

Effect of the Proposed Change in Control and Governance of
St. Joseph Health System and Providence Health & Services on
the Availability and Accessibility of Healthcare Services to the
Communities Served by Petaluma Valley Hospital and Santa
Rosa Memorial Hospital

Prepared for the Office of the California Attorney General

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MDS Consulting, a Vizient business
24596 Hawthorne Boulevard
Torrance, CA 90505
P: 424.237.2525 ■ F: 424.247.8248
www.mdsconsulting.com

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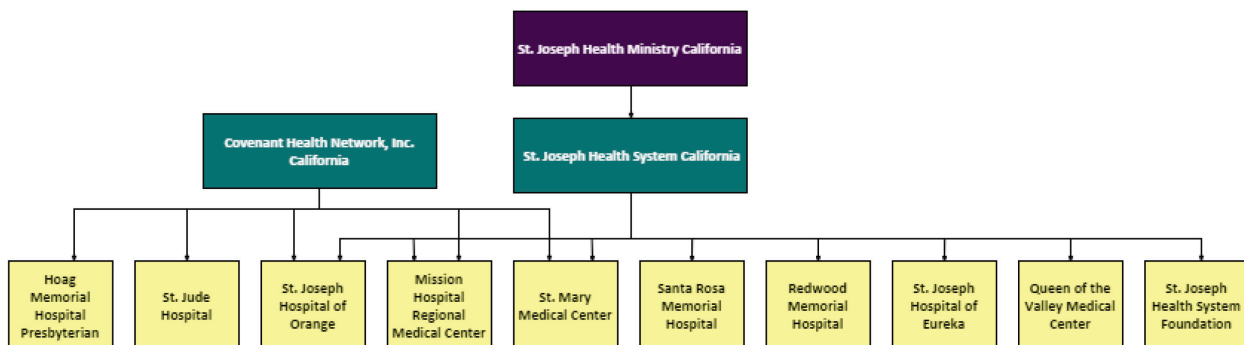
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INTRODUCTION & PURPOSE

MDS Consulting, a Vizient, Inc. business (MDS) was retained to prepare healthcare impact statements for the Office of the California Attorney General to assess the potential impact of the proposed Health System Combination Agreement by and between St. Joseph Health System and Providence Health & Services on the availability and accessibility of healthcare services to the communities served by Petaluma Valley Hospital and Santa Rosa Memorial Hospital. St. Joseph Health System operates Petaluma Valley Hospital, a general acute care hospital in Petaluma, California. St. Joseph Health System also owns and operates Santa Rosa Memorial Hospital, a general acute care hospital in Santa Rosa, California.

St. Joseph Health System and Providence Health & Services are multi-institutional, Catholic healthcare systems that are sponsored by a Public Juridic Person¹. St. Joseph Health Ministry is the sponsor and sole corporate member of St. Joseph Health System, a California nonprofit public benefit corporation. Providence Ministries is the sponsor and sole corporate member of Providence Health & Services, a Washington nonprofit corporation.

St. Joseph Health System is the sole corporate member of the following Northern California nonprofit hospitals: Queen of the Valley Medical Center, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, and St. Joseph Hospital-Eureka. St. Joseph Health System is the co-member with Covenant Health Network, Inc.² of the following Southern California nonprofit hospitals: Hoag Memorial Hospital Presbyterian, Mission Hospital Regional Medical Center, St. Joseph Hospital of Orange, and St. Jude Medical Center. St. Joseph Health System also operates Petaluma Valley Hospital pursuant to a Lease Agreement and Transfer Agreement with Petaluma Health Care District³. Please refer to the summary organizational chart below:

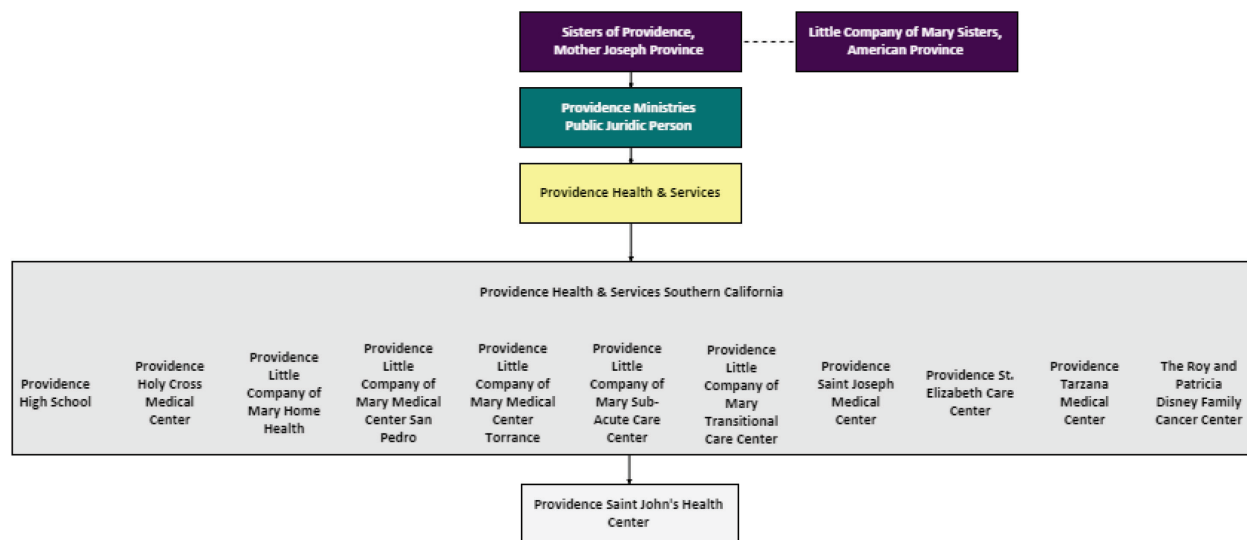


¹ A Public Juridic Person is a group of persons approved by the Roman Catholic Church to oversee and ensure that the mission of its healthcare organization is carried out according to Catholic principles.

² Covenant Health Network, Inc., established in 2013, is a nonprofit public benefit corporation created by Hoag Memorial Hospital Presbyterian and St. Joseph Health System.

³ In 1997, Petaluma Health Care District entered into a 20-year Lease Agreement with SRM Alliance Hospital Services, whose sole member is Santa Rosa Memorial Hospital, and a 20-year Transfer Agreement with SRM Alliance Hospital Services and Santa Rosa Memorial Hospital. Through these agreements, St. Joseph Health System currently operates Petaluma Valley Hospital. The Lease Agreement expires in January 2017. Petaluma Health Care District is conducting due diligence to determine options for the continued operations of Petaluma Valley Hospital.

Providence Health & Services-Southern California is the sole member of Providence Saint John's Health Center. Providence Health & Services-Southern California also owns and operates the following California nonprofit hospitals that are not separately incorporated: Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center San Pedro, Providence Little Company of Mary Medical Center Torrance, Providence Saint Joseph Medical Center, and Providence Tarzana Medical Center. Please refer to the summary organizational chart below:



Together, St. Joseph Health System and Providence Health & Services operate 18 general acute care hospitals in California.

St. Joseph Health System and Providence Health & Services have requested the California Attorney General's consent to enter into a Health System Combination Agreement to establish joint system-level governance control over their operations through the creation of a new Washington nonprofit parent corporation named, "Providence St. Joseph Health." St. Joseph Health Ministry and Providence Ministries will establish co-sponsorship of Providence St. Joseph Health (the Co-Sponsors Council). The Co-Sponsors Council will be the sole corporate member of Providence St. Joseph Health.

In its preparation of this report, MDS performed the following:

- A review of the application submitted by St. Joseph Health System and Providence Health & Services to the California Attorney General on November 24, 2015, and supplemental information and documents subsequently provided by St. Joseph Health System and Providence Health & Services;
- A review of press releases and news articles related to the proposed combination and other hospital transactions;

- Interviews with community representatives, union representatives, health plan representatives, representatives of Petaluma Valley Hospital and Santa Rosa Memorial Hospital's Board of Trustees, medical staff, management, and employees, members of St. Joseph Health System and Providence Health & Services' corporate offices, St. Joseph Health System's Board of Trustees, Providence Health & Services' Board of Directors, St. Joseph Health Ministry, Providence Ministries, and others listed in the Appendix;
- An analysis of financial, utilization, and service information provided by the management of Petaluma Valley Hospital and Santa Rosa Memorial Hospital, St. Joseph Health System, Providence Health & Services, and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding Providence Health & Services, St. Joseph Health System, Petaluma Valley Hospital, and Santa Rosa Memorial Hospital's service areas including:
 - Demographic characteristics and trends;
 - Payer mix;
 - Hospital utilization rates and trends;
 - Health status indicators; and
 - Hospital market share.

BACKGROUND & DESCRIPTION OF THE TRANSACTION

Reasons for the Health System Combination Agreement

The primary objectives stated by Providence Health & Services' Board of Directors and St. Joseph Health System's Board of Trustees for the proposed transaction are to establish the best possible partnership in order to expand healthcare access, share clinical and administrative best practices, increase revenue streams, and drive efficiency due to the changing healthcare environment as a result of the 2010 Federal Patient Protection and Affordable Care Act (ACA) and various other market factors. Providence Health & Services' Board of Directors and St. Joseph Health System's Board of Trustees believe these goals will be accomplished more effectively with their proposed combination. In addition, Providence Health & Services' Board of Directors and St. Joseph Health System's Board of Trustees anticipate that their proposed combination will produce the following benefits:

- Continue the presence of Catholic healthcare in the United States;
- Create advocacy opportunities for social justice, with an emphasis on poor and vulnerable populations;
- Allow for closer integration and/or adoption of specific programs to address the healthcare needs of poor and vulnerable populations;
- Unite and strengthen the mission programs of Providence Health & Services and St. Joseph Health System;
- Honor current affiliations, partnerships, and other arrangements with organizations that have maintained their original faith tradition or secular status;
- Enhance the ability to establish new affiliations, partnerships, and other arrangements with like-minded, faith-based, and secular organizations;
- Strengthen the delivery of healthcare through a nonprofit, charitable model;
- Improve patient access, safety, and satisfaction, and the quality, continuity, and coordination of care;
- Establish stronger infrastructure to serve specific populations, including the Medi-Cal and uninsured patient population;
- Provide an enhanced ability to combine and coordinate the response to community needs across an increased scale and broader geography;

- Adopt and implement the Triple Aim⁴ for clinical expertise, growth, diversification, innovation, and shared services;
- Obtain financial benefits through access to capital through the creation of a single obligated group that will allow Providence Health & Services and St. Joseph Health System to become jointly and severally liable;
- Improve the work environment;
- Support the ability to attract and retain the talent and expertise required to best serve community healthcare needs;
- Share clinical and administrative best practices across regions; and
- Maintain and enhance medical group management infrastructure to improve clinical practices.

Transaction Process & Timing

St. Joseph Health System and Providence Health & Services stated that they engaged in a deliberate process to explore ways to most effectively serve their communities. As a result of their discussions, St. Joseph Health System and Providence Health & Services mutually desired to implement the Health System Combination Agreement.

The events leading up to this transaction are chronologically ordered as follows:

- Early 2015 – Providence Ministries, St. Joseph Health Ministry, Providence Health & Services' Board of Directors, St. Joseph Health System's Board of Trustees, and the management of Providence Health & Services and St. Joseph Health System began to explore a potential partnership between the two organizations;
- April 7, 2015 – St. Joseph Health System's Board of Trustees holds a special meeting with St. Joseph Health Ministry to discuss an overview of Providence Health & Services and to consider the potential partnership between the organizations;
- April 16, 2015 – St. Joseph Health Ministry and Providence Ministries meet to discuss the potential partnership between the two organizations;

⁴ The Triple Aim is a framework developed by the Institute for Healthcare Improvement, a 501(c)(3) with a mission to improve health and healthcare worldwide, for optimizing health system performance by simultaneously accomplishing three objectives: 1) improve the health of the population, 2) enhance the patient experience of care, and 3) reduce the per capital cost of healthcare.

- April 30, 2015 – Members of Providence Health & Services’ Board of Directors meet to discuss an overview of St. Joseph Health System and the potential partnership between the two organizations;
- May 6, 2015 – St. Joseph Health System’s Board of Trustees and St. Joseph Health Ministry meet to discuss the potential partnership with Providence Health & Services;
- May 21, 2015 – Members of Providence Health & Services’ Board of Directors hold a meeting to discuss the potential partnership and to share current management perspectives;
- June 5, 2015 – Providence Health & Services’ Board of Directors meets to provide an update on the transaction process and to share Providence Health & Services’ and St. Joseph Health System’s draft vision statement;
- June 17, 2015 – Providence Ministries and Providence Health & Services’ Board of Directors meet and agree to engage in discussions with St. Joseph Health System to prepare the Letter of Intent;
- June 25, 2015 – St. Joseph Health Ministry and St. Joseph Health System’s Board of Trustees pass a resolution authorizing the preparation of the Letter of Intent;
- July 27, 2015 – Providence Health & Services’ Board of Directors and St. Joseph Health System’s Board of Trustees hold a joint meeting to review the Letter of Intent and the Letter of Intent approval process;
- July 29, 2015 – Providence Health & Services’ Board of Directors and Providence Ministries pass a joint resolution authorizing the execution of the Letter of Intent and establishing a negotiating team and special committee to conduct negotiations on the terms and conditions of the transaction with St. Joseph Health System;
- July 29, 2015 – St. Joseph Health System’s Board of Trustees and St. Joseph Health Ministry pass a joint resolution authorizing the execution of the Letter of Intent and establishing a negotiating team and special committee to conduct negotiations on the terms and conditions of the transaction with Providence Health & Services;
- July 29, 2015 – St. Joseph Health System and Providence Health & Services enter into a Letter of Intent to unite St. Joseph Health System and Providence Health & Services as a fully integrated, Catholic-sponsored, nonprofit healthcare system;
- July 31, 2015 – Providence Health & Services and St. Joseph Health System issue a press release announcing their potential partnership;

- September 18, 2015 – Providence Health & Services’ Board of Directors approves and passes a resolution authorizing the execution of the Health System Combination Agreement;
- September 25, 2015 – St. Joseph Health System’s Board of Trustees approves and passes a resolution authorizing the execution of the Health System Combination Agreement and the Supplemental Agreement with Hoag Memorial Hospital Presbyterian;
- September 25, 2015 – Providence Health & Services’ Board of Directors approves and passes a resolution authorizing the execution of the Supplemental Agreement with Hoag Memorial Hospital Presbyterian;
- November 24, 2015 – “Notice of Submission and Request for Consent” is submitted by Providence Health & Services and St. Joseph Health System to the Office of the California Attorney General; and
- November 25, 2015 – Providence Health & Services and St. Joseph Health System issue a press release announcing that the California Attorney General is reviewing the proposed change in governance.

Health System Combination Agreement

The proposed Health System Combination Agreement, dated November 23, 2015, contains the following major provisions:

- Together, St. Joseph Health System and Providence Health & Services shall form Providence St. Joseph Health, a new Washington nonprofit corporation, to become the sole corporate member of Providence Health & Services and St. Joseph Health System effective upon closing;
 - Providence St. Joseph Health will serve as the parent corporation over Providence Health & Services and St. Joseph Health System;
 - Providence Health & Services and St. Joseph Health System shall continue to operate according to their respective governing documents, subject to the reserved powers of Providence St. Joseph Health;
 - The purpose and function of the subsidiary boards of Providence Health & Services and St. Joseph Health System shall not change and shall continue to operate according to their respective governing documents;
 - Providence St. Joseph Health intends to form a single-obligated group that will allow both Providence Health & Services and St. Joseph Health System to:

- Become jointly and severally liable for all organization tax-exempt debt; and
 - Allocate risk and optimize borrowing strategy.
- Providence St. Joseph Health intends to create a single-cash and integrated investment program.
- St. Joseph Health Ministry and Providence Ministries will enter into a separate co-sponsorship agreement establishing the Co-Sponsors Council through contractual obligations exercised by St. Joseph Health Ministry and Providence Ministry;
 - The Co-Sponsors Council will become the sole corporate member of Providence St. Joseph Health; and
 - Some of the reserved rights of the Co-Sponsors Council are:
 - Approve any change to mission, philosophy, vision, and values;
 - Adopt, amend, or repeal civil Articles of Incorporation or Bylaws of Providence St. Joseph Health, of any civil corporation of which Providence St. Joseph Health is a controlling member, to the extent permitted by applicable law;
 - Monitor the application of the Ethical and Religious Directives within Providence St. Joseph Health and its Catholic subsidiaries, and in the case of non-compliance, require the correction of any anomaly;
 - Fix the number and appoint and/or remove the trustees of Providence St. Joseph Health and of any corporation of which Providence St. Joseph Health is the controlling member;
 - Approve incurrences of indebtedness or the sale, transfer, assignment, or encumbering of the assets of Providence St. Joseph Health and any corporation of which Providence St. Joseph Health is the controlling member, pursuant to policies established from time to time by the Co-Sponsors Council;
 - Appoint the President/Chief Executive Officer of Providence St. Joseph Health, and to remove such President/Chief Executive Officer of Providence St. Joseph Health, with or without cause, after consideration of input from the Providence St. Joseph Health Board;
 - Approve, on a consolidated system-wide basis, the annual operating and capital budget of Providence St. Joseph Health, and approve of any deviations from such budgets in excess of an amount of percentage specified from time to time by resolution of the Co-Sponsors Council;
 - Approve the merger, dissolution, or sale of substantially all Providence St. Joseph Health division or local ministry assets; and
 - Approve the initiation or closure of any major work of Providence St. Joseph Health and of any corporation of which Providence St. Joseph

Health is the controlling member.

- St. Joseph Health System and Providence Health & Services shall establish the Providence St. Joseph Health Board as follows:
 - The Providence St. Joseph Health Board shall consist of fourteen elected members with equal voting rights;
 - The President and Chief Executive Officer of Providence St. Joseph Health shall serve as an ex-officio member, with voting privileges;
 - Seven members of the Providence St. Joseph Health Board shall be appointed by St. Joseph Health System and seven members shall be appointed by Providence Health & Services;
 - Each elected member shall serve an initial three-year term, subject to the reserved rights of their respective Sponsors during the initial term;
 - Following the initial three-year term, the elected members shall be self-perpetuating, with members serving staggered terms, without regard to representational requirements, and subject to the reserved rights of the Co-Sponsors Council;
 - No member of the Providence St. Joseph Health Board may serve more than nine consecutive years, excluding the President and Chief Executive Officer; and
 - Voting shall be decided by a simple majority, unless a greater majority is required by law.
- The restated bylaws of Providence Health & Services and the restated bylaws of St. Joseph Health System will reserve rights to Providence St. Joseph, such as the ability to:
 - Approve and recommend to Co-Sponsors Council the appointment and/or removal of the Providence St. Joseph Health Board of Directors;
 - Approve and recommend to Co-Sponsors Council the appointment and/or removal of Providence St. Joseph Health Board Chair;
 - Approve and recommend to Co-Sponsors Council the amendment of articles, bylaws, or other governing documents of Providence St. Joseph Health, St. Joseph Health System, or Providence Health & Services;

- Approve and recommend to Co-Sponsors Council the affiliation or acquisition involving Providence St. Joseph Health, St. Joseph Health System or Providence Health & Services;
- Approve the strategic plan for all Catholic facilities, ministries and operations of Providence St. Joseph Health, Providence Health & Services, and St. Joseph Health System;
- Approve Providence St. Joseph Health's goals and objectives;
- Approve and recommend to Co-Sponsors Council the initiation or closure of a major work of Providence St. Joseph Health, St. Joseph Health System, or Providence Health & Services;
- Approve initiation or closure of programs and services of St. Joseph Health System or Providence Health & Services;
- Approve and recommend to Co-Sponsors Council the dissolution, liquidation, consolidation, or merger of Providence St. Joseph Health, St. Joseph Health System or Providence Health & Services;
- Approve and recommend to Co-Sponsors Council the annual consolidated Providence St. Joseph Health's budget;
- Approve debt authorization (including loan guarantees) up to an amount to be determined;
- Approve the long-range financial plan of Providence St. Joseph Health;
- Approve budgeted substitutions of Providence St. Joseph Health;
- Approve unbudgeted expenditures of Providence St. Joseph Health;
- Approve sale of non-church real and personal property/assets of Providence St. Joseph Health, St. Joseph Health System, or Providence Health & Services; and
- Approve system-wide Providence St. Joseph Health compliance program and policies.
- All employees shall remain employed by the entity that currently employs them with compensation and benefits established by their respective employers, and both St. Joseph Health System and Providence Health & Services will continue maintaining their respective employee benefit plans to be in material compliance with applicable laws;

