTA</b>						
<b>PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
96067	Mount Shasta	290	27.8%	27.8%	513	56.5%
96094	Weed	283	27.1%	54.9%	551	51.4%
96025	Dunsmuir	144	13.8%	68.7%	235	61.3%
96057	Mccloud	83	8.0%	76.6%	144	57.6%
96097	Yreka	53	5.1%	81.7%	943	5.6%
96064	Montague	31	3.0%	84.7%	309	10.0%
96027	Etna	11	1.1%	85.7%	104	10.6%
96058	Macdoel	10	1.0%	86.7%	29	34.5%
96038	Grenada	9	0.9%	87.5%	67	13.4%
96034	Gazelle	7	0.7%	88.2%	22	31.8%
96032	Fort Jones	7	0.7%	88.9%	178	3.9%
96023	Dorris	5	0.5%	89.4%	15	33.3%
96050	Klamath River	5	0.5%	89.8%	31	16.1%
96044	Hornbrook	3	0.3%	90.1%	64	4.7%
96014	Callahan	2	0.2%	90.3%	13	15.4%
96134	Tulelake	1	0.1%	90.4%	29	3.4%
<b>Subtotal</b>		<b>944</b>	<b>90.4%</b>	<b>90.4%</b>	<b>3,247</b>	<b>29.1%</b>
<b>Other ZIPs</b>		<b>100</b>	<b>9.6%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>1,044</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. John's Pleasant Valley Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. John's Pleasant Valley Hospital or the real property on which St. John's Pleasant Valley Hospital is located, any and all current and future owners, lessees, licensees, or operators of St. John's Pleasant Valley Hospital, and any and all current and future lessees and owners of the real property on which St. John's Pleasant Valley Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. John's Pleasant Valley Hospital's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to

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<sup>1</sup> Throughout this document, the term "St. John's Pleasant Valley Hospital" shall mean the general acute care hospital located at 2309 Antonio Ave, Camarillo, California 93010 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 28, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. John's Pleasant Valley Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. John's Pleasant Valley Hospital; or

(b) Transfer control, responsibility, management, or governance of St. John's Pleasant Valley Hospital. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of St. John's Pleasant Valley Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. John's Pleasant Valley Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. John's Pleasant Valley Hospital shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 14 Emergency Treatment Stations at a minimum; and
- b) Certification as a Primary Stroke Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. John's Pleasant Valley Hospital shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designation and certification in subdivision b). Such notification shall be

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 28, 2017.

provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in St. John's Pleasant Valley Hospital's service area (4 ZIP codes), as defined on page 56 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, St. John's Pleasant Valley Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 8 intensive care beds or coronary care beds;  
and
- b) Sub-Acute care services, including a minimum of 74 skilled nursing beds (65 that provide for sub-acute care services and 9 that provide short-stay skilled nursing services)

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. John's Pleasant Valley Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. John's Pleasant Valley Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of

such services to the residents in St. John's Pleasant Valley Hospital's service area (4 ZIP codes), as defined on page 56 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, St. John's Pleasant Valley Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) General cardiology services;
- b) Orthopedic surgery services, including total joint replacements;
- c) General surgery services;
- d) Neuroscience services, including neurosurgery services;
- e) Nuclear medicine services;
- f) Imaging and radiology services (inpatient and outpatient) and Mobile Unit - MRI;
- g) Laboratory services;
- h) Occupational therapy services;
- i) Physical therapy services;
- j) Respiratory care services; and
- k) Speech pathology services.

### IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. John's Pleasant Valley Hospital;
- b) Maintain and have a Medi-Cal Managed Care contract with Gold Coast Health Plan or its successor to provide the same types and/or levels of emergency and non-emergency services at St. John's Pleasant Valley Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. John's Pleasant Valley Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. John's Pleasant Valley Hospital equal to or greater than \$241,828 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at St. John's Pleasant Valley Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. John's Pleasant Valley Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
  - h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. John's Pleasant Valley Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. John's Pleasant Valley Hospital equal to or greater than \$113,598 (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:

- a) Cancer Center Support Groups;
- b) Dignity Health Community Grants Program;
- c) Community Benefit Operations and Needs Assessment; and
- d) Taxi Vouchers for Patients in Need.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.



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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. John's Pleasant Valley Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. John's Pleasant Valley Hospital's service area (4 ZIP codes), as defined on page 56 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Camarillo or the County of Ventura or their subdivisions, departments, or agencies for services at St. John's Pleasant Valley Hospital including the following:

- a. Hospital Services Agreement- Ventura County Medi-Cal Managed Care Commission; and
- b. Hospital Services Agreement- Ventura County as owner and operator of the Ventura County Health Care Plan.

## XIII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. John's Pleasant Valley Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIV.

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at St. John's Pleasant Valley Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. John's Pleasant Valley Hospital.

## XV.

For five years from the closing date of the Ministry Alignment Agreement, St. John's Pleasant Valley Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. John's Pleasant Valley Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with St. John's Pleasant Valley Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. John's Pleasant Valley Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. John's Pleasant Valley Hospital, and community representatives from St. John's Pleasant Valley Hospital's service area (4 ZIP codes), as defined on page 56 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The St. John's Pleasant Valley Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XVI.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify

that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. John's Pleasant Valley Hospital. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at St. John's Pleasant Valley Hospital, adhered to, and strictly enforced.

**XIX.**

Dignity Health and CommonSpirit Health are required to continue St. John's Pleasant Valley Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of St. John's Pleasant Valley Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions.

Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of St. John's Pleasant Valley Hospital

### *Service Area Definition*

St. John's Pleasant Valley Hospital's service area is comprised of four ZIP Codes from which 80% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from one ZIP Code in the City of Camarillo and 78% originated from two ZIP Codes in the City of Camarillo, . In CY 2016, the Hospital's market share in the service area was 34%.

<b>ST. JOHN'S PLEASANT VALLEY HOSPITAL PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93010	Camarillo	1,561	46.4%	46.4%	4,262	36.6%
93012	Camarillo	1,029	30.6%	77.0%	3,219	32.0%
93066	Somis	69	2.1%	79.1%	290	23.8%
93011	Camarillo	31	0.9%	80.0%	134	23.1%
<b>Total Percentage</b>		<b>2,690</b>	<b>80.0%</b>	<b>80.0%</b>	<b>7,905</b>	<b>34.0%</b>
Other ZIPs		672	20.0%	100%		
<b>Total Discharges</b>		<b>3,362</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. John's Regional Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. John's Regional Medical Center or the real property on which St. John's Regional Medical Center is located, any and all current and future owners, lesses, licensees, or operators of St. John's Regional Medical Center, and any and all current and future lessees and owners of the real property on which St. John's Regional Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. John's Regional Medical Center's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to

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<sup>1</sup> Throughout this document, the term "St. John's Regional Medical Center" shall mean the general acute care hospital located at 1600 N Rose Ave, Oxnard, California 93030 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 28, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. John's Regional Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. John's Regional Medical Center; or

(b) Transfer control, responsibility, management, or governance of St. John's Regional Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of St. John's Regional Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. John's Regional Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. John's Regional Medical Center shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 28 Emergency treatment stations at a minimum;
- b) Designation as a STEMI Receiving Center; and
- c) Certification as a Primary Stroke Center.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. John's Regional Medical Center shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) and c). Such notification

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 28, 2017.



shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) and c). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in St. John's Regional Medical Center's service area (24 ZIP codes), as defined on page 41 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health and CommonSpirit Health for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, St. John's Regional Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Rehabilitation services, including a minimum of 23 rehabilitation beds;
- b) Obstetrics services, including a minimum of 27 perinatal beds;
- c) Intensive Care Newborn Nursery services, including a minimum of 16 neonatal intensive care unit beds; and
- d) Critical care services, including a minimum of 10 intensive care beds and 10 coronary care beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. John's Regional Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at the St. John's Regional Imaging Center-Oxnard currently located at 1700 North Rose Avenue in Oxnard, California 93030.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. John's Regional Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective

date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in St. John's Regional Medical Center's service area (24 ZIP codes), as defined on page 41 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, St. John's Regional Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiovascular surgery services, interventional cardiology services, electrophysiology services, and general cardiology services;
- b) Orthopedic surgery services, including total joint replacements;
- c) General surgery services, including bariatric surgery and outpatient services - Surgery at St. John's Outpatient Surgery Center;
- d) Neuroscience services, including neurosurgery services;
- e) Oncology services, including inpatient medical and surgical oncology services, Outpatient Clinics - Infusion Clinics at Dignity Health Infusion Centers (Oxnard, Ventura, and Camarillo), and Outpatient Services - Clinical Research & Integrated Oncology Services;
- f) Outpatient Services - Physical and occupational services at St. John's Outpatient Therapy Center (Port Hueneme);
- g) Outpatient Services - Physical, occupational, and speech therapy services at St. John's Outpatient Therapy Center (Oxnard);
- h) Nuclear medicine services;
- i) Imaging and radiology services (inpatient and outpatient);
- j) Laboratory services;
- k) Occupational therapy services;
- l) Respiratory care services;
- m) Social services; and
- n) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. John's Regional Medical Center;
- b) Maintain and have a Medi-Cal Managed Care contract with Gold Coast Health Plan or its successor to provide the same types and/or levels of emergency and non-emergency services at St. John's Regional Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. John's Regional Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. John's Regional Medical Center equal to or greater than \$2,612,121 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at St. John's Regional Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. John's Regional Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy)

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
  - c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
  - d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
  - e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
  - f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
  - g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
  - h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. John's Regional Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and

CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. John's Regional Medical Center equal to or greater than \$1,101,269 (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:

- a. Cancer Center - Classes, Navigation, Support Groups, Nutritional Counseling;
- b. Chronic Disease Self-Management Program (CDSMP);
- c. CHAMP -Congestive Heart Failure Active Management Program;
- d. Diabetes Health Education and Support Groups;
- e. Dignity Health Community Grants;
- f. Health Fairs - Underserved/uninsured;
- g. Health Ministries - In-Kind Donations, Financial Assistance, Food Distribution, Community Service Referrals;
- h. Screenings - Underserved and Broader Community;
- i. Transportation - Taxi Vouchers;
- j. Tomando Control de su Salud - Spanish CDSMP - Underserved/uninsured; and
- k. Walking Program.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. John's Regional Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. John's Regional Medical Center's service area (24 ZIP codes), as defined on page 41 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Oxnard or the County of Ventura or their subdivisions, departments, or agencies for services at St. John's Regional Medical Center including the following:

- a. Hospital Services Agreement- Ventura County Medi-Cal Managed Care Commission; and
- b. Hospital Services Agreement- Ventura County as owner and operator of the Ventura County Health Care Plan.

## XIII.

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. John's Regional Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## XIV.

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at St. John's Regional Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. John's Regional Medical Center.

## XV.

For five years from the closing date of the Ministry Alignment Agreement, St. John's Regional Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. John's Regional Medical Center's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with St. John's Regional Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. John's Regional Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. John's Regional Medical Center, and community representatives from St. John's Regional Medical Center's service area (24 ZIP codes), as defined on page 41 of the Ventura County Health Care Impact Statement, dated September 6, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions

unless done so on an emergency basis. The St. John's Regional Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### **XVII.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVIII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. John's Regional Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at St. John's Regional Medical Center, adhered to, and strictly enforced.

#### **XIX.**

Dignity Health and CommonSpirit Health are required to continue St. John's Regional Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of St. John's Regional Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXII.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.



**EXHIBIT 1**

## Analysis of St. John's Regional Medical Center's Service Area

### Service Area Definition

St. John's Regional Medical Center's service area is comprised of 24 ZIP Codes from which 92% of its discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top two ZIP Codes, in the City of Oxnard. Approximately 68% of the Hospital's discharges originated from the top four ZIP Codes, in the City of Oxnard. In CY 2016, the Hospital's market share in the service area was 24.4%.

<b>ST. JOHN'S REGIONAL MEDICAL CENTER PATIENT ORIGIN CY 2016</b>						
<b>ZIP Code</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
93033	Oxnard	2,757	25.6%	25.6%	6,462	42.7%
93030	Oxnard	2,528	23.5%	49.0%	5,324	47.5%
93036	Oxnard	1,211	11.2%	60.3%	3,324	36.4%
93035	Oxnard	824	7.6%	67.9%	2,279	36.2%
93041	Port Hueneme	819	7.6%	75.5%	2,157	38.0%
93010	Camarillo	531	4.9%	80.4%	4,262	12.5%
93003	Ventura	290	2.7%	83.1%	4,540	6.4%
93012	Camarillo	287	2.7%	85.8%	3,219	8.9%
93004	Ventura	203	1.9%	87.7%	2,500	8.1%
93060	Santa Paula	158	1.5%	89.1%	2,552	6.2%
93001	Ventura	138	1.3%	90.4%	2,810	4.9%
93031	Oxnard	53	0.5%	90.9%	135	39.3%
93066	Somis	38	0.4%	91.3%	290	13.1%
93022	Oak View	28	0.3%	91.5%	437	6.4%
93011	Camarillo	24	0.2%	91.8%	134	17.9%
93034	Oxnard	13	0.1%	91.9%	34	38.2%
93002	Ventura	11	0.1%	92.0%	131	8.4%
93044	Port Hueneme	11	0.1%	92.1%	48	22.9%
93006	Ventura	9	0.1%	92.2%	80	11.3%
93032	Oxnard	7	0.1%	92.2%	19	36.8%
93042	Point Mugu NAS	4	0.0%	92.3%	17	23.5%
93007	Ventura	3	0.0%	92.3%	28	10.7%
93005	Ventura	2	0.0%	92.3%	39	5.1%
93043	Port Hueneme	2	0.0%	92.3%	9	22.2%
<b>Total Percentage</b>		<b>9,951</b>	<b>92.3%</b>	<b>92.3%</b>	<b>40,830</b>	<b>24.4%</b>
<b>Other ZIPs</b>		<b>827</b>	<b>7.7%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>10,778</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Woodland Memorial Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Woodland Memorial Hospital or the real property on which Woodland Memorial Hospital is located, any and all current and future owners, lessees, licensees, or operators of Woodland Memorial Hospital, and any and all current and future lessees and owners of the real property on which Woodland Memorial Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, Woodland Memorial Hospital's Hospital Community Board, and Dignity

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<sup>1</sup> Throughout this document, the term "Woodland Memorial Hospital" shall mean the general acute care hospital located at 1325 Cottonwood Street, Woodland, California 95695 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 30, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of Woodland Memorial Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Woodland Memorial Hospital; or
- (b) Transfer control, responsibility, management, or governance of Woodland Memorial Hospital. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of Woodland Memorial Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, Woodland Memorial Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

### V.

For the initial five years from the closing date of the Ministry Alignment Agreement, Woodland Memorial Hospital shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designations and certifications with the same types and/or levels of services, including the following:

- a) 20 Emergency Treatment Stations at a minimum;
- b) Designation as a Paramedic Base Station;
- c) Certification as a Primary Stroke Center; and
- d) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 30, 2017.

Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150, and other California laws and regulations.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Woodland Memorial Hospital shall maintain and provide 24-hour emergency services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through d). Such notification shall include the reasons for the reduction in the number of treatment stations in subdivision a) or discontinuation in the designations and certifications in subdivisions b) through d). Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of emergency services creates a significant effect on the availability and accessibility of such services to the residents in Woodland Memorial Hospital's service area (21 ZIP codes), as defined on page 41 of the Yolo County Health Care Impact Statement, dated August 20, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VI.

For five years from the closing date of the Ministry Alignment Agreement, Woodland Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 7 perinatal beds;
- b) Intensive care services, including a minimum of 8 intensive care beds;
- c) Pediatric services, including a minimum of 7 pediatric beds; and
- d) Acute psychiatric services, including a minimum of 31 acute psychiatric beds.

Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Woodland Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at 632 W. Gibson Road, Woodland, California 95695 and 2081 Bronze Star Drive, Woodland, California 95776, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Woodland Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Woodland Memorial Hospital's service area (21 ZIP codes), as defined on page 41 of the Yolo County Health Care Impact Statement, dated August 20, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Woodland Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Oncology services, including inpatient medical and surgical oncology services and Outpatient Services – Infusion Center;
- b) Cardiac catheterization laboratory services;
- c) Neuroscience services, including neurosurgery services;
- d) Outpatient Services – Infusion Center;
- e) Outpatient Services – Surgical Clinic;
- f) Orthopedic surgery services, including total joint replacements;
- g) Nuclear medicine services;
- h) Imaging and radiology services (inpatient and outpatient);
- i) Laboratory services;
- j) Occupational therapy services;
- k) Physical therapy services;
- l) Respiratory care services;
- m) General surgery; and
- n) Speech pathology services.

## IX.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Woodland Memorial Hospital;
- b) Maintain and have a Medi-Cal Managed Care contract with Partnership Health Plan of California or its successor to provide the same types and/or levels of emergency and non-emergency services at Woodland Memorial Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Woodland Memorial Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Woodland Memorial Hospital equal to or greater than \$1,179,723 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at Woodland Memorial Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Woodland Memorial Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy)

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

- whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
  - c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
  - d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
  - e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
  - f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
  - g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
  - h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Woodland Memorial Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and



Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVII. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Woodland Memorial Hospital equal to or greater than \$1,557,618 (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:

- a. Chronic Disease Self-Management Program;
- b. The Center for Families (YFRC); and
- c. Dignity Health Community Grants Program.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Woodland Memorial Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Woodland Memorial Hospital's service area (21 ZIP codes), as defined on page 41 of the Yolo County Health Care Impact Statement, dated August 20, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Woodland or the County of Yolo or their subdivisions, departments, or agencies for services at Woodland Memorial Hospital including the following:

- a. Designation as a Primary Stroke Center Agreement;
- b. Acute Psychiatric Inpatient Hospital Services Agreement; and
- c. Adult Day Health Care Services Agreement.

### **XIII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Woodland Memorial Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

### **XIV.**

Dignity Community Care shall maintain privileges for current medical staff at Woodland Memorial Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Woodland Memorial Hospital.

### **XV.**

For five years from the closing date of the Ministry Alignment Agreement, Woodland Memorial Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Woodland Memorial Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Community Care shall consult with Woodland Memorial Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Woodland Memorial Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Woodland Memorial Hospital, and community representatives from Woodland Memorial Hospital's service area (21 ZIP codes), as defined on page 41 of the Yolo County Health Care Impact Statement, dated August 20, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Woodland Memorial Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

### **XVI.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## XVII.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## XVIII.

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Woodland Memorial Hospital. This prohibition must be explicitly set forth in Dignity Community Care's written policies applicable at Woodland Memorial Hospital, adhered to, and strictly enforced.

## XIX.

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue Woodland Memorial Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## XX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and Woodland Memorial Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Community Care and Woodland Memorial Hospital shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XXI.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## **XXII. .**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Woodland Memorial Hospital

### *Service Area Definition*

Woodland Memorial Hospital's service area is comprised of 21 ZIP Codes from which 73% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top three ZIP Codes that are in the Cities of Woodland and Davis. In CY 2016, the Hospital's market share in the service area was 21.6%.

<b>WOODLAND MEMORIAL HOSPITAL PATIENT ORIGIN CY 2016</b>						
<b>ZIP Codes</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
95695	Woodland	1,638	32.7%	32.7%	3,472	47.2%
95776	Woodland	705	14.1%	46.8%	1,716	41.1%
95616	Davis	157	3.1%	49.9%	2,130	7.4%
95627	Esparto	154	3.1%	53.0%	314	49.0%
95691	West Sacramento	137	2.7%	55.7%	3,214	4.3%
95912	Arbuckle	130	2.6%	58.3%	376	34.6%
95620	Dixon	109	2.2%	60.5%	1,495	7.3%
95694	Winters	116	2.3%	62.8%	710	16.3%
95618	Davis	111	2.2%	65.0%	1,311	8.5%
95605	West Sacramento	95	1.9%	66.9%	1,446	6.6%
95645	Knights Landing	94	1.9%	68.8%	170	55.3%
95937	Dunnigan	74	1.5%	70.3%	149	49.7%
95697	Yolo	43	0.9%	71.2%	69	62.3%
95653	Madison	26	0.5%	71.7%	54	48.1%
95606	Brooks	19	0.4%	72.1%	51	37.3%
95617	Davis	16	0.3%	72.4%	112	14.3%
95637	Guinda	9	0.2%	72.6%	28	32.1%
95676	Robbins	7	0.1%	72.7%	37	18.9%
95607	Capay	7	0.1%	72.8%	21	33.3%
95698	Zamora	4	0.1%	72.9%	12	33.3%
95679	Rumsey	4	0.1%	73.0%	6	66.7%
<b>Subtotal</b>		<b>3,655</b>	<b>73.0%</b>	<b>73.0%</b>	<b>16,893</b>	<b>21.6%</b>
<b>Other ZIPs</b>		<b>1,352</b>	<b>27.0%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>5,007</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. Elizabeth Community Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Elizabeth Community Hospital or the real property on which St. Elizabeth Community Hospital is located, any and all current and future owners, lessees, licensees, or operators of St. Elizabeth Community Hospital, and any and all current and future lessees and owners of the real property on which St. Elizabeth Community Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. Elizabeth Community Hospital's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to

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<sup>1</sup> Throughout this document, the term "St. Elizabeth Community Hospital" shall mean the general acute care hospital located at 2550 Sister Mary Columba Dr., Red Bluff, California 96080 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective November 28, 2017, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. Elizabeth Community Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Elizabeth Community Hospital; or
- (b) Transfer control, responsibility, management, or governance of St. Elizabeth Community Hospital. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of St. Elizabeth Community Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For ten years from the closing date of the Ministry Alignment Agreement, St. Elizabeth Community Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designation with the same types and/or levels of services, including the following:

- a) 15 Emergency Treatment Stations at a minimum; and
- b) Level III Trauma Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, St. Elizabeth Community Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 2 perinatal beds; and
- b) Intensive care services, including a minimum of 8 intensive care beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of November 28, 2017.



## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Elizabeth Community Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at St. Elizabeth Outpatient Imaging Center currently located at 2580 Sister Mary Columba Drive, Red Bluff, California 96080.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Elizabeth Community Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in St. Elizabeth Community Hospital's service area (10 ZIP codes), as defined on page 41 of the Tehama County Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, St. Elizabeth Community Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Orthopedic surgery services;
- b) General surgery services;
- c) Outpatient Services – Surgery at St. Elizabeth Outpatient Surgery Center;
- d) Outpatient Clinics: Wound Care Clinic;
- e) Nuclear medicine services;
- f) Imaging and radiology services (inpatient and outpatient) including Outpatient Services – Radiology at St. Elizabeth Imaging Center (including Mobile Unit - CT);
- g) Laboratory services;
- h) Podiatry services;
- i) Respiratory care services;
- j) Social services;
- k) Speech pathology services;

- l) Physical therapy services;
- m) Rural health clinic – Dignity Health Solano Street Medical Clinic;
- n) Rural health clinic – Lassen Medical Clinic at Red Bluff; and
- o) Rural health clinic – Lassen Medical Clinic at Cottonwood.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. Elizabeth Community Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at St. Elizabeth Community Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor; and
  - ii) Commercial Plan: California Health & Wellness<sup>4</sup> or its successor;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. Elizabeth Community Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. Elizabeth Community Hospital equal to or greater than \$1,246,177 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at St. Elizabeth Community Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup>

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<sup>4</sup> California Health & Wellness is a wholly-owned subsidiary of Centene.

<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. Elizabeth Community Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Elizabeth Community Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. Elizabeth Community Hospital equal to or greater than \$152,965 (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:

- a) Community Grants Program
- b) Medications for Indigent Patients; and
- c) Charity Transportation.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in U.S. City Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Elizabeth Community Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Elizabeth Community Hospital's service area (10 ZIP codes), as defined on page 41 of the Tehama Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City of Tehama or the County of Tehama or their subdivisions, departments, or agencies for services at St. Elizabeth Community Hospital including the following:

- a. Memorandum of Understanding- Ambulance Response Mutual Aid;
- b. Memorandum of Understanding- Ambulance Dispatch Services
- c. Hospital Preparedness Program;
- d. Paternity Opportunity Program;
- e. Agreement for X-Ray Services;
- f. Memorandum of Understanding- Continuum of Care- Indigent Medical Care Services and 340(b) Program;
- g. Memorandum of Understanding - To Provide Basic Life Support Classes;
- h. Memorandum of Understanding- Sexual Assault Forensic Examiner Program (SART); and
- i. Diagnostic Test Interpretation Agreement.

## **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Elizabeth Community Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at St. Elizabeth Community Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Elizabeth Community Hospital.

## **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, St. Elizabeth Community Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. Elizabeth Community Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Health and CommonSpirit Health shall consult with St. Elizabeth Community Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. Elizabeth Community Hospital's Hospital Community Board shall include physicians, medical staff, and

the Chief of Staff from St. Elizabeth Community Hospital, and community representatives from St. Elizabeth Community Hospital's service area (10 ZIP codes), as defined on page 41 of the Tehama County Health Care Impact Statement, dated September 13, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The St. Elizabeth Community Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

**XV.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

**XVI.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. Elizabeth Community Hospital. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at St. Elizabeth Community Hospital, adhered to, and strictly enforced.

### **XVIII.**

Dignity Health and CommonSpirit Health are required to continue St. Elizabeth Community Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

### **XIX.**

For eleven fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship of Trustees of CommonSpirit Health, and the Board of Directors of St. Elizabeth Community Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

### **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

### **XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**



## Analysis of St. Elizabeth Community Hospital

### *Service Area Definition*

St. Elizabeth Community Hospital's service area is comprised of ten ZIP Codes from which 89.4% of its inpatient discharges originated in CY 2016. Additionally, 54% of the Hospital's inpatient discharges originated from the top ZIP Code, the City of Red Bluff. Furthermore 87.4% of the Hospital's inpatient discharges originated from the top five ZIP Codes. In CY 2016, the Hospital's market share in the service area was 37.1%.

<b>ST. ELIZABETH COMMUNITY HOSPITAL PATIENT ORIGIN CY 2016</b>						
<b>ZIP Codes</b>	<b>Community</b>	<b>Total Discharges</b>	<b>% of Discharges</b>	<b>Cumulative % of Discharges</b>	<b>Total Area Discharges</b>	<b>Market Share</b>
96080	Red Bluff	1,649	54.0%	54.0%	3,215	51.3%
96021	Corning	563	18.5%	72.5%	1,698	33.2%
96055	Los Molinos	178	5.8%	78.3%	440	40.5%
96035	Gerber	143	4.7%	83.0%	288	49.7%
96022	Cottonwood	135	4.4%	87.4%	1,563	8.6%
96090	Tehama	31	1.0%	88.5%	72	43.1%
96078	Proberta	12	0.4%	88.9%	25	48.0%
96075	Paynes Creek	7	0.2%	89.1%	25	28.0%
96074	Paskenta	6	0.2%	89.3%	13	46.2%
96029	Flournoy	3	0.1%	89.4%	10	30.0%
<b>Subtotal</b>		<b>2,727</b>	<b>89.4%</b>	<b>89.4%</b>	<b>7,349</b>	<b>37.1%</b>
Other ZIPs		324	10.6%	100%		
<b>Total Discharges</b>		<b>3,051</b>	<b>100%</b>			

Note: Excludes normal newborns  
 Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of Saint Francis Memorial Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation)<sup>2</sup>, a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, Saint Francis Memorial Hospital (Saint Francis Memorial Hospital Corporation), a California nonprofit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Saint Francis Memorial Hospital or the real property on which Saint Francis Memorial Hospital is located, any and all current and future owners, lessees, licensees, or operators of Saint Francis Memorial Hospital, and any and all current and future lessees and owners of the real property on which Saint Francis Memorial Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents

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<sup>1</sup> Throughout this document, the term "Saint Francis Memorial Hospital" shall mean the general acute care hospital located at 900 Hyde St., San Francisco, California 94109 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective January 1, 2018, unless otherwise indicated.

<sup>2</sup> Throughout this document, the term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital's Hospital Community Board, Saint Francis Memorial Hospital Corporation, and Dignity Community Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, Saint Francis Memorial Hospital Corporation, and all future owners, managers, lessees, licensees, or operators of Saint Francis Memorial Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Saint Francis Memorial Hospital; or

(b) Transfer control, responsibility, management, or governance of Saint Francis Memorial Hospital. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, or Dignity Community Care that transfers the control of, responsibility for, or governance of Saint Francis Memorial Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certifications with the same types and/or levels of services, including the following:

a) 20 Emergency Treatment Stations at a minimum;

b) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150 Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150 and other California laws and regulations; and

c) Certification as a Primary Stroke Center.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2018.

## V.

For five years from the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Critical care services, including a minimum of 10 intensive care beds and 8 coronary care beds;
- b) Rehabilitation services, including a minimum of 20 acute rehabilitation beds;
- c) Acute psychiatric services, including a minimum of 35 acute psychiatric beds; and
- d) Burn services, including a minimum of 10 burn beds.

Saint Francis Memorial Hospital Corporation and Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Saint Francis Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Saint Francis Memorial Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Saint Francis Memorial Hospital Corporation and Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Saint Francis Memorial Hospital Corporation and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Saint Francis Memorial Hospital's service area (28 ZIP codes), as defined on page 57 of the City and County of San Francisco Health Care Impact Statement, dated August 10, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Saint Francis Memorial Hospital Corporation and Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Saint Francis Memorial Hospital Corporation and Dignity Community Care for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Cardiovascular services, including cardiac catheterization laboratory services, and general cardiology services;
- b) Neuroscience services, including neurosurgery services (spine) and outpatient services at the Spine Care Institute;
- c) Oncology services, including inpatient medical and surgical oncology services and radiation therapy services;
- d) Orthopedic surgery services, including total joint replacements and outpatient services at the Joint Center and the Center for Sports Medicine;
- e) General surgery services;
- f) Outpatient Services - Pain Management (Pain Center);
- g) Outpatient Services - Physical Therapy/Occupational medicine at Health Center-AT&T Park;
- h) Outpatient Clinic/Rehabilitation Clinic - Physical Therapy/Occupational Health;
- i) Nuclear medicine services;
- j) Imaging and radiology services (inpatient and outpatient);
- k) Laboratory services;
- l) Audiology services;
- m) Occupational therapy services;
- n) Physical therapy services;
- o) Respiratory care services;
- p) Social services; and
- q) Speech pathology services.

## VIII.

For five years from the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital Corporation and Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Saint Francis Memorial Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at Saint Francis Memorial Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: San Francisco Health Plan or its successor; and
  - ii) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor; and

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Saint Francis Memorial Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Saint Francis Memorial Hospital equal to or greater than \$5,983,884 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care in connection with the operation and provision of services at Saint Francis Memorial Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Saint Francis Memorial Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100%-discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.
- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, Saint Francis Memorial Hospital Corporation, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Saint Francis Memorial Hospital Corporation or Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Saint Francis Memorial Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Saint Francis Memorial Hospital equal to or greater than \$1,461,431 (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:

- a) Tenderloin Health Services (formerly Glide Health Clinic);
- b) Clinical Pastoral Education Program;
- c) Reimbursement for Physician for Indigent Care;
- d) Community Grants Program; and
- e) Rally Family Visitation Program.

Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than Saint Francis Memorial Hospital Corporation or Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Saint Francis Memorial Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Saint Francis Memorial Hospital's service area (28 ZIP codes), as defined on page 57 of the City and County of San Francisco Health Care Impact Statement, dated August 10, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

For five years from the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital Corporation and Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City and County of San Francisco or its subdivisions, departments, or agencies for services at Saint Francis Memorial Hospital:

- a. Memorandum of Understanding – 340 B Program;
- b. Visitation Services Agreement;
- c. Agreement for Supervised Therapeutic Visitation Services (Rally Family Visitation Services);
- d. Residency Affiliation Agreement;
- e. Rally Family Visitation Services Agreement;
- f. Professional Services Agreement (SF Giants First Aid Station at AT&T Park); and
- g. Standard Agreement (Rally Family Services).



## **XII.**

Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Saint Francis Memorial Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

## **XIII.**

Saint Francis Memorial Hospital Corporation and Dignity Community Care shall maintain privileges for current medical staff at Saint Francis Memorial Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Saint Francis Memorial Hospital.

## **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Saint Francis Memorial Hospital Corporation and Dignity Community Care shall consult with Saint Francis Memorial Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Saint Francis Memorial Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Saint Francis Memorial Hospital, and community representatives from Saint Francis Memorial Hospital's service area (28 ZIP codes), as defined on page 57 of the City and County of San Francisco Health Care Impact Statement, dated August 10, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Saint Francis Memorial Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## **XV.**

Within 90 days of the closing date of Ministry Alignment Agreement, Saint Francis Memorial Hospital Corporation and Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

## **XVI.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Saint Francis Memorial Hospital. This prohibition must be explicitly set forth in Saint Francis Memorial Hospital Corporation and Dignity Community Care's written policies applicable at Saint Francis Memorial Hospital, adhered to, and strictly enforced.

## **XVIII.**

Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation and Dignity Community Care are required to continue Saint Francis Memorial Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## **XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Saint Francis Memorial Hospital Corporation, and Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Saint Francis Memorial Hospital Corporation, Dignity Community Care, and Saint Francis Memorial Hospital's Hospital Community Board and the

Chief Executive Officers of Saint Francis Memorial Hospital Corporation and Dignity Community Care shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of Saint Francis Memorial Hospital

### *Service Area Definition*

Saint Francis Memorial Hospital's service area is comprised of 28 ZIP Codes from which 62% of its discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top eleven ZIP Codes, all of which are in the City and County of San Francisco. In CY 2016, the Hospital's market share in the service area was 5.2%.

<b>SAINT FRANCIS MEMORIAL HOSPITAL PATIENT ORIGIN CY 2016</b>						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94102	San Francisco	819	13.9%	13.9%	5,099	16.1%
94109	San Francisco	737	12.5%	26.4%	4,690	15.7%
94103	San Francisco	385	6.5%	33.0%	4,171	9.2%
94133	San Francisco	240	4.1%	37.1%	2,147	11.2%
94108	San Francisco	167	2.8%	39.9%	1,081	15.4%
94112	San Francisco	129	2.2%	42.1%	6,936	1.9%
94107	San Francisco	116	2.0%	44.1%	2,040	5.7%
94115	San Francisco	104	1.8%	45.8%	3,293	3.2%
94124	San Francisco	102	1.7%	47.6%	4,326	2.4%
94110	San Francisco	98	1.7%	49.2%	5,775	1.7%
94134	San Francisco	93	1.6%	50.8%	3,785	2.5%
94122	San Francisco	79	1.3%	52.2%	3,741	2.1%
94117	San Francisco	58	1.0%	53.1%	2,403	2.4%
94105	San Francisco	56	1.0%	54.1%	578	9.7%
94118	San Francisco	55	0.9%	55.0%	2,536	2.2%
94121	San Francisco	54	0.9%	55.9%	2,794	1.9%
94116	San Francisco	53	0.9%	56.8%	3,932	1.3%
94131	San Francisco	49	0.8%	57.7%	1,986	2.5%
94111	San Francisco	45	0.8%	58.4%	397	11.3%
94123	San Francisco	45	0.8%	59.2%	1,519	3.0%
94114	San Francisco	37	0.6%	59.8%	2,050	1.8%
94965	Sausalito	30	0.5%	60.4%	885	3.4%
94132	San Francisco	28	0.5%	60.8%	1,792	1.6%
94158	San Francisco	26	0.4%	61.3%	502	5.2%
94127	San Francisco	18	0.3%	61.6%	1,413	1.3%
94130	San Francisco	13	0.2%	61.8%	202	6.4%
94142	San Francisco	10	0.2%	62.0%	150	6.7%
94104	San Francisco	8	0.1%	62.1%	104	7.7%
<b>Subtotal</b>		<b>3,654</b>	<b>62.1%</b>	<b>62.1%</b>	<b>70,327</b>	<b>5.2%</b>
<b>Other ZIPs</b>		<b>2,230</b>	<b>37.9%</b>	<b>100%</b>		
<b>Total</b>		<b>5,884</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Attorney General's Conditions to Change in Control and Governance of St. Mary's Medical Center<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation)<sup>2</sup>, a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Mary's Medical Center or the real property on which St. Mary's Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Mary's Medical Center, and any and all current and future lessees and owners of the real property on which St. Mary's Medical Center is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, and St. Mary's Medical Center's Hospital Community Board. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the

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<sup>1</sup> Throughout this document, the term "St. Mary's Medical Center" shall mean the general acute care hospital located at 450 Stanyan St., San Francisco, California 94117 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective May 5, 2018, unless otherwise indicated.

<sup>2</sup> The term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and all future owners, managers, lessees, licensees, or operators of St. Mary's Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Mary's Medical Center; or
- (b) Transfer control, responsibility, management, or governance of St. Mary's Medical Center. The substitution or addition of a new corporate member or members of Dignity Health or CommonSpirit Health that transfers the control of, responsibility for, or governance of St. Mary's Medical Center shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health or CommonSpirit Health, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health or CommonSpirit Health shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, St. Mary's Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 17 Emergency Treatment Stations at a minimum; and
- b) Designation and maintaining certification as a Lanterman-Petris-Short 24-Hour Facility (5150 Receiving Facility), as defined by the Welfare and Institutions Code, section 5150, for behavioral health and acute psychiatric patients under involuntary evaluation, and operating such a 5150 Receiving Facility that complies with all requirements under Welfare and Institutions Code, section 5150 and other California laws and regulations.