- The medical staff shall not be adversely affected nor require a change to the medical staff privileges held by any member of the medical staff of the hospitals;
- Capital projects approved by either St. Joseph Health System or Providence Health & Services prior to closing shall not be subject to an additional review process;
- Divisional headquarters for St. Joseph Health System and Providence Health & Services' California operations shall be located in Irvine, California. System headquarters for Providence St. Joseph Health shall be located in Renton, Washington;
- St. Joseph Health System and Providence Health & Services have made the following commitments:
 - Maintain the hospitals as general acute care hospitals for a period of five years;
 - Maintain and provide 24-hour emergency department services as currently licensed for a period of five years;
 - Continue to participate in the Medicare program and have a Medicare provider number for a period of five years to provide the same types and levels of services as provided as of closing of the transaction;
 - Continue to participate in the Medi-Cal program for a period of five years, including maintaining Medi-Cal Managed Care contracts on competitive terms that provide the same types and levels of services as in the existing contracts;
 - Continue contracts with local government agencies on current terms for a period of five years, unless such contracts expire or are terminated for cause;
 - Provide an annual amount of charity care at each of the hospitals for a period of five years that is no less than the Fiscal Year (FY) 2014-2015 average of each of the hospitals;
 - Provide an annual amount of community benefit services at each of the hospitals for a period of five years that is no less than the four year (FY 2011-2014) average at each of the hospitals, subject to Consumer Price Index adjustments; and
 - Continue key service lines at the hospitals, including women's health services, for a period of five years as listed in the summary table below:

ST. JOSEPH HEALTH SYSTEM & PROVIDENCE HEALTH & SERVICES: SERVICE LINE COMMITMENT	
Hospital	Service Line
St. Joseph Health System	
Mission Hospital Regional Medical Center	Behavioral health, cardiology, diabetes, emergency, gastroenterology, imaging/radiology, intensive care, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, pediatrics, rehabilitation, respiratory, surgery, trauma, vascular, and women's services
Petaluma Valley Hospital	Emergency, imaging/radiology, intensive care, laboratory, obstetrics, oncology, orthopedics, palliative care, rehabilitation, vascular, and women's services
Queen of the Valley Medical Center	Cardiology, emergency, imaging/radiology, interventional radiology, intensive care, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, rehabilitation, surgery, wellness, women's, and wound care services
Redwood Memorial Hospital	Cardiology, emergency, gastroenterology, imaging/radiology, intensive care, laboratory, neurosciences, obstetrics, oncology, orthopedics, palliative care, rehabilitation, and surgery services
Santa Rosa Memorial Hospital	Bariatric surgery, behavioral health, cardiology, emergency, imaging/radiology, interventional radiology, intensive care, laboratory, neurosciences, obstetrics, oncology, orthopedics, palliative care, rehabilitation, surgery, trauma, vascular, and women's services
St. Joseph Hospital-Eureka	Cardiology, emergency, gastroenterology, imaging/radiology, interventional radiology, intensive care, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, rehabilitation, and surgery services
St. Joseph Hospital of Orange	Anesthesia, bariatric surgery, behavioral health, cardiology, emergency services, gastroenterology, imaging/radiology, interventional radiology, intensive care, kidney dialysis, laboratory, neurosciences, obstetrics oncology, ophthalmology, orthopedics, palliative care, rehabilitation, surgery, urology, women's, and wound care services
St. Jude Medical Center	Anesthesia, cardiology, emergency, gastroenterology, geriatric, imaging/radiology, interventional radiology, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, pathology, rehabilitation, speech therapy, surgery, wellness and fitness, women's, and wound care services
St. Mary Medical Center	Cardiology, diabetes, emergency, imaging/radiology, intensive care, laboratory, obstetrics and neonatal intensive care, rehabilitation, surgery, women's, and wound care services
Providence Health & Services	
Providence Holy Cross Medical Center	Ambulatory surgery, cardiac catheterization, cardiology, emergency, endoscopy, imaging/radiology, intensive care, interventional radiology, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, pulmonary, rehabilitation, sub-acute, telemetry, trauma, vascular, and women's services
Providence Little Company of Mary Medical Center-San Pedro	Acute psychiatry, center for optimal aging, chemical dependency, community outreach, diabetes, emergency, endocrinology, imaging/radiology, intensive care, internal medicine, laboratory, neurosciences, nutritional, obstetrics, oncology, palliative care, pathology, rehabilitation, respiratory, spiritual care, surgery, sub-acute, women's, and wound care services
Providence Little Company of Mary Medical Center-Torrance	Blood donor center, cardiovascular, community outreach, emergency, diabetes, endocrinology, imaging/radiology, intensive care, internal medicine, laboratory, neurosciences, nutritional, obstetrics and neonatal intensive care, orthopedics, oncology, palliative, pathology, pediatrics, respiratory, spiritual care, surgery, rehabilitation, urology, volunteer, women's, and wound care services
Providence Saint Joseph Medical Center	Ambulatory surgery, cardiac catheterization, cardiology, emergency, paramedic base station, endoscopy, imaging/radiology, intensive care, interventional radiology, laboratory, neurosciences, orthopedics, obstetrics and neonatal intensive care, oncology, palliative care, pulmonary, rehabilitation, surgery, telemetry, vascular, and women's services
Providence Tarzana Medical Center	Ambulatory surgery, cardiac catheterization, cardiology, emergency, endoscopy, imaging/radiology, intensive care, interventional radiology, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, pulmonary, surgery, pediatric and pediatric intensive care, telemetry, vascular, and women's services

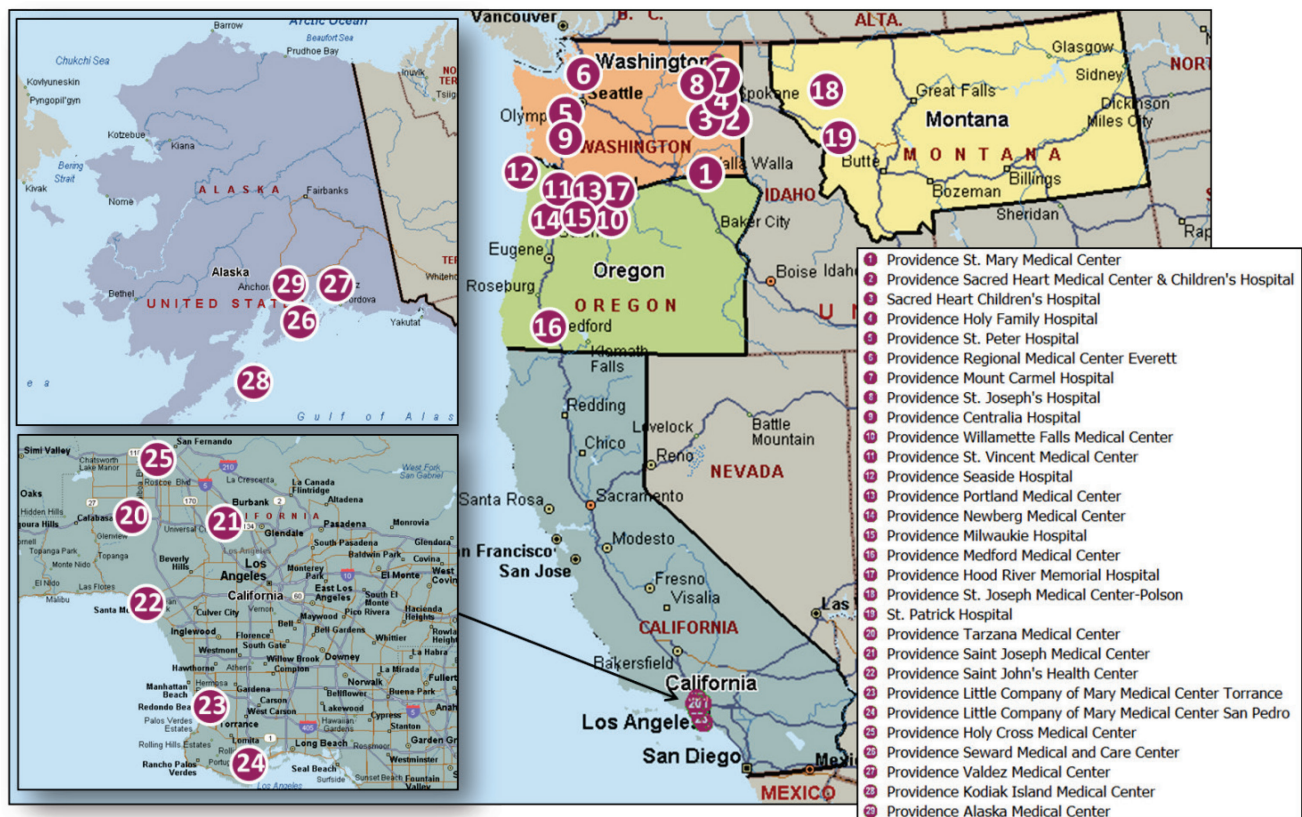
Use of Net Sale Proceeds

There will be no net proceeds as a result of the proposed transaction.

PROFILE OF PROVIDENCE HEALTH & SERVICES

Providence Health & Services is a nonprofit Catholic healthcare system that traces its beginnings back to 1843 when a religious community of Catholic women, later called the Sisters of Providence, was founded in Montreal, Canada. In 1856, Mother Joseph of the Sacred Heart led a group of four Sisters of Providence to the Washington Territory, where the pioneer sisters began caring for elderly women, orphaned children, and the sick in what was called the "Providence Enclosure." In 1858, they opened St. Joseph Hospital, one of the first hospitals in the Northwest, and by 1859, the Sisters of Providence created the structure for the current network of healthcare services known as Providence Health & Services.

Providence Health & Services has grown to be one of the largest nonprofit health systems in the United States. Providence Ministries is the Catholic sponsor of Providence Health & Services. Today, Providence Health & Services, headquartered in Renton, Washington, employs 76,000 employees, who provide a diverse range of services across five states: Alaska, California, Montana, Oregon, and Washington. Providence Health & Services currently operates 34 hospitals, 475 physician clinics, 22 long-term care facilities, 19 hospice and home health programs, and 693 supportive housing units. Providence Health & Services operates Providence Health Plan, an Oregon nonprofit healthcare service contractor, that provides Medicare, Medicaid, and individual and family health insurance plans to 436,000 members.



Approximately 70 years ago, Providence Health & Services began its operations in Southern California, where it currently operates the following hospitals: Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center San Pedro, Providence Little Company of Mary Medical Center Torrance, Providence Saint John's Health Center, Providence Saint Joseph Medical Center, and Providence Tarzana Medical Center. Descriptions of Providence Health & Services-Southern California's hospitals are provided below:

Providence Holy Cross Medical Center is located in Mission Hills, was founded in 1961, and provides healthcare services to the San Fernando, Santa Clarita, and Simi Valley communities. It is a general acute care hospital that is currently licensed for 377 beds and has a medical staff consisting of over 600 physicians. The Medical Center offers both inpatient and outpatient health services, including oncology, cardiology, orthopedics, neurosciences, rehabilitation services, women's and children's services. The Medical Center is designated as a Level II Trauma Center and STEMI Receiving Center, and is certified as a Primary Stroke Center.

Providence Little Company of Mary Medical Center San Pedro is located in San Pedro, was founded in 1925, and provides healthcare services to the South Bay community. It is a general acute care hospital that is currently licensed for 356 beds and has a medical staff consisting of over 400 physicians. The hospital offers a variety of medical services, including emergency care, intensive care, medical and surgical services, obstetrics, and orthopedics. The hospital is also certified as a Primary Stroke Center.

Providence Little Company of Mary Medical Center Torrance is located in Torrance, was opened in 1960, and provides healthcare services to the South Bay Community. It is a general acute care hospital that is currently licensed for 442 beds, employs approximately 2,100 individuals, and has a medical staff consisting of approximately 900 physicians. The hospital offers general medical, surgical, and critical care services. The hospital also offers cardiovascular, oncology, emergency care, and women's and children's health services. The hospital is designated as Level III Neonatal Intensive Care Unit and a STEMI Receiving Center, and is certified as a Primary Stroke Center.

Providence Saint John's Health Center is located in Santa Monica, was founded in 1942, and provides healthcare services to communities in West Los Angeles. Today, the health center is a general acute care hospital that is currently licensed for 266 beds. The health center provides emergency, heart and vascular care, oncology, orthopedics, and women's health services. The health center is also designated as a STEMI Receiving Center. Providence Saint John's Health Center is the sole corporate member of the John Wayne Cancer Institute, an institute that conducts research to advance the treatment of complex cancers.

Providence Saint Joseph Medical Center is located in Burbank and was founded in 1943 by the Sisters of Providence. The Medical Center is a general acute care hospital that is currently licensed for 446 beds, has approximately 2,300 employees, over 700 physicians, and is the second-largest hospital serving the San Fernando and Santa Clarita Valleys. The Medical Center offers a variety of services and programs through its Roy & Patricia Disney Family Cancer

Center, heart and vascular center, The Hycy and Howard Hill Neuroscience Institute, breast health center, and Trinity Hospice. The Medical Center is also designated as a STEMI Receiving Center and certified as a Primary Stroke Center.

Providence Tarzana Medical Center is located in Tarzana, was founded in 1973, and provides healthcare services to the San Fernando Valley communities. It is a general acute care hospital that is licensed for 249 beds, has a medical staff consisting of nearly 800 physicians, and has over 1,300 employees. The Medical Center offers a comprehensive range of healthcare services that include cardiology, vascular, orthopedics, women's services, pediatrics, neonatal, and emergency care. The Medical Center is designated as a STEMI Receiving Center and a Level III Neonatal Intensive Care Unit, and is certified as a Primary Stroke Center.

Providence Health & Services –Southern California also operates the following entities:

Providence Medical Institute

Providence Medical Institute operates as a nonprofit medical practice foundation⁵ and provides primary and specialty care services, including family and internal medicine, obstetrics and gynecology, pediatrics, cardiology, and dermatology services. Providence Medical Institute was founded in 1995, and is currently affiliated with the following medical groups: Providence Medical Group, Providence Care Network, Affiliates in Medical Specialties, and Axminster Medical Group. Together, they employ over 200 providers located at more than 30 medical offices throughout the Greater Los Angeles area.

Facey Medical Foundation

Facey Medical Foundation operates as a nonprofit medical practice foundation and manages Facey Medical Group. Facey Medical Group provides primary and specialty care services, including family and internal medicine, obstetrics and gynecology, pediatrics, behavioral health, ophthalmology, and gastroenterology services, to the residents of San Fernando Valley, Santa Clarita Valley, and Simi Valley. Facey Medical Group is currently comprised of over 200 healthcare providers in 12 locations.

Providence High School

Providence High School, located in Burbank, was founded in 1955 by the Sisters of Providence. It is a private, co-educational, independent, college preparatory Catholic high school, accredited by the Western Catholic Education Association and the Western Association of Schools and

⁵ Providence Medical Institute and Facey Medical Foundation operate under California Health and Safety Code section 1206(l). Under section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than ten board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

Colleges. It is also a member of the California Association of Independent Schools, and is nationally recognized as a Blue Ribbon High School.

Providence St. Elizabeth Care Center

Providence St. Elizabeth Care Center, located in North Hollywood, is a skilled nursing facility licensed for 52 skilled nursing beds. Healthcare services include skilled nursing care, geriatric services, intravenous medication therapy, and respiratory services.

Providence TrinityCare Hospice

Providence TrinityCare Hospice provides end-of-life services for patients in need of palliative and hospice care throughout Southern California. Providence TrinityCare Hospice, which is supported by Providence TrinityCare Hospice Foundation, provides care for patients in hospitals, nursing homes, rehabilitation facilities, and in the home.

Providence Little Company of Mary Home Health

Providence Little Company of Mary Home Health provides a range of home health and clinical specialty programs for patients receiving treatment for illness, hospitalization, or surgery. Healthcare services include patient assessment and monitoring, IV therapy, total parenteral nutrition, gastric feeding tube services, wound care treatment, and pain management services.

Providence Little Company of Mary Sub-Acute Care Center

Providence Little Company of Mary Sub-Acute Care Center, located in San Pedro, is an adult care facility that specializes in the treatment of ventilator and tracheostomy-dependent patients, including inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management care.

Providence Little Company of Mary Transitional Care Center

Providence Little Company of Mary Transitional Care Center, located in Torrance, provides skilled nursing care for patients transitioning from inpatient acute care to the home.

The Roy and Patricia Disney Family Cancer Center

The Roy and Patricia Disney Family Cancer Center, located in Burbank, provides prevention, detection, diagnosis, medical and surgical treatment, rehabilitation, and support services for patients with cancer, including the Providence Saint Joseph Breast Health Center.

Providence House

Providence House, founded in 1991 and located in Oakland, provides 40 apartments for individuals on fixed incomes living with HIV/AIDs and disabilities.

Key Statistics

Key statistics for the Providence Health & Services-Southern California hospitals include the following:

- In FY 2014, the hospitals operated a total of 2,116 licensed beds with an average occupancy rate of 56% and an average daily census of 1,171 patients;
- From FY 2013 to FY 2014, total inpatient discharges increased approximately 15% from 74,733 to 85,759; and
- Based on FY 2014 inpatient discharges, the percentages of Medicare and Medi-Cal were 45% and 20%, respectively.

Payer Mix

The following table illustrates the Providence Health & Services-Southern California hospitals' inpatient discharge payer mix compared to Los Angeles County and the State of California for FY 2014. The comparison shows that the six combined hospitals have higher percentages of Medicare Traditional, Medicare Managed Care, Third Party Traditional, and Third-Party Managed Care patients and lower percentages of Medi-Cal Traditional and Medi-Cal Managed Care patients relative to the average for all hospitals in Los Angeles County and the State of California.

PAYER MIX COMPARISON						
	Providence Health & Services (FY 2014)		Los Angeles County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	8,657	10.1%	157,394	18.5%	448,311	15.8%
Medi-Cal Managed Care	8,688	10.1%	135,429	16.0%	435,129	15.3%
Medi-Cal Total	17,345	20.2%	292,823	34.5%	883,440	31.1%
Medicare Traditional	27,855	32.5%	233,810	27.5%	805,912	28.4%
Medicare Managed Care	10,965	12.8%	85,330	10.1%	273,709	9.6%
Medicare Total	38,820	45.3%	319,140	37.6%	1,079,621	38.0%
Third-Party Managed Care	20,981	24.5%	158,487	18.7%	610,781	21.5%
Third-Party Managed Care Total	20,981	24.5%	158,487	18.7%	610,781	21.5%
Third-Party Traditional	6,937	8.1%	30,357	3.6%	121,054	4.3%
Other Payers	762	0.9%	22,969	2.7%	62,617	2.2%
Other Indigent	914	1.1%	7,231	0.9%	32,930	1.2%
County Indigent	0	0.0%	17,931	2.1%	51,759	1.8%
Other Total	8,613	10.0%	78,488	9.2%	268,360	9.4%
Total	85,759	100%	848,938	100%	2,842,202	100%

Source: OSHPD Disclosure Reports, FY 2014

Quality & Awards

All of the Providence Health & Services-Southern California hospitals have received accreditation from The Joint Commission as indicated below:

Hospital	Effective Date
Providence Holy Cross Medical Center	5/8/2015
Providence Little Company of Mary Medical Center-San Pedro	1/17/2015
Providence Little Company of Mary Medical Center-Torrance	9/25/2015
Providence Saint John's Health Center	9/12/2015
Providence Saint Joseph Medical Center	8/8/2015
Providence Tarzana Medical Center	8/9/2014

Source: The Joint Commission

The Centers for Medicare & Medicaid Services developed the online tool, Hospital Compare, as a part of its Hospital Quality Initiative. Hospital Compare is designed to help improve hospitals' quality of care by distributing objective, easy to understand data on hospital performance, and quality information from consumer perspectives. The following table shows the most recent quality scores for the Providence Health & Services-Southern California hospitals in California as reported by Hospital Compare for measures of overall recommended care, readmission rate, overall patient experience, and overall surgical care:

PROVIDENCE HEALTH & SERVICES: QUALITY SCORES				
Hospital	Overall Recommended Care	Readmission Rate	Overall Patient Experience	Overall Surgical Care
State of California Average	96.9%	19.4%	68.0%	97.9%
Providence Holy Cross Medical Center	96.2%	19.9%	74.0%	99.7%
Providence Little Company of Mary Medical Center San Pedro	95.3%	19.5%	68.0%	96.4%
Providence Little Company of Mary Medical Center Torrance	98.2%	19.9%	75.0%	99.8%
Providence Saint John's Health Center	96.3%	19.2%	73.0%	99.9%
Providence Saint Joseph Medical Center	97.6%	19.8%	75.0%	99.8%
Providence Tarzana Medical Center	95.3%	19.4%	59.0%	98.0%

Source: Medicare.gov Hospital Compare

- For measures of overall recommended care, four of the hospitals (Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center San Pedro, Providence Saint John's Health Center, and Providence Tarzana Medical Center) had slightly lower rates than the State of California average. However, two hospitals (Providence Little Company of Mary Medical Center Torrance and Providence Saint Joseph Medical Center) scored above the State of California average;
- Four of the six hospitals had slightly higher rates of readmission than the State of California Average. Providence Tarzana Medical Center's readmission rate was the same as the State of California average (19.4%), and Providence Saint John's Health Center's readmission rate was lower than the statewide average (19.2%);

- Five of the six hospitals' overall patient experience scores met or exceeded the State of California average. Providence Tarzana Medical Center's overall patient experience score was lower than the State of California average (59.0% and 68.0%, respectively); and
- For measures of overall surgical care, only Providence Little Company of Mary Medical Center San Pedro's score of 96.4% fell below the State of California average.