### V.

For five years from the closing date of the Ministry Alignment Agreement, St. Mary's Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Rehabilitation services, including a minimum of 24 rehabilitation beds;
- b) Intensive care services, including a minimum of 19 intensive care beds; and

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<sup>3</sup> The term "current" or "currently" throughout this document means as of May 5, 2018.

- c) Acute psychiatric services, including a minimum of 35 acute psychiatric beds.

Dignity Health and CommonSpirit Health shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), St. Mary's Medical Center shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at Sister Diane Grassilli Center for Women's Health currently located at 1 Shrader Street, 4<sup>th</sup> Floor, San Francisco, California 94117.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), St. Mary's Medical Center shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Health and CommonSpirit Health shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Health and CommonSpirit Health will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in St. Mary's Medical Center's service area (25 ZIP codes), as defined on page 41 of the City and County of San Francisco Health Care Impact Statement, dated August 10, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Health and CommonSpirit Health for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Health, and CommonSpirit Health for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, St. Mary's Medical Center shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Orthopedic surgery services, including total joint replacements;
- b) Cardiovascular services, including cardiac catheterization laboratory services and Outpatient Clinic – arrhythmia – cardiology;
- c) Outpatient Services – The Spine Center;
- d) Oncology services, including inpatient medical and surgical oncology services;



- i) Outpatient Services - radiation therapy services at St. Mary's Medical Center Cancer Center;
- ii) Outpatient Services – Infusion Center;
- iii) Outpatient Services - Oncology at St. Mary's Medical Center Cancer Center;
- iv) Outpatient Clinics – Oncology Melanoma Center;
- e) Outpatient Services – Women's Health Clinic at St. Mary's Center for Women's Health Clinic;
- f) Outpatient Services – Adult Primary Care at Sr. Mary Philippa Health Center Clinic;
- g) Nuclear medicine services;
- h) Imaging and radiology services (inpatient and outpatient);
- i) Laboratory services;
- j) Occupational therapy services;
- k) Physical therapy services;
- l) Podiatry services;
- m) Respiratory care services;
- n) Social services; and
- o) Speech pathology services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall:

- a) Be certified to participate in the Medi-Cal program at St. Mary's Medical Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at St. Mary's Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
  - i) Local Initiative: San Francisco Health Plan or its successor; and
  - ii) Commercial Plan: Anthem Blue Cross Partnership Plan or its successor; and
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at St. Mary's Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Charity Care (as defined below) at St. Mary's Medical Center equal to or greater than \$3,225,694 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care

costs (not charges) incurred by Dignity Health and CommonSpirit Health in connection with the operation and provision of services at St. Mary's Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Health and CommonSpirit Health shall use and maintain a charity care policy that is no less favorable than Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at St. Mary's Medical Center and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health's Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital's website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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."

community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Mary's Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

## X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall provide an annual amount of Community Benefit Services at St. Mary's Medical Center equal to or greater than \$9,862,679 (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:

- a. SMMC Transportation Service;
- b. Uncompensated Specialized Testing;
- c. SMMC/Dignity Health Community Grants Program;
- d. San Francisco Health Improvement Partnership;
- e. Graduate Medical Education;
- f. Breast Cancer Second Opinion Panel; and
- g. Breast Cancer Support Group;

Dignity Health and CommonSpirit Health's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Health or CommonSpirit Health's fiscal year.

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: All Items Consumer Price Index for

All Urban Consumers in the San Francisco-Oakland-Hayward, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Mary's Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health and CommonSpirit Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Mary's Medical Center's service area (25 ZIP codes), as defined on page 41 of the City and County of San Francisco Health Care Impact Statement, dated August 10, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto, with the City and County of San Francisco and its subdivisions, departments, or agencies for services at St. Mary's Medical Center including the following:

- a. Orthopedic Residency Affiliation Agreement;
- b. General Services Agreement;
- c. Mental Health and Substance Abuse Services; and
- d. Community Behavioral Health Services

#### **XII.**

Dignity Health and CommonSpirit Health shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Mary's Medical Center until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Health and CommonSpirit Health shall maintain privileges for current medical staff at St. Mary's Medical Center who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Mary's Medical Center.

#### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, St. Mary's Medical Center shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, St. Mary's Medical Center's Hospital Community Board shall

adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards."

Dignity Health and CommonSpirit Health shall consult with St. Mary's Medical Center's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the St. Mary's Medical Center's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from St. Mary's Medical Center, and community representatives from St. Mary's Medical Center's service area (25 ZIP codes), as defined on page 41 of the City and County of San Francisco Health Care Impact Statement, dated August 10, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The St. Mary's Medical Center's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XV.

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Health's Board of Directors and CommonSpirit Health's Board of Stewardship of Trustees shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### XVI.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Board of Directors of Dignity Health and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at St. Mary's Medical Center. This prohibition must be explicitly set forth in Dignity Health and CommonSpirit Health's written policies applicable at St. Mary's Medical Center, adhered to, and strictly enforced.

## **XVIII.**

Dignity Health and CommonSpirit Health are required to continue St. Mary's Medical Center's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

## **XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Health, the Board of Stewardship Trustees of CommonSpirit Health, and the Board of Directors of St. Mary's Medical Center's Hospital Community Board and the Chief Executive Officers of Dignity Health and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

## **XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

## **XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

## Analysis of St. Mary's Medical Center's Service Area

### *Service Area Definition*

St. Mary's Medical Center's service area is comprised of 25 ZIP Codes from which 66% of its discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top 11 ZIP Codes, all of which are in the City and County of San Francisco. In CY 2016, St. Mary's Medical Center's market share in the service area was 4.8%.

ST. MARY'S MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94121	San Francisco	346	6.9%	6.9%	2,794	12.4%
94122	San Francisco	333	6.6%	13.5%	3,741	8.9%
94116	San Francisco	327	6.5%	19.9%	3,932	8.3%
94118	San Francisco	279	5.5%	25.5%	2,536	11.0%
94112	San Francisco	256	5.1%	30.6%	6,936	3.7%
94117	San Francisco	245	4.9%	35.4%	2,403	10.2%
94102	San Francisco	169	3.4%	38.8%	5,099	3.3%
94109	San Francisco	166	3.3%	42.1%	4,690	3.5%
94115	San Francisco	162	3.2%	45.3%	3,293	4.9%
94132	San Francisco	135	2.7%	47.9%	1,792	7.5%
94127	San Francisco	121	2.4%	50.3%	1,413	8.6%
94103	San Francisco	102	2.0%	52.4%	4,171	2.4%
94131	San Francisco	101	2.0%	54.4%	1,986	5.1%
94134	San Francisco	99	2.0%	56.3%	3,785	2.6%
94114	San Francisco	80	1.6%	57.9%	2,050	3.9%
94124	San Francisco	77	1.5%	59.4%	4,326	1.8%
94133	San Francisco	71	1.4%	60.9%	2,147	3.3%
94110	San Francisco	70	1.4%	62.2%	5,775	1.2%
94123	San Francisco	56	1.1%	63.4%	1,519	3.7%
94107	San Francisco	47	0.9%	64.3%	2,040	2.3%
94108	San Francisco	31	0.6%	64.9%	1,081	2.9%
94111	San Francisco	15	0.3%	65.2%	397	3.8%
94158	San Francisco	11	0.2%	65.4%	502	2.2%
94105	San Francisco	7	0.1%	65.6%	578	1.2%
94129	San Francisco	6	0.1%	65.7%	151	4.0%
<b>Subtotal</b>		<b>3,312</b>	<b>65.7%</b>	<b>65.7%</b>	<b>69,137</b>	<b>4.8%</b>
<b>Other ZIPs</b>		<b>1,731</b>	<b>34.3%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>5,043</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database



**Attorney General's Conditions to Change in Control and Governance of Sequoia Hospital<sup>1</sup> and Approval of Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives**

**I.**

These Conditions shall be legally binding on the following entities: Dignity Health, a California nonprofit public benefit corporation, Catholic Health Initiatives, a Colorado nonprofit corporation, CommonSpirit Health (formerly referred to as System Corporation<sup>2</sup>), a Colorado nonprofit corporation, Dignity Community Care (formerly known as Integrated Healthcare Operations), a Colorado nonprofit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Sequoia Hospital or the real property on which Sequoia Hospital is located, any and all current and future owners, lessees, licensees, or operators of Sequoia Hospital, and any and all current and future lessees and owners of the real property on which Sequoia Hospital is located.