Financial Profile

Combined Statement of Operations

PROVIDENCE HEALTH & SERVICES COMBINED STATEMENT OF OPERATIONS: CALENDAR YEARS ENDED 2013 & 2014 (In Thousands of Dollars)				
	Providence Health & Services System-Wide		Providence Health & Services Southern California	
	2013	2014	2013	2014
Net Patient Service Revenue	\$9,357,529	\$10,294,637	\$1,647,280	\$1,840,535
Provision for Bad Debts	(\$299,791)	(\$193,018)	(\$48,600)	(\$71,899)
Net Patient Service Revenue Less Provision for Bad Debts	\$9,057,738	\$10,101,619	\$1,598,680	\$1,768,646
Premium and Capitation Revenues	\$1,445,107	\$1,682,968	\$198,965	\$243,103
Other Revenues	\$633,835	\$696,390	\$65,332	\$92,240
Total Operating Revenues	\$11,136,680	\$12,480,977	\$1,862,977	\$2,103,989
Salaries and Wages	\$4,748,873	\$5,248,196	\$695,251	\$792,798
Employee Benefits	\$1,161,130	\$1,220,078	\$184,509	\$86,796
Purchased Healthcare	\$767,161	\$909,154	\$47,886	\$79,462
Professional Fees	\$463,838	\$514,990	\$173,737	\$213,768
Supplies	\$1,533,092	\$1,792,707	\$226,875	\$284,480
Purchased Services	\$944,487	\$977,247	\$258,663	\$153,017
Depreciation	\$596,623	\$676,357	\$80,766	\$102,861
Interest and Amortization	\$134,489	\$161,014	\$37,853	\$38,187
Other Operating Expenses	\$749,316	\$762,082	\$184,422	\$78,346
Total Operating Expenses	\$11,099,009	\$12,261,825	\$1,889,962	\$1,829,715
Excess of Revenues Over Expenses from Operations	\$37,671	\$219,152	(\$26,985)	\$274,274
Gains from Affiliations	-	\$476,110	-	-
Loss on Extinguishment of Debt	(\$1,671)	(\$85,522)	-	-
Investment Income, Net	\$248,572	\$178,043	-	-
Pension Settlement Costs and Other	(\$30,302)	(\$16,361)	-	-
Total Net Nonoperating Gains	\$215,599	\$552,270	\$16,132	\$143,908
Excess of Revenues Over Expenses	\$253,270	\$771,422	(\$10,853)	\$418,182
Net Assets Released from Restriction for Capital	\$10,786	\$13,646	(\$594)	\$3,924
Change in Noncontrolling Interests in Consolidated Joint Ventures	(\$29,139)	\$584	(\$811)	\$553
Pension Related Changes	\$385,702	(\$249,011)	-	-
Interdivision Transfers	-	-	(\$29,915)	(\$414,211)
Contributions, Grants, and Other	(\$4,040)	(\$8,639)	\$4,077	(\$16,054)
Increase in Unrestricted Net Assets	\$616,579	\$528,002	(\$38,096)	(\$7,606)

Source: Providence Health & Services Combined Financial Statement, FY 2013 & 2014 (KPMG)

Providence Health & Services System-Wide Performance

Providence Health & Services' audited combined financial statements⁶ for FY 2013 and FY 2014 display the system-wide performance of the entity and its affiliates. The system displays increasing operating revenues and excess of revenues over expenses from operations.

⁶ Providence Health & Services' audited combined financial statements, prepared by KPMG, pertain to the entire Providence Health & Services system, including its operations outside of California.

- Net patient service revenue (less provision for bad debts) of \$10.1 billion in FY 2014 represents a net increase of \$1.0 billion (11.5%) as compared to FY 2013. Total operating revenues increased by \$1.3 billion (12%) to \$12.5 billion in FY 2014;
- Total operating expenses increased by 10.5% in FY 2014 to \$12.3 billion. Providence Health & Services' salaries and benefits expenses accounted for 42.8% of total expenses;
- In FY 2014, Providence Health & Services realized a net non-operating gain of \$552.3 million, representing a 156% increase from the net non-operating gain of \$215.6 million in FY 2013. This increase included investment income from trading securities, income from recipient organizations, pension settlement costs, and other income. Contributions from affiliations with Providence Saint John's Health Center, Pacific Medical Centers, and Kadlec Health System also are included in net non-operating gains in FY 2014; and
- Excess of revenues over expenses from operations increased from \$37.7 million in FY 2013 to \$219.2 million in FY 2014.

Providence Health & Services-Southern California Performance

Providence Health & Services-Southern California's combined financial statements for FY 2013 and FY 2014 display the performance of the Providence Health & Services-Southern California entities and affiliates. The region shows increasing operating revenues and excess of revenues over expenses from operations.

- Net patient service revenue (less provision for bad debts) of \$1.77 billion in FY 2014 represents a net increase of \$170 million (10.6%) as compared to FY 2013. Total operating revenues increased by \$241 million (13.0%) to \$2.1 billion in FY 2014;
- Total operating expenses decreased by 3.2% in FY 2014 to \$1.83 billion. The salaries and wages expenses accounted for approximately 43.3% of total expenses;
- In FY 2014, Providence Health & Services-Southern California realized a net non-operating gain of \$143.9 million, representing a significant increase from the net non-operating gain of \$16.1 million in FY 2013; and
- Excess of revenues over expenses from operations increased from a loss of \$27.0 million in FY 2013 to a gain of \$274.3 million in FY 2014.

PROFILE OF ST. JOSEPH HEALTH SYSTEM

St. Joseph Health System is a ministry of the Sisters of St. Joseph of Orange, whose origins can be traced back to the 17th Century. In 1650, Father Jean Pierre Medaille, a traveling Jesuit priest and missionary, encountered a group of women in Le Puy, France who were providing care to the homeless and sick members of their community. Father Madaille formally organized the group of women into a religious community named the “Sisters of Saint Joseph.” In 1912, at the invitation of the local bishop, a small contingent of the Sisters of St. Joseph traveled to establish a school in Eureka, California. A few years later in 1918, the great influenza epidemic broke out and caused the Sisters to temporarily give up their education efforts in order to provide care for the sick. The Sisters of St. Joseph determined that the community needed a hospital. In 1920, the Sisters opened St. Joseph Hospital-Eureka with 28 beds.

Today, St. Joseph Health System is organized into three regions: Northern California, Southern California, and West Texas/Eastern New Mexico. St. Joseph Health System employs 24,733 individuals who provide care across a full range of facilities including 14 acute care hospitals, home health agencies, hospice care, outpatient services, skilled nursing facilities, community clinics, and physician organizations.



St. Joseph Health System operates the following hospitals in Southern California: Hoag Memorial Hospital Presbyterian, Hoag Orthopedic Institute, St. Joseph Hospital-Eureka, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, Petaluma Valley Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Orange, St. Jude Medical Center, St. Mary Medical Center, and Mission Hospital Regional Medical Center, which operates two general acute care hospitals under the same license. Descriptions of St. Joseph Health System's Southern California hospitals are provided below:

Hoag Memorial Hospital Presbyterian has campuses in Newport Beach and Irvine, was founded over 60 years ago, and provides healthcare services to the Orange County community. Both campuses are licensed as general acute care hospitals and are currently licensed for a combined total of 527 beds. The hospitals provide emergency, medical/surgical, cardiovascular, maternity, neonatal intensive care, critical care, and chemical dependency services. They are both designated as STEMI Receiving Centers, and the Newport Beach campus is designated as a Stroke Neurology Receiving Center.

Hoag Orthopedic Institute is an orthopedic specialty hospital in Irvine. The institute is licensed for 70 beds and has a medical staffing consisting of over 300 specialty physicians who provide a range of orthopedics services including spine care, joint care, sports medicine, trauma and fracture care, and sarcoma treatment services.

St. Mary Medical Center is located in Apple Valley and first opened in 1956 as a 29-bed acute and maternity care facility. Today, the hospital is a general acute care hospital that is currently licensed for 212 beds and has a medical staff consisting of over 300 physicians. It provides healthcare services to the Apple Valley community, including 24-hour emergency services, pediatric care, cardiology services, and wellness and prevention programs such as diabetes education. It is designated as a STEMI Receiving Center.

St. Jude Medical Center is located in Fullerton, has been in operation for over 50 years, and provides healthcare services to the Orange County community. The Medical Center is a general acute care hospital that is currently licensed for 351 beds and has a medical staff consisting of nearly 600 physicians. The Medical Center provides medical services across a wide range of specialties and subspecialties, including oncology, cardiology, maternity, orthopedics, and outpatient rehabilitation services. It is designated as a STEMI Receiving Center and is certified as a Comprehensive Stroke Center.

St. Joseph Hospital of Orange is located in Orange, opened in September of 1929, and provides healthcare services to the Orange County community. It is a general acute care hospital that is currently licensed for 463 beds, employs over 3,100 staff, and has a medical staff consisting of over 1,000 physicians. The hospital offers bariatric surgery, behavioral health, orthopedics, and kidney transplant services. The hospital has the Nasal and Sinus Center, the Heart and Vascular Center, the Center for Cancer Prevention and Treatment, and the Kidney Dialysis Center. It is designated as a STEMI Receiving Center and is certified as a Primary Stroke Center.

Mission Hospital Regional Medical Center has campuses in Mission Viejo and Laguna Beach. Both are general acute care hospitals that provide a wide range of patient services and are currently licensed for a combined total of 552 beds with a medical staff of over 750 physicians. The Medical Center has several specialty centers that include Heart Center, Spine Center, Women's Center, and the Imaging Center. The Mission Viejo campus is designated as a Level II Trauma Center and STEMI Receiving Center and is certified as a Primary Stroke Center.

St. Joseph Health System operates the following hospitals in Northern California: St. Joseph Hospital-Eureka, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, Petaluma Valley Hospital, and Queen of the Valley Medical Center. Descriptions of St. Joseph Health System's Northern California hospitals are provided below:

St. Joseph Hospital-Eureka is located in Eureka, first opened in 1920, and provides healthcare services to the Eureka community. It is a general acute care hospital that is currently licensed for 153 beds with a medical staff of over 300 physicians. It provides emergency, cardiology, surgical, pediatric, maternity, and rehabilitation services. It also has a Sexual Assault Response Team and operates a Level II Neonatal Intensive Care Unit.

Redwood Memorial Hospital is located in Fortuna and provides healthcare services to the Fortuna community. It is a general acute care and critical care access hospital that is currently licensed for 35 beds with a medical staff of over 100 physicians. The hospital provides emergency, critical care, obstetric, surgical, outpatient rehabilitation, and radiology services, including ultrasound, digital mammography, and bone density services.

Santa Rosa Memorial Hospital is located in Santa Rosa and serves the communities of Sonoma County, Mendocino County, Napa County, and Lake County. The hospital is a general acute care hospital and is currently licensed for 278 beds with a medical staff of nearly 500 physicians. The hospital provides a range of specialty services, including emergency, pediatric, maternal and child health, joint replacement, and rehabilitation services. It is designated as a STEMI Receiving Center, certified as a Primary Stroke Center, and operates the region's only Level II Trauma Center.

Petaluma Valley Hospital is located in Petaluma in Sonoma County. It is a general acute care hospital that is currently licensed for 80 beds with a medical staff of over 250 physicians. The hospital offers 24-hour emergency, intensive care, and surgical services. It also operates a Family Birth Center.

Queen of the Valley Medical Center is located in Napa, was founded in 1958 by the Sisters of St. Joseph of Orange, and provides services to the Napa Valley community. The Medical Center is a general acute care hospital that is currently licensed for 208 beds with a medical staff of over 300 physicians. It provides oncology, orthopedics, imaging, cardiac, maternity and infant care, emergency, and wellness services. It is designated as a STEMI Receiving Center.

St. Joseph Health System also operates the following entities:

St. Joseph Heritage Healthcare

St. Joseph Heritage Healthcare operates as a nonprofit medical practice foundation⁷ and provides primary and specialty care services, including family and internal medicine, pediatrics, dermatology, cardiology, and obstetrics and gynecology services. St. Joseph Heritage Healthcare is comprised of eight medical groups, including St. Jude Heritage Medical Group, St. Joseph Heritage Medical Group, Mission Heritage Medical Group, Hoag Medical Group, St. Mary High Desert Medical Group, Annadel Medical Group, Queen of the Valley Medical Associates, and Humboldt Medical Specialists. St. Joseph Heritage Healthcare also has several contracted physician networks that include St. Jude Affiliated Physician Network, St. Joseph Hospital Affiliated Physician Network, Mission Hospital Affiliated Physician Network, Hoag Affiliated Physician Network, and Premier IPA. In total, St. Joseph Heritage Healthcare is comprised of over 400 healthcare providers.

St. Joseph Health System Foundation

The St. Joseph Health System Foundation, also known as the St. Joseph Health Community Partnership Fund, supports St. Joseph Health System's mission to improve the health and wellbeing of low-income individuals and families by raising and allocating funds and resources to various community programs.

Key Statistics

Key statistics for St. Joseph Health System's California hospitals include the following:

- In FY 2014, the hospitals operated a total of 2,357 licensed beds with an average occupancy rate of 48% and an average daily census of 1,183 patients;
- From FY 2013 to FY 2014, total inpatient discharges decreased 8%, from 129,967 to 119,420; and
- The percentage of Medicare and Medi-Cal inpatient discharges in FY 2014 were 44% and 21%, respectively.

⁷ The medical foundation operates under California Health and Safety Code section 1206(l). Under section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than ten board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

Payer Mix

The following table illustrates St. Joseph Health System's California hospitals' inpatient discharge payer mix compared to the State of California for FY 2014. The comparison shows that St. Joseph Health System's California hospitals have higher percentages of Medicare Traditional, Third Party Managed Care, and County Indigent patients and lower percentages of Medi-Cal Managed Care and Third-Party Traditional patients relative to all hospitals in California.

PAYER MIX COMPARISON: FY 2014				
	St. Joseph Health System		California	
	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	10,337	10.6%	448,311	15.8%
Medi-Cal Managed Care	9,761	10.0%	435,129	15.3%
Medi-Cal Total	20,098	20.6%	883,440	31.1%
Medicare Traditional	32,046	32.8%	805,912	28.4%
Medicare Managed Care	11,039	11.3%	273,709	9.6%
Medicare Total	43,085	44.1%	1,079,621	38.0%
Third-Party Managed Care	27,166	27.8%	610,781	21.5%
Third-Party Managed Care Total	27,166	27.8%	610,781	21.5%
Third-Party Traditional	3,000	3.1%	121,054	4.3%
Other Payers	2,007	2.1%	62,617	2.2%
Other Indigent	327	0.3%	32,930	1.2%
County Indigent	2,103	2.2%	51,759	1.8%
Other Total	7,437	7.6%	268,360	9.4%
Total	97,786	100%	2,842,202	100%

Source: OSHPD Disclosure Reports, FY 2014

Quality & Awards

St. Joseph Health System's California hospitals are accredited as shown below:

Hospital	Accreditation Organization	Effective Date
Hoag Memorial Hospital Presbyterian	Det Norske Veritas Healthcare, Inc.	1/21/2013
Hoag Orthopedic Institute	Det Norske Veritas Healthcare, Inc.	11/19/2013
Mission Hospital Regional Medical Center	The Joint Commission	5/9/2015
Petaluma Valley Hospital	The Joint Commission	4/26/2014
Queen of the Valley Hospital	The Joint Commission	10/11/2014
Redwood Memorial Hospital	Healthcare Facilities Accreditation Program	Current
Santa Rosa Memorial Hospital	The Joint Commission	5/16/2014
St. Joseph Hospital-Eureka	Healthcare Facilities Accreditation Program	Current
St. Joseph Hospital of Orange	The Joint Commission	1/7/2015
St. Jude Medical Center	The Joint Commission	4/11/2015
St. Mary Medical Center	The Joint Commission	5/8/2015

Source: Det Norske Veritas Healthcare, Inc., The Joint Commission, & Healthcare Facilities Accreditation Program

The following table reports the most recent quality scores for St. Joseph Health System's California Hospitals as reported by Hospital Compare for measures of overall recommended care, readmission rate, overall patient experience, and overall surgical care:

ST. JOSEPH HEALTH SYSTEM: QUALITY SCORES				
Hospital	Overall Recommended Care	Readmission Rate	Overall Patient Experience	Overall Surgical Care
State of California Average	96.9%	19.4%	68.0%	97.9%
Hoag Memorial Hospital Presbyterian	95.9%	18.1%	84.0%	98.9%
Hoag Orthopedic Institute	100.0%	-	87.0%	100.0%
Mission Hospital Regional Medical Center	95.0%	18.5%	74.0%	97.8%
Petaluma Valley Hospital	95.7%	17.7%	69.0%	96.7%
Queen of the Valley Hospital	95.5%	18.2%	73.0%	99.2%
Redwood Memorial Hospital	96.4%	17.7%	-	-
Santa Rosa Memorial Hospital	95.5%	16.3%	69.0%	98.9%
St. Joseph Hospital-Eureka	96.1%	17.4%	57.0%	96.4%
St. Joseph Hospital of Orange	98.6%	18.0%	78.0%	100.0%
St. Jude Medical Center	97.5%	18.1%	74.0%	98.5%
St. Mary Medical Center	91.0%	20.4%	63.0%	95.0%

Source: Medicare.gov Hospital Compare

- For measures of overall recommended care, eight of the 11 hospitals' rates were slightly below the State of California average of 96.9%;
- Overall, the hospitals' readmission rates were lower than the State of California average of 19.4%, with only St. Mary Medical Center reporting a higher readmission rate of 20.4%;
- The majority of the hospitals reported higher overall patient experience scores than the State of California's score of 68.0%, with the exception of St. Joseph Hospital-Eureka (57.0%) and St. Mary Medical Center (63.0%); and
- For measures of overall surgical care, six of the hospitals exceeded the State of California average of 97.9%, while the remaining four hospitals scored slightly below the State of California average.

Financial Profile

Combined Statement of Operations

ST. JOSEPH HEALTH CONSOLIDATED STATEMENT OF OPERATIONS: FY 2014 & 2015 (in Thousands of Dollars)				
	St. Joseph Health System System-Wide		St. Joseph Health System - California	
	FY 2014	FY 2015	FY 2014	FY 2015
Patient Service Revenue, Net of Contractual Allowances and Discounts	\$4,480,661	\$4,955,644	\$3,482,028	\$3,848,303
Provision for Doubtful Accounts	\$205,438	\$182,093	\$152,695	\$133,150
Net Patient Service Revenue, Net of Provision for Doubtful Accounts	\$4,275,223	\$4,773,551	\$3,329,333	\$3,715,153
Premium and Capitation Revenues	\$1,130,559	\$1,192,711	\$316,304	\$137,830
Other Revenues	\$225,884	\$272,254	\$66,751	\$69,744
Total Revenues	\$5,631,666	\$6,238,516	\$3,712,388	\$3,922,727
Compensation and Benefits	\$2,467,614	\$2,535,488	\$1,710,935	\$1,690,419
Supplies and Other	\$1,139,382	\$1,494,824	\$813,735	\$1,093,027
Professional Fees and Purchased Services	\$1,598,746	\$1,705,587	\$699,878	\$545,945
Depreciation and Amortization	\$303,521	\$343,777	\$237,237	\$243,515
Interest	\$110,737	\$103,460	\$84,235	\$79,014
Impairment of Goodwill	\$27,754	-	\$1,002	-
Total Expenses	\$5,647,754	\$6,183,136	\$3,547,022	\$3,651,920
Operating Income	(\$16,088)	\$55,380	\$165,366	\$270,807
Net Nonoperating Gains	\$324,875	\$4,899	\$297,152	\$39,652
Excess of Revenues Over Expenses	\$308,787	\$60,279	\$462,518	\$310,459
Less Excess of Revenues of Expenses Attributable to Noncontrolling Interests	\$15,985	\$17,192	\$17,443	\$20,106
Excess of Revenues Over Expenses Attributable to Controlling Interests	\$292,802	\$43,087	\$445,075	\$290,353
Excess of Revenues Over Expenses Attributable to Controlling Interests	\$292,802	\$43,087	-	-
Net Assets Related from Restrictions and Other Attributable to Controlling Interests	\$2,425	\$50,773	-	-
Increase in Unrestricted Net Assets Attributable to Controlling Interests	\$295,227	\$93,860	-	-
Excess of Revenues Over Expenses Attributable to Noncontrolling Interests	\$15,985	\$17,192	-	-
Net Assets Related from Restrictions and Other Attributable to Noncontrolling Interests	\$15,221	\$21,204	-	-
Increase in Unrestricted Net Assets Attributable to Noncontrolling Interests	\$31,206	\$38,396	-	-
Increase in Unrestricted Net Assets	\$326,433	\$132,256	-	-
Net Restricted Contributions and Other	\$60,205	\$83,073	-	-
Restricted Net Assets Released from Restrictions	(\$33,384)	(\$47,459)	-	-
Increase in Temporarily and Permanently Restricted Net Assets	\$26,821	\$35,614	-	-
Increase in Net Assets	\$353,254	\$167,870	-	-
Net Assets at Beginning of Period	\$4,963,861	\$5,317,115	-	-
Net Assets at End of Period	\$5,317,115	\$5,484,985	-	-

Source: St. Joseph Health Consolidated Financial Statements and Supplementary Information, FY 2014 and 2015 (Ernst & Young LLP)

Note: The increase in unrestricted net assets, the increase in net assets, the net assets at beginning of period, and the increase in temporarily and permanently restricted net assets are unavailable for St. Joseph Health System - California

St. Joseph Health System's System-Wide Performance

St. Joseph Health System's audited consolidated financial statements for FY 2014 and FY 2015 display the system-wide performance of the entity and its affiliates.

- Net patient service revenue (less provision for bad debts) of \$4.8 billion in FY 2015 represents a net increase of approximately \$500 million (11.7%) as compared to FY 2014. Total revenues increased by \$607 million (10.8%) to \$6.2 billion in FY 2015;
- Total expenses increased by 9.5% in FY 2015 to \$6.2 billion. St. Joseph Health System's salaries and benefits expense accounted for approximately 43.7% of total expenses;
- In FY 2015, St. Joseph Health System realized a net non-operating gain of \$4.9 million, representing a substantial decrease from the net non-operating gain of \$324.9 million in FY 2014. Included in non-operating gains is interest, dividends, and realized gains on sales of marketable securities of \$154.7 million and \$174.7, net of related fees, for the fiscal years ended June 30, 2015 and 2014, respectively. Also included in non-operating gains are unrealized losses of \$102.6 million and net unrealized gains of approximately

\$182 million for fiscal years 2015 and 2014 respectively; and

- Operating income increased from a loss of \$16.1 million in FY 2014 to a gain of \$55.4 million in FY 2015. Excess of revenues over expenses decreased from \$308.8 million in FY 2014 to \$60.3 million in FY 2015 in part due to a large decrease in the net non-operating gain.

St. Joseph Health System's California Performance

St Joseph Health System California's consolidated financial statements for FY 2014 and FY 2015 report the performance of St. Joseph Health System's Northern and Southern California entities and affiliates. St. Joseph Health System's Northern and Southern California performance displays increasing operating revenues and operating incomes year over year.

- Net patient service revenue (less provision for bad debts) of \$3.72 billion in FY 2015 represents a net increase of approximately \$385.8 million (11.6%) as compared to FY 2014. Total revenues increased by \$210.3 million (5.7%) to \$3.92 billion in FY 2015;
- Total expenses increased by approximately 3.0% in FY 2015 to \$3.7 billion. Compensation and benefits expense accounted for approximately 46.3% of total expenses in FY 2015;
- In FY 2015, St. Joseph Health System's Northern and Southern California entities realized a net non-operating gain of \$39.7 million, representing a substantial decrease from the net non-operating gain of \$297.2 million in FY 2014; and
- Operating income increased from \$165.4 million in FY 2014 to \$270.81 million in FY 2015. Excess of revenues over expenses decreased by 33% from \$462.52 million in FY 2014 to \$310.5 million in FY 2015.

PROFILE OF PETALUMA VALLEY HOSPITAL

Overview of Petaluma Valley Hospital

St. Joseph Health System operates Petaluma Valley Hospital, an 80 licensed-bed general acute care facility, located at 400 North McDowell Boulevard in Petaluma. Petaluma Valley Hospital has a “basic” emergency department⁸ with 15 licensed treatment stations. It also has four surgical operating rooms.

BED DISTRIBUTION 2016	
Bed Type	Number of Beds
General Acute Care	61
Intensive Care	9
Perinatal	10
Total Licensed Beds	80

Source: Hospital License 2016

Petaluma Hospital District, now known as Petaluma Health Care District, was established in 1946 to allow the surrounding community to impose property taxes to support the construction and operation of a local hospital. In 1980, Petaluma Health Care District opened Petaluma Valley Hospital, an 80-bed general acute care facility, to provide healthcare services to the growing community. In 1997, in order to support the continued operations of Petaluma Valley Hospital, Petaluma Health Care District entered into a 20-year Lease Agreement with SRM Alliance Hospital Services, whose sole member is Santa Rosa Memorial Hospital, through which St. Joseph Health System presently operates Petaluma Valley Hospital. Petaluma Valley Hospital is also to a 20-year Transfer Agreement between Petaluma Health Care District, SRM Alliance Hospital Services, and Santa Rosa Memorial Hospital with the following major terms and conditions:

- Petaluma Valley Hospital shall continue to operate as a general acute care hospital according to Section 10.6;
- Petaluma Valley Hospital shall continue to provide and maintain hospital patient services according to Section 10.9, unless the discontinuance of any such service was approved in writing by Petaluma Health Care District:
 - Basic emergency services;
 - Acute inpatient medical and surgical services;
 - Intensive care services;
 - Outpatient surgery;

⁸ A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

- Obstetrics services;
 - Gynecological services;
 - Diagnostic radiology services;
 - Clinical laboratory-pathology services;
 - Specialty services;
 - Therapeutic/rehabilitation services; and
 - Hospice services.
- Petaluma Valley Hospital shall continue to provide charity care to the underserved population in a manner that is consistent with the past practices of charity care policy, as stated in Section 10.13;
 - Petaluma Valley Hospital shall fund the Petaluma Health Care District-sponsored free clinic and auxiliary in an amount at least equal to \$15,000 per year according to Section 10.14. Additionally, Petaluma Valley Hospital shall invest 10% of net income in non-denominational health and community benefit programs within Petaluma Health Care District as stated in Section 10.15;
 - Petaluma Valley Hospital shall maintain certification and participation as a provider in the Medicare and Medi-Cal programs and the Sonoma County Managed Medi-Cal programs, as stated in Section 10.8 (ii);
 - Petaluma Valley Hospital shall participate in county-wide disaster preparedness programs as stated in Section 10.7; and
 - Petaluma Valley Hospital shall maintain the medical staff organization, structure, policies, procedures, and privileges, notwithstanding any that do not comply with applicable law as stated in Section 10.5.

Both the Lease Agreement and the Transfer Agreement expire in January 2017. Petaluma Health Care District is currently conducting due diligence to determine the future operational structure of Petaluma Valley Hospital. In May 2014, Petaluma Health Care District engaged in a formal Request for Proposal process to identify potential operators of Petaluma Valley Hospital. A ballot measure to determine Petaluma Valley Hospital's future operator will occur in November 2016.

Petaluma Valley Hospital Foundation

Petaluma Valley Hospital Foundation provides financial support through philanthropy for Petaluma Valley Hospital. Petaluma Valley Hospital Foundation raises funds through charitable donations and planned gifts that are dedicated to priority capital needs, core program needs, health education, and support for new programs. Currently, Petaluma Valley Hospital Foundation is raising funds to purchase a Three-Dimensional Tomosynthesis Mammography System, an ultrasound machine, and a laparoscopic tower.

Key Statistics

KEY STATISTICS: FY 2012 - 2014			
	FY 2012	FY 2013	FY 2014
Inpatient Discharges	2,792	2,672	2,586
Licensed Beds	80	80	80
Patient Days	9,471	8,832	8,556
Average Daily Census	26	24	23
Occupancy	32.4%	30.2%	29.3%
Average Length of Stay	3.4	3.3	3.3
Emergency Services Visits ¹	17,088	16,568	17,428
Total Live Births	425	427	457

Medical Staff	267
Employees (Full-Time Equivalents) ¹	282

Sources: OSHPD Disclosure Reports, FY 2012-2014

¹ OSHPD Alerts Annual Utilization Reports

In FY 2014, Petaluma Valley Hospital had a total of 2,586 inpatient discharges, 8,556 patient days, and an average daily census of 23 patients (approximately 29% occupancy on the total licensed beds).

- Since FY 2012, both inpatient discharges and patient days have decreased by approximately 7% and 10%, respectively;
- In FY 2014, Petaluma Valley Hospital reported 17,428 emergency department visits, a 5% increase from the previous year; and
- Between FY 2012 and FY 2014, total live births at Petaluma Valley Hospital increased by approximately 8% from 425 in FY 2012 to 457 in FY 2014.

Programs & Services

Petaluma Valley Hospital offers a broad spectrum of medical services including emergency, intensive care, maternal child birth, surgery, and rehabilitation services.

- Emergency services include: 24-hour “basic” emergency department services with 15 treatment stations;
- Maternal child health services include: Perinatal services, childbirth preparation classes, and labor and delivery services. Petaluma Valley Hospital is designated as a “Baby Friendly Hospital”⁹;
- Women’s health services include: Obstetrics, mammography, endometriosis treatment, minimally invasive gynecological surgery, breast surgery, incontinence, laparoscopic hysterectomy, and osteoporosis treatment services; and
- Rehabilitation services include: Outpatient orthopedic physical therapy services.

Accreditations, Certifications, & Awards

Petaluma Valley Hospital is accredited by The Joint Commission, effective April 2014 through April 2017. Over the years, Petaluma Valley Hospital has received several awards and accolades as a provider of quality care, some of which include the following:

- The Avatar Award from Avatar International, awarded four years in a row (2011-2014) for exemplary service in exceeding patient expectations;
- The Gallup Great Workplace Award for employee engagement, awarded three years in a row; and
- Recognition as a Top Performer on Key Quality Measures in 2011 by The Joint Commission for heart attack, pneumonia, and surgical care.

⁹ The Baby Friendly Hospital Initiative is a global program that was launched by the World Health Organization and the United Nations Children’s Fund in 1991 to encourage and recognize hospitals and birthing centers that offer an optimal level of care for infant feeding and mother/baby bonding.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the ACA in 2012, encourages hospitals to improve the quality and safety of care. Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on the following three sets of measures: timely and effective care, surveys of patient experience, and 30-day mortality rates for heart attack, heart failure, and pneumonia patients. In FY 2015, the Centers for Medicare & Medicaid Services reduced Medicare payments to Petaluma Valley Hospital by 0.02%. For FY 2016, the Centers for Medicare & Medicaid services will reward Petaluma Valley Hospital with a 0.47% payment bonus.

The following table reports Petaluma Valley Hospital's most recent scores as reported by Hospital Compare for each of the measures within the four domains in comparison to the statewide and national averages:

QUALITY SCORES COMPARISON				
Domain	Measure	Petaluma Valley Hospital	California Average	National Average
Clinical Process of Care Domain	Average of Acute Myocardial Infarction, Heart Failure, Pneumonia, Surgical Care Improvement & Healthcare Associated Infection Measures	96.8%	97.6%	97.3%
Patient Experience of Care Domain	Average of Measures for the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey	69.0%	67.0%	71.0%
Outcome Domain	Average of Outcome Measures for Acute Myocardial Infarction, Heart Failure & Pneumonia 30-Day Mortality Rates & Central-Line Bloodstream Infection Rates	13.5%	12.1%	12.4%
Efficiency Domain	Medicare Spending per Beneficiary Ratio	0.92	0.99	0.98

Source: Medicare.gov Hospital Compare, 2015

- For the clinical process of care domain, Petaluma Valley Hospital scored slightly lower (96.8%) than both the California average (97.6%) and the national average (97.3%);
- Petaluma Valley Hospital's average of 69.0% is between the California average of 67.0% and the national average of 71.0% for the patient experience of care domain;
- Within the outcome domain, Petaluma Valley Hospital has a higher 30-day mortality rate and central-line bloodstream infection rate (13.5%) than the California and national averages (12.1% and 12.4%, respectively); and
- With a ratio of 0.92, Petaluma Valley Hospital spends less per patient for an episode of care initiated at its facility than California hospitals (0.99) and national hospitals (0.98).

The Hospital Readmissions Reduction Program¹⁰, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. In FY 2016, 224 California hospitals will be penalized at an average of 0.40%. The penalty is administered by reducing all of a hospital's Medicare reimbursement payments by a certain percentage for the entire year.

In FY 2014, Petaluma Valley Hospital was penalized with a 0.02% reduction in reimbursement. In FY 2015, Petaluma Valley Hospital was not penalized. The following graph shows Petaluma Valley Hospital's 30-day readmission rates for heart attack, heart failure, and pneumonia patients relative to the California and national averages:

30-DAY READMISSION RATES			
Condition	Petaluma Valley Hospital	National Average	California Average
Heart Attack	17.1%	17.0%	17.0%
Heart Failure	19.8%	22.0%	22.1%
Pneumonia	15.0%	16.9%	16.9%
Average 30-Day Readmission Rate	17.3%	18.6%	18.6%

Source: IPRO & Medicare.gov Hospital Compare, 2015

- Petaluma Valley Hospital had fewer 30-day readmissions (17.3%) than the national and California averages of 18.6%; and
- In FY 2016, Petaluma Valley Hospital will be penalized with a 0.02% reduction in reimbursement.

¹⁰ The formula for determining hospital reimbursement payments under the Hospital Readmissions Reduction Program is complicated, varies by hospital and geographic location, and may not correspond directly to state and national hospital averages.

Seismic Issues

Using the HAZUS seismic criteria¹¹, Petaluma Valley Hospital's structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as shown in the table below.

SEISMIC OVERVIEW		
Building	SPC Compliance Status	NPC Compliance Status
1) Original Hospital - Southwest	SPC-3	NPC-2
2) Emergency Room Expansion	SPC-3	NPC-2
3) Power Plant Building	SPC-3	NPC-2
4) Switchgear Building	SPC-5	NPC-3
5) Power Plant Addition	SPC-5	NPC-2
6) Original Hospital - Northeast	SPC-3	NPC-2
7) Original Hospital - Northwest	SPC-3	NPC-2
8) Original Hospital - Southeast	SPC-3	NPC-2
9) Power Plant Addition	SPC-4	NPC-2

Source: OSHPD

- Based upon the current SPC and NPC ratings, none of Petaluma Valley Hospital's structures need to undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards; and
- Petaluma Valley Hospital's buildings can continue to provide acute care services through January 1, 2030, and beyond.

¹¹ OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

Patient Utilization Trends

The following table shows volume trends at the Petaluma Valley Hospital from FY 2010 through FY 2014:

SERVICE VOLUMES: FY 2010-2014					
PATIENT DAYS	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Medical/Surgical	8,084	6,874	7,059	6,485	6,296
Intensive Care	1,292	1,409	1,458	1,377	1,267
Obstetrics	1,066	1,080	954	970	993
Total	10,442	9,363	9,471	8,832	8,556
DISCHARGES					
Medical/Surgical	2,437	2,104	2,130	1,991	1,885
Intensive Care	203	211	214	222	228
Obstetrics	519	491	448	459	473
Total	3,159	2,806	2,792	2,672	2,586
AVERAGE LENGTH OF STAY					
Medical/Surgical	3.3	3.3	3.3	3.3	3.3
Intensive Care	6.4	6.7	6.8	6.2	5.6
Obstetrics	2.1	2.2	2.1	2.1	2.1
Total	3.3	3.3	3.4	3.3	3.3
AVERAGE DAILY CENSUS					
Medical/Surgical	22.1	18.8	19.3	17.8	17.2
Intensive Care	3.5	3.9	4.0	3.8	3.5
Obstetrics	2.9	3.0	2.6	2.7	2.7
Total	28.6	25.7	25.9	24.2	23.4
OTHER SERVICES					
Inpatient Surgeries	845	769	782	686	676
Outpatient Surgeries	1,433	1,514	1,333	1,353	1,327
Emergency Services Visits ¹	17,720	17,478	17,088	16,568	17,428
Obstetric Deliveries	502	468	425	427	457

Sources: OSHPD Disclosure Reports, FY 2010-2014

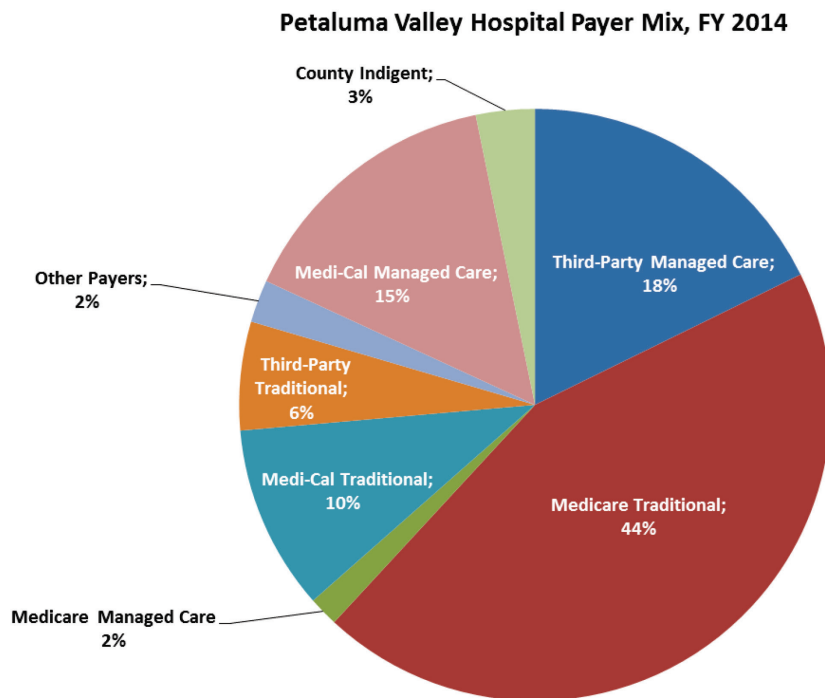
¹ OSHPD Alerts Annual Utilization Reports

A review of historical utilization trends supports the following conclusions:

- Total patient days and inpatient discharges have decreased by approximately 18% over the five-year period;
- The average daily census decreased from 29 patients in FY 2010 to 23 patients in FY 2014; and
- Obstetric deliveries decreased 9% from 502 in FY 2010 to 457 in FY 2014.

Payer Mix

In FY 2014, approximately 46% of the Petaluma Valley Hospital's inpatient payer mix consisted of Medicare Traditional (44%) and Medicare Managed Care (2%) patients. Approximately 25% of Petaluma Valley Hospital's inpatient payer mix consisted of Medi-Cal Managed Care (15%) and Medi-Cal Traditional (10%) patients. In addition, approximately 24% of Petaluma Valley Hospital's inpatient payer mix consisted of Third-Party Managed Care (18%) and Third-Party Traditional (6%) patients. The remaining 5% of the inpatient discharges consisted of County Indigent (3%) and Other Payers* (2%).



Total Discharges = 2,586

* Other Payers includes self-pay, workers' compensation, other government, and other payers
Source: OSHPD Financial Disclosure Report, FY 2014 (based on inpatient discharges).

The following table illustrates Petaluma Valley Hospital's inpatient discharge payer mix compared to Sonoma County and the State of California for FY 2014. The comparison shows that Petaluma Valley Hospital has higher percentages of Medicare Traditional, Third-Party Traditional, and County Indigent patients and lower percentages of Third-Party Managed Care and Medicare Managed Care patients relative to other hospitals in Sonoma County and California.

PAYER MIX COMPARISON						
Payer	Petaluma Valley Hospital (FY 2014)		Sonoma County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	261	10.1%	2,497	11.8%	448,311	15.8%
Medi-Cal Managed Care	385	14.9%	3,264	15.4%	435,129	15.3%
Medi-Cal Total	646	25.0%	5,761	27.1%	883,440	31.1%
Medicare Traditional	1,139	44.0%	9,316	43.8%	805,912	28.4%
Medicare Managed Care	42	1.6%	714	3.4%	273,709	9.6%
Medicare Total	1,181	45.7%	10,030	47.2%	1,079,621	38.0%
Third-Party Managed Care	458	17.7%	3,350	15.8%	610,781	21.5%
Third-Party Managed Care Total	458	17.7%	3,350	15.8%	610,781	21.5%
Third-Party Traditional	153	5.9%	790	3.7%	121,054	4.3%
Other Payers	60	2.3%	559	2.6%	62,617	2.2%
Other Indigent	5	0.2%	135	0.6%	32,930	1.2%
County Indigent	83	3.2%	626	2.9%	51,759	1.8%
Other Total	301	11.6%	2,110	9.9%	268,360	9.4%
Total	2,586	100%	21,251	100%	2,842,202	100%

Source: OSHPD Disclosure Reports, FY 2014

Medi-Cal Managed Care

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

Sonoma County has a County Organized Health System, a local agency created by the County Board of Supervisors. The County Organized Health System contracts with the Medi-Cal Managed Care program. In FY 2014, Sonoma County reported approximately 5,939 inpatient discharges from either Medi-Cal Traditional (45%) or Medi-Cal Managed Care (55%) coverage. The percentage of Sonoma County residents with Medi-Cal Managed Care coverage is expected to increase significantly as a result of the ACA and California initiatives to expand managed care.