**II.**

The transaction approved by the Attorney General consists of the Ministry Alignment Agreement by and between Dignity Health and Catholic Health Initiatives, dated December 6, 2017, Amendment to Ministry Alignment Agreement, effective March 20, 2018, Second Amendment to Ministry Alignment Agreement, effective March 27, 2018, three letter agreements, dated December 6, 2017, December 6, 2017, and March 15, 2018, Agreement by Integrated Healthcare Operations (now known as Dignity Community Care), dated September 14, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, three letter agreements, and Agreement.

All of the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits or schedules to the Ministry Alignment Agreement, Amendment to Ministry Alignment Agreement, Second Amendment to Ministry Alignment Agreement, letter agreements, and Agreement, and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements or documents including, but not limited to, the Articles of Incorporation and Bylaws for Dignity Health, CommonSpirit Health, Sequoia Hospital's Hospital Community Board, and Dignity Community

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<sup>1</sup> Throughout this document, the term "Sequoia Hospital" shall mean the general acute care hospital located at 170 Alameda De Las Pulgas, Redwood City, California 94062 and any other clinics, laboratories, units, services, or beds included on the license issued to Dignity Health by the California Department of Public Health, effective January 1, 2018, unless otherwise indicated.

<sup>2</sup> Throughout this document, the term "System Corporation" shall mean the entity defined in section 2.2 of the Ministry Alignment Agreement.

Care. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General's approval.

### III.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, Dignity Community Care, and all future owners, managers, lessees, licensees, or operators of Sequoia Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Sequoia Hospital; or
- (b) Transfer control, responsibility, management, or governance of Sequoia Hospital. The substitution or addition of a new corporate member or members of Dignity Health, CommonSpirit Health, or Dignity Community Care that transfers the control of, responsibility for, or governance of Sequoia Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care, or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Dignity Health, CommonSpirit Health, or Dignity Community Care shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the closing date of the Ministry Alignment Agreement, Sequoia Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency services at no less than current<sup>3</sup> licensure and designation and certification with the same types and/or levels of services, including the following:

- a) 17 Emergency Treatment Stations at a minimum;
- b) Designation as a STEMI Receiving Center; and
- c) Certification as a Primary Stroke Center.

### V.

For five years from the closing date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services:

- a) Obstetrics services, including a minimum of 21 perinatal beds; and
- b) Intensive care services, including a minimum of 16 intensive care beds.

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<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2018.

Dignity Community Care shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For the initial five years from the closing date of the Ministry Alignment Agreement (years 1-5), Sequoia Hospital shall maintain and provide women's healthcare services including women's reproductive services at current licensure and designation with the current types and/or levels of services and those provided at the Women's Health Services- Maternity Health Services currently located at 749 Brewster Avenue, Redwood City, California, 94063 and Sequoia Hospital Breast and Diagnostic Center currently located at 2900 Whipple Avenue, Suite 100, Redwood City, California 94062, regardless of any amendments that increases or expands prohibited services to the Statement of Common Values.

For the next five years after the closing date of the Ministry Alignment Agreement (years 6-10), Sequoia Hospital shall maintain and provide women's healthcare services including women's reproductive services. During years 6-10, Dignity Community Care shall notify the Attorney General in writing of any reduction or discontinuation in the types and/or levels of women's healthcare services, and the reasons for the reduction or discontinuation. Such notification shall be provided at least forty-five days' prior to the effective date of the reduction or discontinuation of services. The Attorney General may request an extension of the 45-day period, and Dignity Community Care will not unreasonably withhold its consent to such extension. The Attorney General may contract with a health care consultant or expert to assess whether the reduction or discontinuation of the women's healthcare services creates a significant effect on the availability and accessibility of such services to the residents in Sequoia Hospital's service area (24 ZIP codes), as defined on page 41 of the San Mateo County Health Care Impact Statement, dated August 30, 2018, and attached hereto as Exhibit 1, and whether there are any mitigation measures to reduce any potential adverse effect on these residents. The Attorney General shall be entitled to reimbursement from Dignity Community Care for all actual, reasonable, and direct costs regarding the notification. The health care consultant or expert shall be entitled to prompt payment of all reasonable costs from Dignity Community Care for providing the assessments to the Attorney General.

## VII.

For five years from the closing date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain and provide the following healthcare services at current licensure and designation with the current types and/or levels of services as committed to in Exhibit L of the Second Amendment to the Ministry Alignment Agreement:

- a) Oncology services, including inpatient medical and surgical oncology services, radiation therapy services;
- b) Cardiovascular services, including cardiovascular surgery services, interventional cardiology services, electrophysiology services and general cardiology services;
- c) Neuroscience services, including neurosurgery services;
- d) Outpatient Services – Physical Therapy;

- e) Outpatient Services – Health and Wellness Services;
- f) Orthopedic surgery services;
- g) Nuclear medicine services;
- h) Imaging and radiology services (inpatient and outpatient), and Outpatient Services - Radiology;
- i) Laboratory services;
- j) Occupational therapy services;
- k) Physical therapy services;
- l) Respiratory care services;
- m) Social services;
- n) Speech pathology services; and
- o) Podiatry services.

### VIII.

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall:

- a) Be certified to participate in the Medi-Cal program at Sequoia Hospital;
- b) Maintain and have a Medi-Cal Managed Care contract with Health Plan of San Mateo or its successor to provide the same types and/or levels of emergency and non-emergency services at Sequoia Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, 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 by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause;
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at Sequoia Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### IX.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Charity Care (as defined below) at Sequoia Hospital equal to or greater than \$1,130,403 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Dignity Health, CommonSpirit Health, and Dignity Community Care in connection with the operation and provision of services at Sequoia Hospital. The definition and methodology for calculating “charity care” and the methodology for

calculating “costs” shall be the same as that used by the Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup>

Dignity Community Care shall use and maintain a charity care policy that is no less favorable than Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) with the below required amendments at Sequoia Hospital and in compliance with California and Federal law. Within 90 days from the closing date of the Ministry Alignment Agreement, Dignity Health’s Financial Assistance Policy – California (Dignity Health - 9.103 effective January 1, 2017) will be amended as follows:

- a. The threshold to receive a 100% discount from Eligible Charges will be increased to apply to Patients (as defined in the Financial Assistance Policy) whose Patient Family Income (as defined in the Financial Assistance Policy) is at or below 250% of the Federal Poverty Limit.
- b. The 250% threshold will apply to Uninsured Patients (as defined in the Financial Assistance Policy) and Patients with High Medical Costs (as defined in the Financial Assistance Policy) (i.e., insured patients with excessive medical costs who receive charity care discounts applicable to out-of-pocket medical expenses).
- c. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- d. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each hospital’s website.
- e. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- f. As necessary, and at least on an annual basis, each of the California hospitals will place an advertisement regarding the availability of financial assistance at the hospital in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- g. Each of the California hospitals will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at each California hospital.