In Sonoma County, the County Organized Health System plan is provided by Partnership Health Plan of California. Currently, Petaluma Valley Hospital is contracted with Partnership Health Plan of California to provide services for Medi-Cal Managed Care patients.

Medical Staff

Petaluma Valley Hospital has 267 medical staff members representing multiple specialties. The five largest specialties comprising 454% of the medical staff include: family medicine, critical care medicine, internal medicine, teleradiology, and anesthesiology. Of the 267 members of the medical staff, 83 members are considered “active” users of Petaluma Valley Hospital (representing approximately 31% of the medical staff).

Petaluma Valley Hospital is affiliated with Annadel Medical Group, a medical group that contracts exclusively with St. Joseph Heritage Healthcare. Petaluma Valley Hospital is also affiliated with Meritage Medical Network, an Independent Physician Association.

MEDICAL STAFF PROFILE 2016					
Specialty	Count	% of Total	Specialty	Count	% of Total
Anesthesiology	17	6.4%	Ophthalmology	11	4.1%
Cardiology	5	1.9%	Otolaryngology	4	1.5%
Clinical Psychologist	1	0.4%	Pain Management	5	1.9%
Critical Care Medicine	25	9.4%	Palliative Care	3	1.1%
Dentistry, General	1	0.4%	Pathology	6	2.2%
Dermatology	4	1.5%	Pediatrics	6	2.2%
Emergency Medicine	18	6.7%	Podiatry	4	1.5%
Endocrinology	1	0.4%	Psychiatry	8	3.0%
Family Medicine	38	14.2%	Pulmonary Disease	2	0.7%
Gastroenterology	2	0.7%	Radiology, Diagnostic	15	5.6%
Gynecology	1	0.4%	Radiology, Interventional	1	0.4%
Hematology/Oncology	2	0.7%	Radiation Oncology	6	2.2%
Hospital & Palliative Medicine	1	0.4%	Surgery, Cardiothoracic	1	0.4%
Infectious Disease	1	0.4%	Surgery, General	8	3.0%
Internal Medicine	21	7.9%	Surgery, Orthopedic	6	2.2%
Neonatology	2	0.7%	Surgery, Plastic & Reconstructive	1	0.4%
Nephrology	2	0.7%	Surgical Assistant	2	0.7%
Neurology	4	1.5%	Teleradiology	20	7.5%
Obstetrics & Gynecology	4	1.5%	Urology	3	1.1%
Oncology, Medical	5	1.9%	-	-	-
Total Medical Staff	267				

Source: Petaluma Valley Hospital

Unionized Employees

Petaluma Valley Hospital has a Collective Bargaining Agreement (CBA)¹² with California Nurses Association through May 31, 2016 that represents 131 employees. Petaluma Valley Hospital also has a CBA with National Union of Healthcare Workers that covers 131 employees. The CBA with National Union of Healthcare Workers is currently under negotiation. In addition, Petaluma Valley Hospital and Santa Rosa Memorial Hospital have a shared CBA with the International Union of Operating Engineers, Local 39 that represents 18 employees.

In total, approximately 56% of Petaluma Valley Hospital's employees are covered by CBAs.

EMPLOYEES REPRESENTED BY UNIONS	
Union	Total
California Nurses Association	131
National Union of Healthcare Workers	131
International Union of Operating Engineers, Local 39	18*
Total Employees Represented by Unions	280
Total Non-Union Employees	222
Total Employees	502
Total Percentage of Employees Represented by Unions	56%

Source: St. Joseph Health System

* Includes Santa Rosa Memorial Hospital employees

Financial Profile

Over the five reported fiscal years, Petaluma Valley Hospital's net income fluctuated from a gain of \$3.3 million in FY 2014 to a loss of \$2.8 million in FY 2011. Net patient revenue has decreased by 2% from \$78.7 million in FY 2010 to \$77.2 million in FY 2014. Over the same period, Petaluma Valley Hospital's total operating expenses have decreased by 2% from \$77.7 million to \$75.9 million. Other operating revenue, totaling more than \$5.8 million over the course of the five-year period, has served to assist in the decline in net patient revenue. Other operating revenue represents amounts received for services that are central to the provision of healthcare services, but are not directly related to patient care.

¹² A Collective Bargaining Agreement is an agreement between employers and employees aimed at regulating working conditions.

Petaluma Valley Hospital's current asset-to-liability ratio¹³ has decreased over the last five years from 0.93 in FY 2010 to 0.70 in FY 2014 (the California average in 2014 was 1.72). Petaluma Valley Hospital's percentage of bad debt is approximately 2.0%, which is higher than the statewide average of 1.3%.

FINANCIAL AND RATIO ANALYSIS: FY 2010-2014						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	-
Patient Days	10,442	9,363	9,471	8,832	8,556	-
Discharges	3,159	2,806	2,792	2,672	2,586	-
ALOS	3.3	3.3	3.4	3.3	3.3	-
Net Patient Revenue	\$78,684,841	\$78,418,857	\$81,337,526	\$79,029,664	\$77,237,014	-
Other Operating Revenue	\$1,058,048	\$133,075	\$553,800	\$1,752,931	\$2,278,568	-
Total Operating Revenue	\$79,742,889	\$78,551,932	\$81,891,326	\$80,782,595	\$79,515,582	-
Operating Expenses	\$77,667,460	\$82,163,597	\$83,920,000	\$83,160,941	\$75,886,827	-
Net from Operations	\$2,075,429	(\$3,611,665)	(\$2,028,674)	(\$2,378,346)	\$3,628,755	-
Net Non-Operating Revenue	\$185,836	\$897,795	\$1,726,751	\$1,607,015	\$212,366	-
Net Income	\$2,157,161	(\$2,771,811)	(\$923,158)	(\$1,323,335)	\$3,270,592	-
						2014 California Average
Current Ratio	0.93	0.68	0.68	0.69	0.70	1.72
Days in A/R	51.2	49.3	41.1	42.0	47.1	62.2
Bad Debt Rate	1.8%	1.8%	1.8%	2.3%	2.0%	1.3%
Operating Margin	2.60%	-4.60%	-2.48%	-2.94%	4.56%	2.48%

Source: OSHPD Disclosure Reports, FY 2010-2014

¹³ The current asset-to-liability ratio compares a company's total assets to its current liabilities to measure its ability to pay short-term and long-term debt obligations. A low current ratio of less than 1.0 could indicate that a company may have difficulty meeting its current obligations. The higher the current ratio, the more capable the company is of paying its obligations, as it has a larger proportion of assets relative to its liabilities.

Cost of Hospital Services

Petaluma Valley Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2014, approximately 45% of total costs were associated with Medicare patients, 25% with Third Party payers, 22% with Medi-Cal patients, and 5% with Other Payers. The remaining 3% is attributed to County Indigent. In FY 2014, 40% of the total costs for all of the hospitals in California were associated with Medicare patients, 26% with Medi-Cal patients, 2% with County Indigent, 29% with Third Party, 1% with Other Indigent, and 2% with Other Payers.

COST OF SERVICES BY PAYER CATEGORY 2010-2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Expenses	\$77,667,460	\$82,163,597	\$83,920,000	\$83,160,941	\$75,886,827
Cost of Services By Payer:					
Medicare	\$34,538,862	\$36,476,218	\$39,137,555	\$37,188,509	\$33,766,870
Medi-Cal	\$13,641,983	\$14,026,458	\$12,911,489	\$14,695,757	\$16,531,586
County Indigent	\$4,074,744	\$4,630,153	\$4,873,283	\$5,667,848	\$2,555,498
Third Party	\$22,430,081	\$23,435,784	\$22,980,157	\$20,081,473	\$19,018,895
Other Indigent	\$448,176	\$574,436	\$1,121,914	\$421,500	\$218,609
Other Payers	\$2,533,614	\$3,020,548	\$2,895,604	\$5,105,853	\$3,795,370

Source: OSHPD Disclosure Reports, FY 2010-2014

Charity Care

As reported by OSHPD, Petaluma Valley Hospital's charity care charges increased from a low of \$3.7 million in FY 2011 to a high of \$7.3 million in FY 2013, before decreasing to \$4.3 million in FY 2015. The five-year average for charity care charges was approximately \$5.6 million.

CHARITY CARE TOTAL CHARGES: FY 2011-2015	
Year	OSHPD Disclosure Reports
2015	\$4,265,700
2014	\$5,757,738
2013	\$7,341,413
2012	\$6,756,063
2011	\$3,736,154
5-Year Average	\$5,571,414

Source: OSHPD Disclosure Reports, FY 2011-2015

The following table shows a comparison of charity care and bad debt for Petaluma Valley Hospital and all general acute care hospitals in California. The five-year (FY 2011-2015) average of charity care and bad debt for Petaluma Valley Hospital, as a percentage of gross patient revenue, was 3.4%. This is slightly lower than the four-year statewide average of 3.5%. 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."

CHARITY CARE COMPARISON CHARITY CARE - FY 2011 to FY 2015 (Millions)										
	2011		2012		2013		2014		2015	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	\$340.08	\$288,636.7	\$358.0	\$303,278.6	\$353.99	\$317,543.8	\$374.32	\$337,773.16	\$397.83	-
Charity	\$3.74	\$6,171.5	\$6.76	\$6,251.0	\$7.34	\$6,209.9	\$5.76	\$4,571.00	\$4.27	-
Bad Debt	\$6.14	\$4,815.5	\$6.34	\$5,007.6	\$8.05	\$5,549.5	\$7.45	\$4,420.44	\$6.73	-
Total	\$9.88	\$10,987.0	\$13.10	\$11,258.6	\$15.40	\$11,759.4	\$13.21	\$8,991.45	\$11.00	-
Charity as a % of Gross Rev.	1.1%	2.1%	1.9%	2.1%	2.1%	2.0%	1.5%	1.4%	1.1%	-
Bad Debt as a % of Gross Rev.	1.8%	1.7%	1.8%	1.7%	2.3%	1.7%	2.0%	1.3%	1.7%	-
Total as a % of Gross Rev.	2.9%	3.8%	3.7%	3.7%	4.3%	3.7%	3.5%	2.7%	2.8%	-
Uncompensated Care										
Cost to Charge Ratio	24.1%	24.6%	23.3%	24.6%	23.0%	24.4%	19.7%	23.5%	20.7%	-
Cost of Charity	\$0.9	\$1,520.9	\$1.6	\$1,539.1	\$1.7	\$1,514.6	\$1.13	\$1,074.19	\$0.9	-
Cost of Bad Debt	\$1.5	\$1,186.8	\$1.5	\$1,232.9	\$1.9	\$1,353.5	\$1.46	\$1,038.80	\$1.4	-
Total	\$2.4	\$2,707.7	\$3.1	\$2,772.0	\$3.54	\$2,868.1	\$2.60	\$2,112.99	\$2.3	-

Source: OSHPD Disclosure Reports, 2011-2015

The table below shows Petaluma Valley Hospital's historical costs for charity care as reported by OSHPD. Petaluma Valley Hospital's charity care costs increased from approximately \$901,000 in FY 2011 to a high of \$1.7 million in FY 2013 before decreasing to \$883,000 in FY 2015. The average cost of charity care for the last five-year period was approximately \$1.2 million.

COST OF CHARITY CARE				
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital	Percent of Total Costs Represented by Charity Care
FY 2015	\$4,265,700	20.7%	\$883,000	1.1%
FY 2014	\$5,757,738	19.7%	\$1,132,221	1.5%
FY 2013	\$7,341,413	23.0%	\$1,688,302	2.0%
FY 2012	\$6,756,063	23.3%	\$1,573,226	1.9%
FY 2011	\$3,736,154	24.1%	\$901,188	1.1%
5-Year Average	\$5,571,414		\$1,235,587	

Source: OSHPD Disclosure Reports, 2011-2015

Petaluma Valley Hospital reported the following combined distribution of charity care by inpatient, outpatient, and emergency room charges.

COST OF CHARITY CARE BY SERVICE				
	Inpatient	Outpatient	Emergency Room	Total Costs
2015:				
Cost of Charity	\$220,252	\$111,407	\$494,965	\$826,625
Visits/Discharges	154	457	977	
2014:				
Cost of Charity	\$488,580	\$172,352	\$454,748	\$1,115,680
Visits/Discharges	95	293	693	
2013:				
Cost of Charity	\$806,788	\$228,930	\$549,590	\$1,585,308
Visits/Discharges	123	355	843	
2012:				
Cost of Charity	\$597,722	\$334,373	\$547,139	\$1,479,234
Visits/Discharges	107	410	927	
2011:				
Cost of Charity	\$2,262,642	\$492,077	\$75,869	\$830,589
Visits/Discharges	17	74	109	

Source: St. Joseph Health

Community Benefit Services

Petaluma Valley Hospital has provided contributions to community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been \$160,690 per year.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	5-Year Average	Total
Benefits for Persons Living in Poverty	\$22,500	\$113,749	\$109,281	\$120,405	\$216,331	\$116,453	\$582,266
Benefits for Broader Community	\$3,000	\$16,256	\$57,310	\$99,188	\$45,429	\$44,237	\$221,183
Total	\$25,500	\$130,005	\$166,591	\$219,593	\$261,760	\$160,690	\$803,449

Source: Petaluma Valley Hospital

- Petaluma Valley Hospital's five-year average cost of community benefit services for persons living in poverty is approximately \$116,000 per year;
- Petaluma Valley Hospital's five-year average cost of community benefit services for the broader community is approximately \$44,000 per year; and
- Over the five-year period, Petaluma Valley Hospital's combined total cost of community benefit services has fluctuated from a low of nearly \$26,000 in FY 2011 to a high of nearly \$262,000 in FY 2015.

Petaluma Valley Hospital's community benefit services over the past five fiscal years included the following programs over \$10,000:

COST OF COMMUNITY BENEFIT SERVICES					
Services over \$10,000 in cost:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
A.C.T.I.O.N. (Agents of Change Training in our Neighborhoods)	-	-	\$29,022	\$105,838	\$27,827
Childhood Obesity	-	\$27,098	-	-	-
Children's Oral Health	-	\$17,392	-	-	-
COTS/Committee on the Shelterless	\$10,000	-	-	\$10,000	-
Dental Clinic	-	-	\$55,165	\$17,660	\$18,017
Healthy for Life	-	-	-	\$4,832	\$13,884
House Calls	-	-	\$21,062	\$33,395	\$22,049
Mary Isaac Wellness Center	-	-	\$143,357	\$107,283	\$13,879
Mobile Dental Van (Cultivando La Salud)	-	-	\$27,539	\$13,189	\$7,914
Mobile Health Clinic	-	-	-	-	\$16,562
Petaluma Bounty	-	-	\$10,000	-	\$5,000
Petaluma People Services	-	-	-	\$17,000	\$127,900
Promotores De Salud	-	-	\$25,409	\$22,788	\$12,197
Senior Care	-	\$52,136	-	-	-
Services to the Homeless	-	\$20,724	-	-	-
Spinning Towards Success - Petaluma Educational Foundation	-	\$12,217	-	-	-
SRM Lab - Your Heart Your Life Screenings	-	-	-	\$10,000	-

Source: Petaluma Valley Hospital

Note: Includes Community Benefit Expenses to Petaluma Valley Hospital before Grants and Offsets

Petaluma Valley Hospital's community benefit services have supported programs for the community, including educational outreach, community dental care, homeless services, and others as described below¹⁴:

- A.C.T.I.O.N. (Agents of Change Training In Our Neighborhoods): Provides bilingual leadership and advocacy training to community leaders in vulnerable neighborhoods, in order to empower local leaders to address health and quality of life issues;
- Committee on the Shelterless: Provides support to the Committee on the Shelterless, a nonprofit partner that addresses unmet homeless needs;
- Dental Clinic: Provides basic, preventive, emergency, and comprehensive dental care to community children;
- Healthy for Life: Administers a school-based, physical activity and nutrition program, with the goal of supporting healthy eating and physical activity among students;

¹⁴ The following community benefit programs and services are no longer being provided: Childhood Obesity, Children's Oral Health, Mary Isaac Wellness Center, Senior Care, Services to the Homeless, Spinning Towards Success - Petaluma Educational Foundation, and SRM Lab - Your Heart Your Life Screenings.

- House Calls: Addresses the physical, spiritual, and emotional needs of vulnerable seniors and adults with chronic diseases by providing primary medical care in a home-based setting;
- Mobile Dental Van (Cultivando La Salud): Provides basic, preventative, restorative, and emergency dental care for agricultural workers, low income families, children, pregnant women, and special-needs patients;
- Mobile Health Clinic: Provides healthcare services, including screenings, treatment of minor medical problems, health and nutritional education, and referrals, to low-income individuals without regular access to healthcare;
- Petaluma Bounty: Provides cash/in-kind donations to a community partner;
- Petaluma People Services: Provides cash/in-kind donations to a community partner; and
- Promotores De Salud: Bridges language and culture by providing health information and referrals, conducting cooking and nutrition classes, and training community volunteer health promoters.

ANALYSIS OF PETALUMA VALLEY HOSPITAL'S SERVICE AREA

Service Area Definition

Based upon Petaluma Valley Hospital's 2014 inpatient discharges, Petaluma Valley Hospital's service area is comprised of 12 ZIP Codes from which 81% of its inpatient discharges originated. Approximately 61% of Petaluma Valley Hospital's discharges originated from the top two ZIP Codes located in Petaluma. In 2014, Petaluma Valley Hospital's market share in the service area was approximately 24% based on total area discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94954	Petaluma	877	32.3%	32.3%	2,791	31.4%
94952	Petaluma	786	29.0%	61.3%	2,361	33.3%
94928	Rohnert Park	358	13.2%	74.5%	3,032	11.8%
94931	Cotati	85	3.1%	77.6%	639	13.3%
94951	Penngrove	53	2.0%	79.6%	302	17.5%
94975	Petaluma	13	0.5%	80.1%	47	27.7%
94953	Petaluma	11	0.4%	80.5%	41	26.8%
94955	Petaluma	9	0.3%	80.8%	38	23.7%
94972	Valley Ford	5	0.2%	81.0%	19	26.3%
94929	Dillon Beach	3	0.1%	81.1%	18	16.7%
94940	Marshall	3	0.1%	81.2%	14	21.4%
94971	Tomales	3	0.1%	81.3%	23	13.0%
Subtotal		2,206	81.3%	81.3%	9,325	23.7%
Other ZIPs		507	18.7%	100%		
Total		2,713	100%			

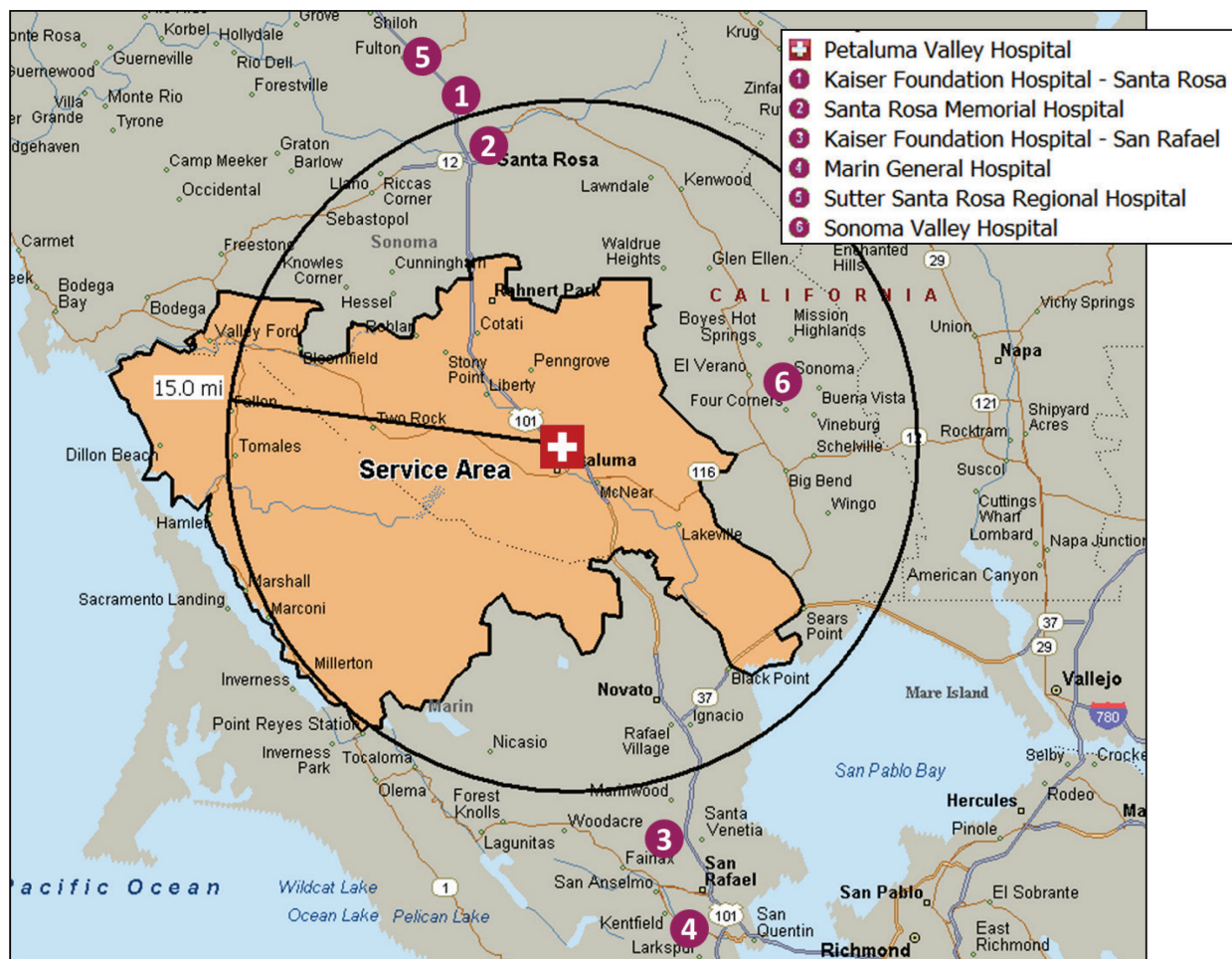
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

Petaluma Valley Hospital's service area, with approximately 129,000 residents, includes the communities of Petaluma, Rohnert Park, Cotati, Penngrove, Valley Ford, Dillon Beach, Marshall, and Tomales.