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<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

- h. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Dignity Health's Financial Assistance Policy.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the closing date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Sequoia Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health, CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to the Homeless Health Initiative set forth in Condition XVI. Such payment(s) shall be made within six months following the end of such fiscal year.

#### X.

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, CommonSpirit Health, and Dignity Community Care shall provide an annual amount of Community Benefit Services at Sequoia Hospital equal to or greater than \$2,992,098 (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:

- a. Community Grants Program;
- b. Diabetes Education, Screenings and Self-Management Programs;
- c. Health & Wellness Center, including education and support groups;
- d. Health Professions Education: Nursing; and
- e. Health Screenings.

Dignity Health, CommonSpirit Health, and Dignity Community Care's obligation under this Condition shall be prorated on a daily basis if the effective date of the Ministry Alignment Agreement is a date other than the first day of Dignity Community Care's fiscal year.

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: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Sequoia Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Dignity Health,

CommonSpirit Health, and Dignity Community Care shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Sequoia Hospital's service area (24 ZIP codes), as defined on page 41 of the San Mateo County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within six months following the end of such fiscal year.

#### **XI.**

For five years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall maintain all contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto with Redwood City or the County of San Mateo or their subdivisions, departments, or agencies for services at Sequoia Hospital including the following:

- a. Agreement for Designation as a STEMI Receiving Center.

#### **XII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Sequoia Hospital until January 1, 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 as such Acts may be subsequently amended, modified, or replaced.

#### **XIII.**

Dignity Community Care shall maintain privileges for current medical staff at Sequoia Hospital who are in good standing as of the closing date of the Ministry Alignment Agreement. Further, the closing of the Ministry Alignment Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Sequoia Hospital.

#### **XIV.**

For five years from the closing date of the Ministry Alignment Agreement, Sequoia Hospital shall have a Hospital Community Board. Within 90 days of the closing date of the Ministry Alignment Agreement, Sequoia Hospital's Hospital Community Board shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.100 Qualification of Members of Community Boards." Dignity Community Care shall consult with Sequoia Hospital's Hospital Community Board of Directors prior to making changes to medical services and community benefit programs. The members of the Sequoia Hospital's Hospital Community Board shall include physicians, medical staff, and the Chief of Staff from Sequoia Hospital, and community representatives from Sequoia Hospital's service area (24 ZIP codes), as defined on page 41 of the San Mateo County Health Care Impact Statement, dated August 15, 2018, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy or community group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an

emergency basis. The Sequoia Hospital's Hospital Community Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### **XV.**

Within 90 days of the closing date of Ministry Alignment Agreement, Dignity Community Care shall adopt and adhere to Dignity Health's written policy for diversification of its board of directors entitled "Dignity Health – 2.30 Qualification of Members of the Dignity Health Board of Directors."

#### **XVI.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Health, Dignity Community Care, and CommonSpirit Health shall implement a Homeless Health Initiative to support the delivery of treatment and services to hospitalized persons experiencing homelessness by providing coordinated care in their thirty California hospital communities. Dignity Health, Dignity Community Care, and CommonSpirit Health shall expend a total of \$20 million over the six fiscal years on the Homeless Health Initiative with at least \$10 million spent within the first three fiscal years. This obligation is in addition to any requirements under California Health and Safety Code section 1262.5 or any deficiency payments for charity care or community benefits set forth in these Conditions. Dignity Health, Dignity Community Care, and CommonSpirit Health shall work with and contribute funds to local counties and cities and nonprofit organizations in the implementation and planning of the Homeless Health Initiative to co-locate, coordinate, and integrate health, behavioral health, safety, and wellness services with housing and other social services, and create better resources for providers to connect patients with these resources. Dignity Health, Dignity Community Care, and CommonSpirit Health shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with this Condition. The Chairman(s) of the Boards of Directors of Dignity Health and Dignity Community Care and the Board of Stewardship Trustees of CommonSpirit Health, and the Chief Executive Officers of Dignity Health, Dignity Community Care, and CommonSpirit Health shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

#### **XVII.**

There shall be no discrimination against any lesbian, gay, bisexual, transgender, or queer individuals at Sequoia Hospital. This prohibition must be explicitly set forth in Dignity Community Care's written policies applicable at Sequoia Hospital, adhered to, and strictly enforced.

#### **XVIII.**

Dignity Health, CommonSpirit Health, and Dignity Community Care are required to continue Sequoia Hospital's participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program as set forth in California law and the provider bulletins dated



August 26, 2014 and May 13, 2016 (located at <http://www.dhcs.ca.gov/provgovpart/Pages/HQAF.aspx>).

**XIX.**

For six fiscal years from the closing date of the Ministry Alignment Agreement, Dignity Community Care shall submit to the Attorney General, no later than six months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board of Directors of Dignity Community Care and Sequoia Hospital's Hospital Community Board and the Chief Executive Officers of Dignity Community Care and Sequoia Hospital shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by these Boards of Directors.

**XX.**

At the request of the Attorney General, all of the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

**XXI.**

Once the Ministry Alignment Agreement is closed, all of the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**EXHIBIT 1**

### Analysis of Sequoia Hospital

#### Service Area Definition

Sequoia Hospital's service area is comprised of 24 ZIP Codes from which 72% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top seven ZIP Codes. In CY 2016, the Hospital's market share in the service area was 10.8%.

SEQUOIA HOSPITAL PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94070	San Carlos	648	10.9%	10.9%	1,962	33.0%
94061	Redwood City	639	10.7%	21.6%	2,696	23.7%
94062	Redwood City	554	9.3%	30.9%	1,801	30.8%
94002	Belmont	385	6.5%	37.4%	1,842	20.9%
94025	Menlo Park	300	5.0%	42.4%	2,679	11.2%
94063	Redwood City	277	4.7%	47.1%	2,495	11.1%
94404	San Mateo	236	4.0%	51.1%	2,007	11.8%
94403	San Mateo	229	3.8%	54.9%	3,155	7.3%
94065	Redwood City	152	2.6%	57.5%	619	24.6%
94303	Palo Alto	113	1.9%	59.4%	4,560	2.5%
94402	San Mateo	105	1.8%	61.1%	1,840	5.7%
94019	Half Moon Bay	89	1.5%	62.6%	1,214	7.3%
94401	San Mateo	86	1.4%	64.1%	2,915	3.0%
94306	Palo Alto	77	1.3%	65.4%	1,529	5.0%
94301	Palo Alto	76	1.3%	66.6%	1,060	7.2%
94027	Atherton	67	1.1%	67.8%	395	17.0%
94010	Burlingame	59	1.0%	68.8%	2,787	2.1%
94022	Los Altos	55	0.9%	69.7%	1,231	4.5%
94028	Portola Valley	46	0.8%	70.5%	389	11.8%
94030	Millbrae	24	0.4%	70.9%	1,825	1.3%
94305	Stanford	21	0.4%	71.2%	288	7.3%
94304	Palo Alto	18	0.3%	71.5%	341	5.3%
94064	Redwood City	18	0.3%	71.8%	78	23.1%
94020	La Honda	9	0.2%	72.0%	121	7.4%
<b>Subtotal</b>		<b>4,283</b>	<b>72.0%</b>	<b>72.0%</b>	<b>39,829</b>	<b>10.8%</b>
<b>Other ZIPs</b>		<b>1,668</b>	<b>28.0%</b>	<b>100%</b>		
<b>Total Discharges</b>		<b>5,951</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database