There are no other hospitals located within Petaluma Valley Hospital's service area. Several hospitals located outside of Petaluma Valley Hospital's service area provide care to service area residents, including Santa Rosa Memorial Hospital, Kaiser Foundation Hospitals-Santa Rosa, Sutter Santa Rosa Medical Center, Kaiser Foundation Hospitals-San Rafael, Sonoma Valley Hospital, Sutter Medical Center of Santa Rosa, and Marin General Hospital. Petaluma Valley Hospital ranks first in inpatient market share within the service area.



Demographic Profile

Petaluma Valley Hospital's service area population is projected to grow by 2.7% over the next five years, which is equal to the expected growth rate for Sonoma County, but lower than the expected growth rate for the State of California (3.7%).

SERVICE AREA POPULATION STATISTICS 2015-2020			
	2015 Estimate	2020 Projection	% Change
Total Population	129,007	132,490	2.7%
Households	48,646	50,168	3.1%
Percentage Female	51.1%	51.1%	-

Source: Esri

The median age of the population in Petaluma Valley Hospital's service area is 38.3 years, which is higher than the statewide median age of 35.7 years. The percentage of adults over the age of 65 years old is the fastest growing age cohort and is forecasted to increase approximately 22% by 2020. The number of women of child-bearing age is expected to increase by 3% over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2015-2020				
	2015 Estimate		2020 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	21,509	16.7%	20,989	15.8%
Age 15-44	53,185	41.2%	54,905	41.4%
Age 45-64	36,220	28.1%	34,540	26.1%
Age 65+	18,093	14.0%	22,056	16.6%
Total	129,007	100%	132,490	100%
Female 15-44	26,385	20.5%	27,168	20.5%
Median Age	38.3	-	38.9	-

Source: Esri

The largest population cohorts in Petaluma Valley Hospital's service area are White (79%) and Some Other Race (9.1%). Approximately 78% of the service area population is of non-Hispanic ethnicity, which is greater than both the Sonoma County and California non-Hispanic ethnic populations of 73% and 61%, respectively.

SERVICE AREA POPULATION RACE/ETHNICITY: 2015-2020		
	2015	2020
White	78.5%	76.8%
Black	1.6%	1.7%
American Indian	0.8%	0.8%
Asian or Pacific Islander	4.9%	5.2%
Some Other Race	9.1%	10.0%
Two or More Races	5.0%	5.4%
Total	100%	100%
Hispanic Ethnicity	22.0%	24.2%
Non-Hispanic or Latino	78.0%	75.8%
Total	100%	100%

Source: Esri

Petaluma Valley Hospital's service area has an average annual household income of \$87,803. This is 3.4% greater than the Sonoma County average of \$84,931 and similar to the State of California average of \$87,152. The percentage of higher-income households (\$150,000+) in Petaluma Valley Hospital's service area is projected to grow at a faster rate (21%) than those for both Sonoma County (20%) and the State of California (19%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2015-2020						
Annual Income	2015 Estimate			2020 Estimate		
	Service Area	Sonoma County	California	Service Area	Sonoma County	California
\$0 - \$15,000	8.7%	9.6%	11.1%	7.9%	8.8%	10.3%
\$15 - \$24,999	7.5%	8.7%	9.0%	5.3%	6.3%	6.6%
\$25 - \$34,999	8.3%	9.2%	9.3%	6.8%	7.6%	7.7%
\$35 - \$49,999	11.3%	12.4%	12.2%	10.3%	11.3%	11.3%
\$50 - \$74,999	18.2%	17.8%	16.5%	16.8%	16.7%	15.9%
\$75 - \$99,999	14.8%	13.4%	12.3%	16.8%	15.8%	14.2%
\$100 - \$149,999	17.4%	15.6%	14.9%	19.3%	17.5%	16.6%
\$150,000+	13.9%	13.3%	14.6%	16.8%	16.0%	17.4%
Total	100%	100%	100%	100%	100%	100%
Average Household Income	\$87,803	\$84,831	\$87,152	\$99,625	\$96,483	\$99,512

Source: Esri

Hospital Supply, Demand & Market Share

Petaluma Valley Hospital is the only general acute care hospital within its defined service area. In FY 2014, Petaluma Valley Hospital had 80 licensed beds that operated at an occupancy rate of approximately 29%. On average, Petaluma Valley Hospital had 23 occupied beds per day based on 8,556 patient days.

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

AREA HOSPITAL DATA FY 2014									
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Petaluma Valley Hospital	Santa Rosa Memorial Hospital	Petaluma	X	80	2,586	8,556	23	29.3%	-
SUB-TOTAL				80	2,586	8,556	23	29.3%	
Sonoma Valley Hospital	Sonoma Valley Healthcare District	Sonoma		83	1,516	11,905	33	39.3%	14.1
Santa Rosa Memorial Hospital	Santa Rosa Memorial Hospital	Santa Rosa		278	10,778	56,778	156	56.0%	17.3
Kaiser Foundation Hospitals - Santa Rosa	Kaiser Foundation Hospitals	Santa Rosa		173	8,494	29,190	80	46.2%	17.7
Aurora Behavioral Healthcare	Signature Healthcare Services	Santa Rosa		95	1,372	12,695	35	36.6%	19.1
Sutter Santa Rosa Regional Hospital (1)	Sutter Health	Santa Rosa		84	6,371	23,824	65	77.7%	20.2
Kaiser Foundation Hospitals - San Rafael	Kaiser Foundation Hospitals	San Rafael		116	4,287	16,727	46	39.5%	20.4
Marin General Hospital	Marin Healthcare District	Greenbrae		235	9,016	39,551	108	46.1%	25.7
Healdsburg District Hospital	Northern Sonoma County Hospital District	Healdsburg		42	971	9,200	25	60.0%	33.6
California Pacific Medical Center	Sutter West Bay Hospitals	San Francisco		926	25,505	150,717	413	44.6%	37.9
Kaiser Foundation Hospitals - San Francisco	Kaiser Foundation Hospitals	San Francisco		247	11,956	51,260	140	56.9%	38.1
UCSF Medical Center	Regents of the University of California	San Francisco		650	28,736	178,893	490	75.4%	39.5
TOTAL				3,009	111,588	589,296	1,615	53.7%	

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on that date; data based on combination of Sutter Med Center and Sutter Santa Rosa Regional Hospital 2014 report submissions.

Hospital Market Share

The table below illustrates Petaluma Valley Hospital's service area inpatient market share from 2012 to 2014:

HOSPITAL MARKET SHARE: 2012-2014				
Hospital	2012	2013	2014	Trend
Petaluma Valley Hospital	25.8%	24.1%	23.7%	↘
Kaiser Foundation Hospitals-Santa Rosa	19.3%	18.6%	19.4%	↔
Santa Rosa Memorial Hospital	16.5%	15.9%	17.2%	↗
Kaiser Foundation Hospitals-San Rafael	8.5%	8.4%	7.6%	↘
Sutter Medical Center of Santa Rosa*	6.8%	7.3%	5.7%	↘
UCSF Medical Center	3.8%	4.3%	4.4%	↗
Marin General Hospital	2.8%	3.3%	3.0%	↔
Kaiser Foundation Hospitals-San Francisco	2.1%	2.0%	2.2%	↔
California Pacific Med Center-Pacific Campus	1.7%	1.8%	1.3%	↘
Kaiser Foundation Hospitals-Oakland Campus	1.0%	1.4%	0.8%	↘
Other Discharges	11.6%	12.9%	14.8%	↗
Total Percentage	100.0%	100.0%	100.0%	
Total Discharges	9,763	9,311	9,325	↘

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

* On 10/25/2014, Sutter Medical Center of Santa Rosa was closed and a new hospital, Sutter Santa Rosa Regional Hospital, was opened by Sutter Health

- The number of discharges in the Petaluma Valley Hospital's service area decreased by nearly 5% between 2012 and 2014;
- Petaluma Valley Hospital has consistently been the market share leader for its service area based on discharges (approximately 24% in 2014). Kaiser Foundation Hospitals-Santa Rosa ranked second in inpatient discharges with 19% market share in 2014; and
- Santa Rosa Memorial Hospital increased its market share slightly to 17% in 2014.

Market Share by Payer Type

The following table illustrates hospital market share by payer category for 2014:

HOSPITAL MARKET SHARE BY PAYER TYPE: 2014											
Payer Type	Total Discharges	Petaluma Valley Hospital	Kaiser Foundation Hospitals-Santa Rosa	Santa Rosa Memorial Hospital	Kaiser Foundation Hospitals-San Rafael	Sutter Medical Center of Santa Rosa*	UCSF Medical Center	Marin General Hospital	Kaiser Foundation Hospitals-San Francisco	All Others	Total
Medicare	3,793	26.6%	16.9%	19.8%	11.2%	5.0%	3.4%	2.1%	2.5%	12.4%	100%
Private Coverage	3,425	11.9%	31.4%	11.0%	8.0%	4.6%	4.6%	4.2%	2.9%	21.5%	100%
Medi-Cal	1,660	39.0%	4.0%	24.7%	0.1%	9.3%	6.3%	3.0%	0.4%	13.2%	100%
All Other	304	26.6%	2.0%	16.4%	0.3%	9.5%	4.3%	3.0%	1.0%	36.8%	100%
Self Pay	143	42.7%	13.3%	9.1%	2.1%	2.8%	1.4%	2.8%	0.7%	25.2%	100%
Total Percentage		23.7%	19.4%	17.2%	7.6%	5.7%	4.4%	3.0%	2.2%	16.9%	100%
Total Discharges	9,325	2,206	1,806	1,603	705	535	408	284	204	1,574	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

* On 10/25/2014, Sutter Medical Center of Santa Rosa was closed and a new hospital, Sutter Santa Rosa Regional Hospital, was opened by Sutter Health

- The largest categories of service area inpatient discharges are comprised of Medicare at approximately 3,800 discharges (41%), Private Coverage at approximately 3,400 discharges (37%), and Medi-Cal at nearly 1,700 discharges (18%);
- Petaluma Valley Hospital is the market share leader for Medicare (27%), Medi-Cal (39%) and Self-Pay (43%);
- Kaiser Foundation Hospitals-Santa Rosa ranks first in private coverage (31%); and
- Petaluma Valley Hospital provides care to a small proportion of Private Coverage patients with a 12% market share.

Market Share by Service Line

The following table illustrates service area hospital market share by service line for 2014:

HOSPITAL MARKET SHARE BY SERVICE LINE: 2014											
Service Line	Total Discharges	Petaluma Valley Hospital	Kaiser Foundation Hospitals-Santa Rosa	Santa Rosa Memorial Hospital	Kaiser Foundation Hospitals-San Rafael	Sutter Medical Center of Santa Rosa*	UCSF Medical Center	Marin General Hospital	Kaiser Foundation Hospitals-San Francisco	All Others	Total
General Medicine	2,692	33.5%	19.5%	17.7%	9.3%	5.7%	4.0%	1.4%	0.5%	8.4%	100%
Obstetrics	1,323	27.9%	40.0%	8.4%	0.1%	10.1%	1.2%	4.9%	1.7%	5.7%	100%
Orthopedics	935	20.3%	16.5%	20.9%	14.4%	5.7%	2.1%	2.5%	0.3%	17.3%	100%
Cardiac Services	882	24.1%	11.6%	24.8%	9.5%	6.5%	2.5%	1.4%	8.7%	10.9%	100%
General Surgery	773	22.8%	14.6%	13.8%	14.6%	4.8%	3.6%	2.3%	3.4%	20.1%	100%
Neonatology	539	22.3%	38.2%	15.2%	0.0%	9.1%	2.8%	4.6%	3.0%	4.8%	100%
Behavioral Health	522	4.8%	3.4%	4.0%	0.6%	0.8%	0.2%	9.4%	0.0%	76.8%	100%
Neurology	350	24.0%	15.7%	22.9%	10.3%	1.4%	5.1%	0.6%	1.1%	18.9%	100%
Oncology/Hematology (Medical)	277	18.8%	8.3%	19.5%	9.4%	5.1%	18.8%	0.7%	0.0%	19.5%	100%
Spine	247	7.7%	3.2%	18.2%	1.2%	2.0%	10.5%	10.9%	0.0%	46.2%	100%
Other	178	6.7%	10.7%	42.1%	5.1%	3.4%	3.4%	2.2%	6.2%	20.2%	100%
Vascular Services	119	9.2%	8.4%	35.3%	8.4%	0.8%	7.6%	5.0%	12.6%	12.6%	100%
Urology	110	6.4%	23.6%	9.1%	10.0%	2.7%	18.2%	9.1%	3.6%	17.3%	100%
ENT	98	9.2%	7.1%	32.7%	9.2%	3.1%	16.3%	0.0%	0.0%	22.4%	100%
Neurosurgery	91	0.0%	0.0%	11.0%	6.6%	2.2%	38.5%	1.1%	0.0%	40.7%	100%
Gynecology	89	18.0%	10.1%	6.7%	9.0%	7.9%	15.7%	2.2%	13.5%	16.9%	100%
Rehabilitation	81	0.0%	0.0%	40.7%	0.0%	0.0%	0.0%	0.0%	0.0%	59.3%	100%
All others	19	5.3%	15.8%	21.1%	0.0%	10.5%	10.5%	0.0%	0.0%	36.8%	100%
Total Percentage		23.7%	19.4%	17.2%	7.6%	5.7%	4.4%	3.0%	2.2%	16.9%	100%
Total Discharges	9,325	2,206	1,806	1,603	705	535	408	284	204	1,574	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

* On 10/25/2014, Sutter Medical Center of Santa Rosa was closed and a new hospital, Sutter Santa Rosa Regional Hospital, was opened by Sutter Health

- Petaluma Valley Hospital is the service line leader in four of 16 service lines: general medicine (34%), neurology (24%), general surgery (23%), and gynecology (18%);
- Petaluma Valley Hospital also has a notable service line market share in obstetrics (28%), cardiac services (24%), neonatology (22%), orthopedics (20%), and oncology/hematology (19%);
- In 2014, Santa Rosa Memorial Hospital was the market share leader for seven service lines including orthopedics (21%), cardiac services (25%), oncology/hematology (20%), spine (18%), vascular services (35%), ear, nose, and throat (33%), and rehabilitation (41%);
- Kaiser Foundation Hospitals-Santa Rosa has the highest market share in obstetrics (40%), neonatology (38%), and urology (24%); and
- UCSF Medical Center has the highest market share in neurosurgery (39%) and Marin General Hospital has the highest market share in behavioral health (9%). Petaluma Valley Hospital does not provide either of these services.

Market Share by ZIP Code

The following table illustrates service area hospital market share by ZIP Code for 2014:

HOSPITAL MARKET SHARE BY ZIP CODE: 2014												
ZIP Code	Community	Total Discharges	Petaluma Valley Hospital	Kaiser Foundation Hospitals-Santa Rosa	Santa Rosa Memorial Hospital	Kaiser Foundation Hospitals-San Rafael	Sutter Medical Center of Santa Rosa*	UCSF Medical Center	Marin General Hospital	Kaiser Foundation Hospitals-San Francisco	All Others	Total
94928	Rohnert Park	3,032	11.8%	26.2%	27.4%	0.8%	10.8%	3.4%	1.3%	1.8%	16.6%	100%
94954	Petaluma	2,791	31.4%	16.2%	9.2%	13.4%	2.0%	4.6%	4.1%	2.7%	16.3%	100%
94952	Petaluma	2,361	33.3%	13.6%	11.3%	11.4%	2.9%	5.8%	4.2%	1.8%	15.7%	100%
94931	Cotati	639	13.3%	23.0%	22.4%	1.4%	9.2%	3.9%	1.4%	2.8%	22.5%	100%
94951	Penngrove	302	17.5%	23.5%	22.8%	2.0%	4.0%	3.0%	4.0%	3.3%	19.9%	100%
94975	Petaluma	47	27.7%	8.5%	12.8%	23.4%	6.4%	0.0%	0.0%	2.1%	19.1%	100%
94953	Petaluma	41	26.8%	12.2%	14.6%	14.6%	7.3%	4.9%	4.9%	2.4%	12.2%	100%
94955	Petaluma	38	23.7%	13.2%	13.2%	5.3%	5.3%	0.0%	7.9%	2.6%	28.9%	100%
94971	Tomales	23	13.0%	8.7%	47.8%	4.3%	0.0%	0.0%	8.7%	4.3%	13.0%	100%
94972	Valley Ford	19	26.3%	10.5%	21.1%	0.0%	5.3%	10.5%	0.0%	0.0%	26.3%	100%
94929	Dillon Beach	18	16.7%	5.6%	16.7%	5.6%	27.8%	5.6%	0.0%	0.0%	22.2%	100%
94940	Marshall	14	21.4%	14.3%	0.0%	14.3%	0.0%	0.0%	21.4%	0.0%	28.6%	100%
Total Percentage			23.7%	19.4%	17.2%	7.6%	5.7%	4.4%	3.0%	2.2%	16.9%	100%
Total Discharges			9,325	2,206	1,806	1,603	705	535	408	284	204	1,574

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

* On 10/25/2014, Sutter Medical Center of Santa Rosa was closed and a new hospital, Sutter Santa Rosa Regional Hospital, was opened by Sutter Health

- Petaluma Valley Hospital is the market share leader in seven of the service area ZIP Codes. In five of these ZIP Codes, Petaluma Valley Hospital had over 25% of the market share in 2014. The communities represented by these ZIP Codes include Petaluma and Valley Ford;
- Kaiser Foundation Hospitals-Santa Rosa is the market share leader in two service area ZIP Codes, located in the communities of Cotati and Penngrove; and
- Santa Rosa Memorial Hospital is the market share leader in two service area ZIP Codes located in Rohnert Park and Tomales.

Service Availability by Bed Type

Using FY 2014 data, the tables on the following pages show Petaluma Valley Hospital's existing hospital bed capacity, occupancy, and availability for medical/surgical, intensive/coronary care, obstetrics, and emergency services.

Medical/Surgical Capacity Analysis

Petaluma Valley Hospital is the only hospital within its defined service area. Petaluma Valley Hospital had 61 licensed medical/surgical beds that operated at an occupancy rate of approximately 28%.

MEDICAL/SURGICAL BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Petaluma Valley Hospital	-	X	61	1,885	6,296	17	28.3%
SUB-TOTAL			61	1,885	6,296	17	28.3%
Sonoma Valley Hospital	14.1		46	815	2,821	8	16.8%
Santa Rosa Memorial Hospital	17.3		203	8,292	40,088	110	54.1%
Kaiser Foundation Hospitals - Santa Rosa	17.7		118	5,708	21,162	58	49.1%
Aurora Behavioral Healthcare	19.1		-	-	-	-	-
Sutter Santa Rosa Regional Hospital (1)	20.2		40	3,423	14,667	40	100.5%
Kaiser Foundation Hospitals - San Rafael	20.4		104	4,161	14,616	40	38.5%
Marin General Hospital	25.7		126	4,746	18,884	52	41.1%
Healdsburg District Hospital	33.6		17	773	2,802	8	45.2%
California Pacific Medical Center	37.9		508	13,284	73,684	202	39.7%
Kaiser Foundation Hospitals - San Francisco	38.1		161	7,455	32,581	89	55.4%
UCSF Medical Center	39.5		324	21,258	107,416	294	90.8%
TOTAL			1,708	71,800	335,017	918	53.7%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Medical Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

- Petaluma Valley Hospital reported 1,885 discharges, 6,296 patient days, and had an average daily census of 17 patients; and
- Sonoma Valley Hospital, the closest hospital to Petaluma Valley Hospital at only 14.0 miles away, had 46 licensed medical/surgical beds that ran at a low reported occupancy rate of nearly 17%.

Intensive Care Unit/Coronary Care Unit Capacity Analysis

Petaluma Valley Hospital had nine licensed intensive care beds that operated at an average occupancy rate of nearly 39% and an average daily census of three patients.

INTENSIVE CARE UNIT/CORONARY CARE UNIT BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Petaluma Valley Hospital	-	X	9	228	1,267	3	38.6%
SUB-TOTAL			9	228	1,267	3	38.6%
Sonoma Valley Hospital	14.1		6	200	1,180	3	53.9%
Santa Rosa Memorial Hospital	17.3		26	550	7,877	22	83.0%
Kaiser Foundation Hospitals - Santa Rosa	17.7		20	156	2,310	6	31.6%
Aurora Behavioral Healthcare	19.1		-	-	-	-	-
Sutter Santa Rosa Regional Hospital (1)	20.2		12	930	3,410	9	77.9%
Kaiser Foundation Hospitals - San Rafael	20.4		12	126	2,111	6	48.2%
Marin General Hospital	25.7		48	1,708	9,454	26	54.0%
Healdsburg District Hospital	33.6		4	51	435	1	29.8%
California Pacific Medical Center	37.9		44	3,110	10,844	30	67.5%
Kaiser Foundation Hospitals - San Francisco	38.1		32	559	6,596	18	56.5%
UCSF Medical Center	39.5		90	444	17,802	49	54.2%
TOTAL			303	8,062	63,286	173	57.2%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Medical Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

- Sonoma Valley Hospital, the closest provider of intensive care/coronary care beds, had six licensed intensive care unit beds that ran at an occupancy rate of approximately 54%.

Obstetrics Capacity Analysis

As the only hospital within its service area, Petaluma Valley Hospital had ten obstetric beds with an occupancy rate of approximately 27%. The next closest hospital, Sonoma Valley Hospital, was licensed for four obstetrics beds that ran at a low reported occupancy rate of approximately 23%.

OBSTETRICS BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Petaluma Valley Hospital	-	X	10	473	993	3	27.2%
SUB-TOTAL			10	473	993	3	27.2%
Sonoma Valley Hospital	14.1		4	153	340	1	23.3%
Santa Rosa Memorial Hospital	17.3		15	897	2,439	7	44.5%
Kaiser Foundation Hospitals - Santa Rosa	17.7		17	2,223	3,714	10	59.9%
Aurora Behavioral Healthcare	19.1		-	-	-	-	-
Sutter Santa Rosa Regional Hospital (1)	20.2		20	1,793	3,251	9	44.5%
Kaiser Foundation Hospitals - San Rafael	20.4		-	-	-	-	-
Marin General Hospital	25.7		22	1,466	3,933	11	49.0%
Healdsburg District Hospital	33.6		4	-	-	-	-
California Pacific Medical Center	37.9		77	5,192	13,795	38	49.1%
Kaiser Foundation Hospitals - San Francisco	38.1		22	3,208	6,589	18	82.1%
UCSF Medical Center	39.5		29	1,920	8,473	23	80.0%
TOTAL			220	17,325	43,527	119	54.2%

Source: OSHPD Disclosure Reports, 2014

California Pacific Medical Center and all Kaiser facilities have Alternative Birthing Centers.

(1) Opened 10/25/2014; Sutter Medical Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

Emergency Department Volume at Hospitals in the Service Area

In 2014, Petaluma Valley Hospital had 15 emergency treatment stations. As shown below, Petaluma Valley Hospital reported 17,428 visits, with approximately 10% of these visits resulting in admission to the hospital.

The table below shows the visits by severity category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System.

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2014												
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/Threat	Percentage Admitted	Hours of Diversion
Petaluma Valley Hospital	-	X	Basic	15	17,428	1,086	1,753	8,313	5,289	987	10.4%	-
SUB-TOTAL				15	17,428	1,086	1,753	8,313	5,289	987	10.4%	-
Sonoma Valley Hospital	14.1		Basic	9	9,678	397	2,176	3,431	2,467	1,207	8.4%	-
Santa Rosa Memorial Hospital	17.3		Basic	33	41,451	1,378	3,316	17,042	15,124	4,591	19.0%	-
Kaiser Foundation Hospitals - Santa Rosa	17.7		Basic	34	51,103	12,469	11,297	9,369	13,387	4,581	8.9%	-
Aurora Behavioral Healthcare	19.1		-	-	-	-	-	-	-	-	-	-
Sutter Santa Rosa Regional Hospital (1)	20.2		Basic	12	28,317	281	4,501	8,861	8,102	6,572	10.2%	-
Kaiser Foundation Hospitals - San Rafael	20.4		Basic	15	26,123	5,582	4,217	5,304	7,831	3,189	10.8%	-
Marin General Hospital	25.7		Basic	22	36,385	546	6,449	11,242	7,601	10,547	17.9%	-
Healdsburg District Hospital	33.6		Standby	8	9,493	74	591	4,465	2,050	2,313	8.0%	-
California Pacific Medical Center	37.9		Basic	10	25,213	305	2,744	9,995	7,970	4,199	8.0%	1,157
Kaiser Foundation Hospitals - San Francisco	38.1		Basic	24	34,245	7,815	6,811	7,455	9,437	2,727	12.8%	80
UCSF Medical Center	39.5		Basic	33	44,572	292	2,606	13,893	8,978	18,803	20.9%	1,031
TOTAL				215	324,008	30,225	46,461	99,370	88,236	59,716	13.5%	2,268

Source: OSHPD Airls Annual Utilization Reports, 2014

(1) Opened 10/25/2014; Sutter Medical Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital 2014 report submissions.

- Petaluma Valley Hospital did not go on diversion¹⁵ in 2014; and
- Sonoma Valley Hospital, the closest provider of emergency services to Petaluma Valley Hospital, has nine licensed emergency treatment stations.

¹⁵ A hospital goes on diversion when there are not enough beds or staff available in the emergency room or the hospital itself to adequately care for patients. When a hospital goes on diversion, it notifies the area Emergency Medical Services Agency so that patients can be transported to other area hospitals with sufficient capacity.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2014, Petaluma Valley Hospital's emergency department operated at approximately 58% of its 15-treatment station capacity.

EMERGENCY DEPARTMENT CAPACITY 2014							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Petaluma Valley Hospital		-	Basic	15	17,428	30,000	12,572
SUB-TOTAL				15	17,428	30,000	12,572
Sonoma Valley Hospital	14.1		Basic	9	9,678	18,000	8,322
Santa Rosa Memorial Hospital	17.3		Basic	33	41,451	66,000	24,549
Kaiser Foundation Hospitals - Santa Rosa	17.7		Basic	34	51,103	68,000	16,897
Aurora Behavioral Healthcare	19.1		-	-	-	-	-
Sutter Santa Rosa Regional Hospital (1)	20.2		Basic	12	28,317	24,000	(4,317)
Kaiser Foundation Hospitals - San Rafael	20.4		Basic	15	26,123	30,000	3,877
Marin General Hospital	25.7		Basic	22	36,385	44,000	7,615
Healdsburg District Hospital	33.6		Standby	8	9,493	16,000	6,507
California Pacific Medical Center	37.9		Basic	10	25,213	20,000	(5,213)
Kaiser Foundation Hospitals - San Francisco	38.1		Basic	24	34,245	48,000	13,755
UCSF Medical Center	39.5		Basic	33	44,572	66,000	21,428
TOTAL				215	324,008	430,000	105,992

Source: OSHPD Alirits Annual Utilization Reports, 2014.

(1) Opened 10/25/2014; Sutter Medical Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital 2014 report submissions.

- Sonoma Valley Hospital, the closest emergency department outside of the service area, operated at nearly 54% capacity in 2014.

PROFILE OF SANTA ROSA MEMORIAL HOSPITAL

Overview of Santa Rosa Memorial Hospital

St. Joseph Health System operates Santa Rosa Memorial Hospital, a 278 licensed-bed general acute care facility, located at 1165 Montgomery Drive in Santa Rosa. Santa Rosa Memorial Hospital has a “basic” emergency department with 33 licensed treatment stations and is designated as a Primary Stroke Center by The Joint Commission. Santa Rosa Memorial Hospital has the region’s only Level II Trauma Center that serves Sonoma County, Napa County, Mendocino County, and Lake County. It also has ten surgical operating rooms and two cardiac catheterization labs.

BED DISTRIBUTION 2016	
Bed Type	Number of Beds
General Acute Care	203
Intensive Care	16
Coronary Care	10
Neonatal Intensive Care	12
Pediatric	6
Perinatal	15
Rehabilitation	16
Total Licensed Beds	278

Source: Hospital License 2016

Santa Rosa Memorial Hospital also operates a second facility across the street, located at 151 Sotoyome Street in Santa Rosa. This facility is licensed for 29 general acute care beds and 31 skilled nursing beds. However, all of these beds are currently in suspense¹⁶ and do not provide any inpatient services. This facility provides outpatient services as part of St. Joseph Health System’s home health network that include physical, speech, and occupational therapy, social services, and respiratory care services.

Santa Rosa Memorial Hospital Foundation

Santa Rosa Memorial Hospital Foundation provides financial support through philanthropy for Santa Rosa Memorial Hospital. Santa Rosa Memorial Hospital Foundation raises funds through charitable donations and planned gifts that are dedicated to priority capital needs, core program needs, health education, and support for new programs. Currently, Santa Rosa Memorial Hospital Foundation is raising funds to upgrade the cardiac catheterization labs, upgrade the linear accelerator and CT simulator, and support the patient navigator role in the Cancer Survivorship Program.

¹⁶ Licensed beds that are in suspense have been temporarily taken out of service.

Key Statistics

KEY STATISTICS: FY 2012 - 2014			
	FY 2012	FY 2013	FY 2014
Inpatient Discharges	11,778	11,843	10,778
Licensed Beds	338	338	278
Patient Days	57,923	57,497	56,778
Average Daily Census	149	148	147
Occupancy	46.8%	46.6%	56.0%
Average Length of Stay	4.6	4.6	5.0
Emergency Services Visits ¹	36,839	37,035	41,451
Cardiac Catheterization Procedures ¹	4,119	4,103	2,969
Coronary Artery Bypass Graft (CABG) Surgeries ¹	79	87	84
Total Live Births	962	931	925
Medical Staff	460		
Employees (Full-Time Equivalents) ²	1,356		

Sources: OSHPD Disclosure Reports, FY 2012-2014

¹ OSHPD Alerts Annual Utilization Reports

² St. Joseph Health System

In FY 2014, Santa Rosa Memorial Hospital had a total of 10,778 inpatient discharges, 56,778 patient days, and an average daily census of 147 patients (approximately 53% occupancy on the total licensed beds).

- Since FY 2012, both inpatient discharges and patient days have decreased by approximately 8% and 2%, respectively;
- In FY 2014, Santa Rosa Memorial Hospital reported 41,451 emergency department visits, a 13% decrease since FY 2012;
- Santa Rosa Memorial Hospital reported approximately 2,969 cardiac catheterization procedures and 84 coronary artery bypass graft surgeries in FY 2014; and
- Between FY 2012 and FY 2014, total live births at Santa Rosa Memorial Hospital have remained relatively stable, delivering an average of 939 births annually.

Programs & Services

Santa Rosa Memorial Hospital offers a broad spectrum of medical services including emergency, pediatric, and cardiovascular services.

- Emergency services include: 24-hour “basic” emergency department services with 33 treatment stations and the region’s only Level II Trauma Center;
- Bariatric services include: The Surgical Weight Loss Program that provides bariatric surgery, nutrition education, exercise physiology, and counseling to assist patients with weight loss;
- Pediatric services include: Inpatient pediatric hospitalist services that provide pediatric and family practice care for children;
- Cardiovascular services include: The Heart & Vascular Institute, diagnostic procedures, interventional cardiology, a STEMI Receiving Center, heart surgery, cardiac rehabilitation, and education services;
- Maternal child health services include: Perinatal services, childbirth preparation classes, labor and delivery services, and the Level III Neonatal Intensive Care Unit. The Neonatal Intensive Care Unit is provided in partnership with the University of California, San Francisco Medical Center;
- Spine care services include: Physical therapy, pain management, and rehabilitation services for disorders of the neck, back, spine, and spinal cord, provided at the Spine Center;
- Stroke services include: The Primary Stroke Center, which provides 24-hour care for stroke patients, including emergency, neurology, neuroradiology, physiatry, neurosurgery, and vascular and endovascular surgery services;
- Women’s health services include: Obstetrics, mammography, endometriosis treatment, minimally invasive gynecological surgery, breast surgery, incontinence, laparoscopic hysterectomy, and osteoporosis treatment services;
- Joint replacement services include: Hip and knee replacement surgery, medication services, and physical therapy services; and
- Rehabilitation services include: Acute rehabilitation, outpatient neurological rehabilitation, wound care, physical and sports rehabilitation services, and occupational, physical, and speech therapy.

Accreditations, Certifications, & Awards

Santa Rosa Memorial Hospital is accredited by The Joint Commission, effective May 2014 through May 2017. Over the years, Santa Rosa Memorial Hospital has received several awards and accolades as a provider of quality care, some of which include the following:

- The Gallup Great Workplace Award for employee engagement, awarded three years in a row.
- Designation as a Primary Stroke Center by The Joint Commission, effective April 2015 through April 2017;
- The 2009-2010 Consumer Choice Award within the Santa Rosa market, for providing high quality care by the National Research Corporation;
- The 2009 Congressional Medal of Honor from the Department of Health and Human Services for organ donation;
- A number one ranking among U.S. hospitals for “door-to-balloon time” by the American College of Cardiology in 2009; and
- Recognition as a Blue Distinction Center+ for Quality and Efficiency for Knee and Hip Replacement and Spine Care by Blue Shield of California.

Quality Measures

In FY 2015, the Centers for Medicare & Medicaid Services reduced Medicare payments to Santa Rosa Memorial Hospital by 0.44%. For FY 2016, the Centers for Medicare & Medicaid services will reduce payments to Santa Rosa Memorial Hospital by 0.21%.

The following table reports Santa Rosa Memorial Hospital’s most recent scores as reported by Hospital Compare for each of the measures within the four domains in comparison to the California and national averages:

QUALITY SCORES COMPARISON				
Domain	Measure	Santa Rosa Memorial Hospital	California Average	National Average
Clinical Process of Care Domain	Average of Acute Myocardial Infarction, Heart Failure, Pneumonia, Surgical Care Improvement & Healthcare Associated Infection Measures	96.0%	97.6%	97.3%
Patient Experience of Care Domain	Average of Measures for the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey	65.2%	67.0%	71.0%
Outcome Domain	Average of Outcome Measures for Acute Myocardial Infarction, Heart Failure & Pneumonia 30-Day Mortality Rates & Central-Line Bloodstream Infection Rates	13.8%	12.1%	12.4%
Efficiency Domain	Medicare Spending per Beneficiary Ratio	0.95	0.99	0.98

Source: Medicare.gov Hospital Compare, 2015

- For the clinical process of care domain, Santa Rosa Memorial Hospital scored slightly lower (96.0%) than both the California average (97.6%) and the national average (97.3%);
- Santa Rosa Memorial Hospital scored below (65.2%) the California average of 67.0% and the national average of 71.0% for the patient experience of care domain;
- Within the outcome domain, Santa Rosa Memorial Hospital has a higher 30-day average mortality rate and central-line bloodstream infection rate (13.8%) than the California and national averages (12.1% and 12.4%, respectively); and
- With a ratio of 0.95, Santa Rosa Memorial Hospital spends less per patient for an episode of care initiated at its facility than California hospitals (0.99) and national hospitals (0.98).

In FY 2014 and FY 2015, Santa Rosa Memorial Hospital was not penalized for its 30-day readmission rates. The following graph shows Santa Rosa Memorial Hospital's 30-day readmission rates for heart attack, heart failure, and pneumonia patients relative to the California and national averages:

30-DAY READMISSION RATES			
Condition	Santa Rosa Memorial Hospital	National Average	California Average
Heart Attack	14.5%	17.0%	17.0%
Heart Failure	18.6%	22.0%	22.1%
Pneumonia	14.3%	16.9%	16.9%
Average 30-Day Readmission Rate	15.8%	18.6%	18.6%

Source: IPRO & Medicare.gov Hospital Compare, 2015

- Santa Rosa Memorial Hospital had fewer 30-day readmissions (15.8%) than the national and statewide averages of 18.6% for heart attack, heart failure, and pneumonia, and therefore, it will not be penalized in FY 2016.

Seismic Issues

Using the HAZUS seismic criteria, Santa Rosa Memorial Hospital's structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as shown in the table below. These classifications require that a number of Santa Rosa Memorial Hospital's structures undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards.

SEISMIC OVERVIEW		
Building	SPC Compliance Status	NPC Compliance Status
1) Original Hospital	SPC-2	NPC-3
2) Physical Therapy Addition	SPC-4	NPC-3
3) Psychiatric Addition	SPC-4	NPC-3
4) West Pavilion - North Wing	SPC-4	NPC-2
5) West Pavilion - West Wing	SPC-4	NPC-3
6) Service Building	SPC-4	NPC-2
7) West Pavilion - Entry Lobby and Canopy	SPC-5	NPC-3
8) Emergency Wing	SPC-4	NPC-2
9) Center East - West Link	SPC-3	NPC-3
10) Center East Wing	SPC-2	NPC-3
11) East Wing and East Wing Link	SPC-2	NPC-3
12) Modular Cardiac Catheterization Lab	SPC-3	NPC-2
13) Emergency Wing - Entrance Canopy	SPC-4	NPC-3
14) Dietary Addition	SPC-4	NPC-3
15) Social Services Addition	SPC-4	NPC-3
16) Diagnostic Cath Lab Addition	SPC-5s	NPC-4
17) ED Addition	SPC-5	NPC-4
18) Surgery Building and Cath Lab Infill	SPC-5s*	NPC-4

Source: OSHPD

* "S" indicates rating as self-reported by hospital

- Santa Rosa Memorial Hospital has three buildings that are rated as SPC-2. In order to continue providing acute care services, these buildings must be seismically retrofitted by January 1, 2030.

Patient Utilization Trends

The following table shows volume trends at Santa Rosa Memorial Hospital from FY 2010 through FY 2014:

SERVICE VOLUMES: FY 2010-2014					
PATIENT DAYS	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Medical/Surgical	42,071	40,317	40,772	40,569	40,088
Neonatal Intensive Care	2,132	1,961	1,830	1,549	1,650
Intensive Care	7,415	7,404	7,637	7,711	7,877
Pediatric Acute	1,209	1,566	1,783	1,758	1,613
Obstetrics	3,129	2,759	2,721	2,552	2,439
Physical Rehabilitation	3,195	3,000	3,180	3,358	3,111
Total	59,151	57,007	57,923	57,497	56,778
DISCHARGES					
Medical/Surgical	9,347	9,442	9,267	9,348	8,292
Neonatal Intensive Care	155	148	108	132	154
Intensive Care	584	486	533	526	550
Pediatric Acute	585	535	580	629	645
Obstetrics	1,189	1,014	993	924	897
Physical Rehabilitation	251	245	297	284	240
Total	12,111	11,870	11,778	11,843	10,778
AVERAGE LENGTH OF STAY					
Medical/Surgical	4.5	4.3	4.4	4.3	4.8
Neonatal Intensive Care	13.8	13.3	16.9	11.7	10.7
Intensive Care	12.7	15.2	14.3	14.7	14.3
Pediatric Acute	2.1	2.9	3.1	2.8	2.5
Obstetrics	2.6	2.7	2.7	2.8	2.7
Physical Rehabilitation	12.7	12.2	10.7	11.8	13.0
Total	4.9	4.8	4.9	4.9	5.3
AVERAGE DAILY CENSUS					
Medical/Surgical	115.3	110.5	111.7	111.1	109.8
Neonatal Intensive Care	5.8	5.4	5.0	4.2	4.5
Intensive Care	20.3	20.3	20.9	21.1	21.6
Pediatric Acute	3.3	4.3	4.9	4.8	4.4
Obstetrics	8.6	7.6	7.5	7.0	6.7
Physical Rehabilitation	8.8	8.2	8.7	9.2	8.5
Total	162.1	156.2	158.7	157.5	155.6
OTHER SERVICES					
Inpatient Surgeries	4,328	4,093	3,887	3,885	3,730
Outpatient Surgeries	2,047	2,070	2,141	2,124	2,998
Emergency Services Visits ¹	38,925	36,322	36,839	37,035	41,451
Cardiac Catheterization Procedures ¹	3,608	3,886	4,119	4,103	2,969
Obstetric Deliveries	1,080	1,005	962	931	925

Sources: OSHPD Disclosure Reports, FY 2010-2014

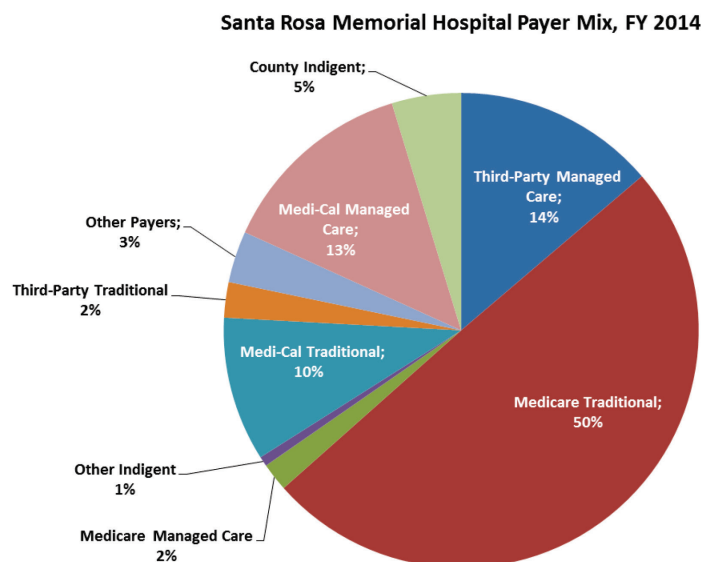
¹ OSHPD Alerts Annual Utilization Reports

A review of historical utilization trends supports the following conclusions:

- Total patient days have decreased by 4% over the five-year period;
- Inpatient discharges have decreased by 11% from 12,111 in FY 2010 to 10,778 in FY 2014, and pediatric discharges have increased by 10% from 585 discharges in FY 2010 to 645 in FY 2014;
- The average daily census has decreased slightly from 162 patients in FY 2010 to 156 patients in FY 2014; and
- Obstetric deliveries have decreased 14% from 1,080 in FY 2010 to 925 in FY 2014; and
- Outpatient surgeries increased by 46% from 2,047 in FY 2010 to 2,998 in FY 2014.

Payer Mix

In FY 2014, approximately 52% of Santa Rosa Memorial Hospital's inpatient payer mix consisted of Medicare Traditional (50%) and Medicare Managed Care (2%) patients. Approximately 23% of Santa Rosa Memorial Hospital's inpatient payer mix consisted of Medi-Cal Managed Care (13%) and Medi-Cal Traditional (10%) patients. In addition, approximately 16% of Santa Rosa Memorial Hospital's inpatient payer mix consisted of Third-Party Managed Care (14%) and Third-Party Traditional (2%) patients. The remaining 9% of the inpatient discharges consisted of County Indigent (5%), Other Payers* (3%), and Other Indigent (1%) patients.



Total Discharges = 10,778

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

Source: OSHPD Financial Disclosure Report, FY 2014 (based on inpatient discharges).

The following table illustrates Santa Rosa Memorial Hospital's inpatient discharge payer mix compared to Sonoma County and the State of California for FY 2014. The comparison shows that Santa Rosa Memorial Hospital has higher percentages of Medicare Traditional and County Indigent patients and lower percentages of Medi-Cal Traditional, Medicare Managed Care, and Third-Party Managed Care patients relative to other hospitals in Sonoma County and California.

PAYER MIX COMPARISON						
Payer	Santa Rosa Memorial Hospital (FY 2014)		Sonoma County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	1,060	9.8%	2,497	11.8%	448,311	15.8%
Medi-Cal Managed Care	1,456	13.5%	3,264	15.4%	435,129	15.3%
Medi-Cal Total	2,516	23.3%	5,761	27.1%	883,440	31.1%
Medicare Traditional	5,354	49.7%	9,316	43.8%	805,912	28.4%
Medicare Managed Care	207	1.9%	714	3.4%	273,709	9.6%
Medicare Total	5,561	51.6%	10,030	47.2%	1,079,621	38.0%
Third-Party Managed Care	1,483	13.8%	3,350	15.8%	610,781	21.5%
Third-Party Managed Care Total	1,483	13.8%	3,350	15.8%	610,781	21.5%
Third-Party Traditional	260	2.4%	790	3.7%	121,054	4.3%
Other Payers	378	3.5%	559	2.6%	62,617	2.2%
Other Indigent	72	0.7%	135	0.6%	32,930	1.2%
County Indigent	508	4.7%	626	2.9%	51,759	1.8%
Other Total	1,218	11.3%	2,110	9.9%	268,360	9.4%
Total	10,778	100%	21,251	100%	2,842,202	100%

Source: OSHPD Disclosure Reports, FY 2014

Medi-Cal Managed Care

Santa Rosa Memorial Hospital is currently contracted with Partnership Health Plan, the County Organized Health System plan in Sonoma County, to provide services to Medi-Cal Managed Care patients.

Medical Staff

Santa Rosa Memorial Hospital has 460 medical staff members representing multiple specialties. The five largest specialties comprising 39% of the medical staff include: internal medicine, anesthesiology, emergency medicine, family medicine, and ophthalmology. Of the 460 members of the medical staff, 247 are considered “active” users of Santa Rosa Memorial Hospital (representing approximately 54% of the medical staff).

Santa Rosa Memorial Hospital is affiliated with Annadel Medical Group, a medical group that contracts exclusively with the medical foundation, St. Joseph Heritage Healthcare. Santa Rosa Memorial Hospital is also affiliated with Meritage Medical Network, an Independent Physician Association.

MEDICAL STAFF PROFILE 2016					
Specialty	Count	% of Total	Specialty	Count	% of Total
Allergy & Immunology	1	0.2%	Palliative Care	3	0.7%
Anesthesiology	42	9.1%	Pathology	6	1.3%
Cardiology	25	5.4%	Pediatrics	16	3.5%
Clinical Psychologist	2	0.4%	Physiatry	5	1.1%
Critical Care Medicine	11	2.4%	Podiatry	11	2.4%
Dentistry	6	1.3%	Psychiatry	10	2.2%
Dermatology	4	0.9%	Pulmonary Disease	2	0.4%
Emergency Medicine	32	7.0%	Radiology, Diagnostic	16	3.5%
Endocrinology	1	0.2%	Radiology, Interventional	3	0.7%
Family Medicine	30	6.5%	Radiation Oncology	6	1.3%
Gastroenterology	11	2.4%	Reproductive Endocrinology/Infertility	1	0.2%
Gynecology	2	0.4%	Rheumatology	1	0.2%
Hematology/Oncology	7	1.5%	Surgery, Cardiothoracic	2	0.4%
Hospital & Palliative Medicine	1	0.2%	Surgery, General	18	3.9%
Infectious Disease	3	0.7%	Surgery, Neurologic	7	1.5%
Internal Medicine	51	11.1%	Surgery, Oral & Maxillofacial	6	1.3%
Neonatology	2	0.4%	Surgery, Orthopedic	22	4.8%
Nephrology	8	1.7%	Surgery, Plastic & Reconstructive	5	1.1%
Neurology	4	0.9%	Surgery Assistant	4	0.9%
Obstetrics & Gynecology	9	2.0%	Surgery, Vascular	4	0.9%
Ophthalmology	26	5.7%	Teleradiology	17	3.7%
Otolaryngology	6	1.3%	Urgent Care	1	0.2%
Pain Management	6	1.3%	Urology	4	0.9%
Total Medical Staff	460				

Source: Santa Rosa Memorial Hospital

Unionized Employees

Santa Rosa Memorial Hospital has a CBA with Staff Nurses Association through September 30, 2017 that represents 661 employees. Santa Rosa Memorial Hospital also has a CBA with National Union of Healthcare Workers that expired on March 15, 2015 and represents 631 employees. Successor CBA negotiations are underway with the National Union of Healthcare Workers. In addition, Santa Rosa Memorial Hospital and Petaluma Valley Hospital have a shared CBA with the International Union of Operating Engineers, Local 39 that covers 18 employees.

In total, approximately 71% of Santa Rosa Memorial Hospital's employees are covered by CBAs.

EMPLOYEES REPRESENTED BY UNIONS	
Union	Total
Staff Nurses Association	661
National Union of Healthcare Workers	631
International Union of Operating Engineers, Local 39	18*
Total Employees Represented by Unions	1,310
Total Non-Union Employees	525
Total Employees	1,835
Total Percentage of Employees Represented by Unions	71%

Source: St. Joseph Health System

* Includes Petaluma Valley Hospital employees

Financial Profile

Over the five reported fiscal years, Santa Rosa Memorial Hospital has maintained positive net income ranging from \$3.8 million in FY 2010 to \$55.8 million in FY 2014. Net patient revenue has increased by 15% from \$324.9 million in FY 2010 to \$372.4 million in FY 2014. Over the same period, Santa Rosa Memorial Hospital's total operating expenses have increased by 2% from \$327.9 million to \$336.1 million. Net non-operating revenue, totaling nearly \$17.5 million in FY 2014, has also contributed to net income. Net non-operating revenue represents revenue received or recognized for services that are not directly related to the provision of healthcare services. Examples of non-operating revenue include unrestricted contributions, income and gains from investments, and various government assessments, taxes, and appropriations.

Santa Rosa Memorial Hospital's current asset-to-liability ratio has increased over the last five years from 2.90 in FY 2010 to 4.77 in FY 2014 (the California average in 2014 was 1.72). In FY 2014, Santa Rosa Memorial Hospital's percentage of bad debt and the statewide average percentage of bad debt were both approximately 1.3%.

FINANCIAL AND RATIO ANALYSIS: FY 2010-2014						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	-
Patient Days	59,151	57,007	57,923	57,497	56,778	-
Discharges	12,111	11,870	11,778	11,843	10,778	-
ALOS	4.9	4.8	4.9	4.9	5.3	-
Net Patient Revenue	\$324,896,040	\$340,119,210	\$359,100,076	\$357,714,294	\$372,361,723	-
Other Operating Revenue	\$3,160,559	\$1,994,942	\$4,954,489	\$1,175,581	\$5,090,596	-
Total Operating Revenue	\$328,056,599	\$342,114,152	\$364,054,565	\$358,889,875	\$377,452,319	-
Operating Expenses	\$327,921,955	\$326,101,971	\$328,143,889	\$346,951,697	\$336,112,326	-
Net from Operations	\$134,644	\$16,012,181	\$35,910,676	\$11,938,178	\$41,339,993	-
Net Non-Operating Revenue	\$7,213,788	\$13,511,235	\$7,601,223	\$13,508,298	\$17,571,301	-
Net Income	\$3,768,938	\$26,459,655	\$40,739,322	\$22,724,112	\$55,833,185	-
						2014 California Average
Current Ratio	2.90	2.76	3.05	2.49	4.77	1.72
Days in A/R	57.0	50.1	54.2	45.7	54.6	62.2
Bad Debt Rate	1.7%	0.8%	1.1%	1.3%	1.3%	1.3%
Operating Margin	0.04%	4.68%	9.86%	3.33%	10.95%	2.48%

Source: OSHPD Disclosure Reports, 2010-2014

Cost of Hospital Services

Santa Rosa Memorial Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2014, approximately 49% of total costs were associated with Medicare patients, 24% with Third Party payers, 19% with Medi-Cal patients, and 4% with County Indigent. The remaining 4% is attributed to Other Payers and Other Indigent. In FY 2014, 40% of the total costs for all of the hospitals in California were associated with Medicare patients, 26% with Medi-Cal patients, 2% with County Indigent, 29% with Third Party, 1% with Other Indigent, and 2% with Other Payers.

COST OF SERVICES BY PAYER CATEGORY 2010-2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Expenses	\$327,921,955	\$326,101,971	\$328,143,889	\$346,951,697	\$336,112,326
Cost of Services By Payer:					
Medicare	\$146,987,375	\$153,804,507	\$152,036,507	\$163,801,148	\$163,056,143
Medi-Cal	\$46,737,740	\$42,798,641	\$46,818,641	\$48,129,500	\$63,372,600
County Indigent	\$22,691,601	\$22,785,897	\$24,305,302	\$29,172,352	\$13,335,191
Third Party	\$101,738,537	\$96,839,385	\$95,075,523	\$89,771,348	\$81,530,455
Other Indigent	\$3,098,806	\$3,072,975	\$3,317,961	\$2,663,868	\$2,168,290
Other Payers	\$6,667,896	\$6,800,567	\$6,589,955	\$13,413,482	\$12,649,647

Source: OSHPD Disclosure Reports, 2010-2014

Charity Care

As reported by OSHPD, Santa Rosa Memorial Hospital's charity care charges have decreased from a high of \$40.3 million in FY 2011 to approximately \$30.5 million in FY 2015. The five-year average for charity charges was approximately \$34.3 million.

CHARITY CARE	
TOTAL CHARGES: FY 2011-2015	
Year	OSHPD Disclosure Reports
2015	\$30,487,915
2014	\$31,714,931
2013	\$34,476,210
2012	\$34,652,192
2011	\$40,253,170
5-Year Average	\$34,316,884

Source: OSHPD Disclosure Reports, FY 2011-2015

The following table shows a comparison of charity care and bad debt for Santa Rosa Memorial Hospital and all general acute care hospitals in the State of California. The five-year (FY 2011-2015) average of charity care and bad debt, as a percentage of gross patient revenue, was 3.1%. This is slightly lower than the four-year California average of 3.5%.

CHARITY CARE COMPARISON										
CHARITY CARE - FY 2011 to FY 2015										
(Millions)										
	2011		2012		2013		2014		2015	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	\$1,561.78	\$288,636.7	\$1,648.0	\$303,278.6	\$1,722.23	\$317,543.8	\$1,901.98	\$337,773.16	\$2,311.50	-
Charity	\$40.25	\$6,171.5	\$34.65	\$6,251.0	\$34.48	\$6,209.9	\$31.71	\$4,571.00	\$30.49	-
Bad Debt	\$11.87	\$4,815.5	\$18.94	\$5,007.6	\$22.27	\$5,549.5	\$25.27	\$4,420.44	\$24.94	-
Total	\$52.12	\$10,987.0	\$53.59	\$11,258.6	\$56.74	\$11,759.4	\$56.98	\$8,991.45	\$55.42	-
Charity as a % of Gross Rev.	2.6%	2.1%	2.1%	2.1%	2.0%	2.0%	1.7%	1.4%	1.3%	-
Bad Debt as a % of Gross Rev.	0.8%	1.7%	1.1%	1.7%	1.3%	1.7%	1.3%	1.3%	1.1%	-
Total as a % of Gross Rev.	3.3%	3.8%	3.3%	3.7%	3.3%	3.7%	3.0%	2.7%	2.4%	-
Uncompensated Care										
Cost to Charge Ratio	20.8%	24.6%	19.6%	24.6%	20.1%	24.4%	17.4%	23.5%	18.2%	-
Cost of Charity	\$8.4	\$1,520.9	\$6.8	\$1,539.1	\$6.9	\$1,514.6	\$5.52	\$1,074.19	\$5.5	-
Cost of Bad Debt	\$2.5	\$1,186.8	\$3.7	\$1,232.9	\$4.5	\$1,353.5	\$4.40	\$1,038.80	\$4.5	-
Total	\$10.8	\$2,707.7	\$10.5	\$2,772.0	\$11.39	\$2,868.1	\$9.92	\$2,112.99	\$10.1	-

Source: OSHPD Disclosure Reports, 2011-2015

The table below shows Santa Rosa Memorial Hospital's historical costs for charity care as reported by OSHPD. Santa Rosa Memorial Hospital's charity care costs have decreased from approximately \$8.4 million in FY 2011 to \$5.5 million in FY 2015. The average cost of charity care for the last five-year period was approximately \$6.6 million.

COST OF CHARITY CARE				
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital	Percent of Total Costs Represented by Charity Care
FY 2015	\$30,487,915	18.2%	\$5,548,801	1.3%
FY 2014	\$31,714,931	17.4%	\$5,519,696	1.6%
FY 2013	\$34,476,210	20.1%	\$6,921,859	2.0%
FY 2012	\$34,652,192	19.6%	\$6,795,567	2.1%
FY 2011	\$40,253,170	20.8%	\$8,353,508	2.6%
5-Year Average	\$34,316,884		\$6,627,886	

Source: OSHPD Disclosure Reports, 2011-2015

Santa Rosa Memorial Hospital reported the following combined distribution of charity care by inpatient, outpatient, and emergency room charges.

COST OF CHARITY CARE BY SERVICE				
	Inpatient	Outpatient	Emergency Room	Total Costs
2015:				
Cost of Charity	\$2,499,820	\$1,028,453	\$1,569,999	\$5,098,273
Visits/Discharges	4,197	858	6,681	
2014:				
Cost of Charity	\$2,791,340	\$751,154	\$1,837,714	\$5,380,208
Visits/Discharges	1,934	566	3,120	
2013:				
Cost of Charity	\$3,569,960	\$876,793	\$1,927,958	\$6,374,711
Visits/Discharges	2,856	705	3,846	
2012:				
Cost of Charity	\$3,723,259	\$837,307	\$1,847,906	\$6,408,471
Visits/Discharges	4,506	903	5,928	
2011:				
Cost of Charity	\$4,575,490	\$1,077,303	\$2,041,661	\$7,694,454
Visits/Discharges	4,338	768	5,090	

Source: St. Joseph Health

Community Benefit Services

Santa Rosa Memorial Hospital has consistently contributed to community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been \$3,128,196 per year.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	5-Year Average	Total
Benefits for Persons Living in Poverty	\$1,198,449	\$1,421,158	\$2,171,661	\$2,719,535	\$3,807,148	\$2,263,590	\$11,317,951
Benefits for Broader Community	\$1,129,188	\$688,973	\$1,182,888	\$656,230	\$665,750	\$864,606	\$4,323,029
Total	\$2,327,637	\$2,110,131	\$3,354,549	\$3,375,765	\$4,472,898	\$3,128,196	\$15,640,981

Source: Santa Rosa Memorial Hospital

Note: Community Benefit programs and services excludes Grants

- Santa Rosa Memorial Hospital's five-year average cost of community benefit services for persons living in poverty is approximately \$2.3 million per year;
- Santa Rosa Memorial Hospital's five-year average cost of community benefit services for the broader community is nearly \$900,000 per year; and
- Over the five-year period, Santa Rosa Memorial Hospital's combined total cost of community benefit services has increased from a low of \$2.1 million in FY 2012 to a high of \$4.5 million in FY 2015.

Santa Rosa Memorial Hospital's community benefit services over the past five fiscal years included the following programs over \$10,000:

COST OF COMMUNITY BENEFIT SERVICES					
Services over \$10,000 in cost:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Advocacy	\$17,200	\$14,874	\$11,512	-	\$11,500
Agents of Change Training in our Neighborhoods - ACTION	\$284,491	-	\$340,206	\$241,511	\$175,593
Care Transitions Program	-	-	\$36,472	\$91,048	-
Catholic Charities - Project Nightingale	-	-	\$50,000	\$120,000	\$80,000
Childhood Obesity - Broader Community	-	\$352,943	-	-	-
Childhood Obesity - Living in Poverty	-	\$425,832	-	-	-
Children's Oral Health - Broader Community	-	\$15,659	-	-	-
Children's Oral Health - Living in Poverty	-	\$1,049,786	-	-	-
Comprehensive Peri-Natal Services - "Growing Together"	\$17,235	\$20,760	\$42,670	\$50,253	\$17,129
Dental Clinic	\$775,737	-	\$1,039,386	\$1,086,008	\$726,554
Healthy Communities Partnerships	\$101,716	-	-	-	-
Healthy For Life	\$19,277	-	\$60,799	\$20,016	\$24,855
House Calls	\$438,016	-	\$676,343	\$710,435	\$515,749
Mary Issac Wellness	\$124,732	-	-	-	-
Mobile Dental Van (Cultivando La Salud)	\$325,770	-	\$346,631	\$417,800	\$289,508
Mobile Health Clinic	\$345,835	-	\$540,076	\$542,651	\$376,815
Other Community Benefit Activities - Broader Community	-	\$44,291	-	-	-
Other Community Benefit Activities - Living in Poverty	-	\$188,768	-	-	-
Project Escape (Circle of Sisters)	\$153,763	-	\$218,610	\$175,255	\$113,181
Promotores De Salud	\$119,392	-	\$196,118	\$224,411	\$80,904
Senior Care - Broader Community	-	\$18,346	-	-	-
Senior Care - Living in Poverty	-	\$553,243	-	-	-
Services to the Homeless - Living in Poverty	-	\$157,068	-	-	-
SRM Lab: Your Heart Your Life Screenings	-	-	-	\$22,387	-
We Care - Taxi Funds And Bus Tokens	\$10,880	\$13,173	\$14,253	\$13,674	\$24,175
We Care - Various Donations For The Poor	\$12,859	\$15,821	\$16,079	\$25,623	\$35,926
Youth ATOD - Broader Community	-	\$89,681	-	-	-
Youth ATOD - Living in Poverty	-	\$81,451	-	-	-

Source: Santa Rosa Memorial Hospital

Note: Includes Community Benefit Expenses to Santa Rosa Memorial Hospital before Grants and Offsets

Santa Rosa Memorial Hospital's community benefit services have supported many programs for the community, including educational outreach, community dental care, homeless services, and others as described below¹⁷:

- **Advocacy:** Promotes grassroots advocacy and engages persons of influence to affect social and public policy change to promote community health;
- **A.C.T.I.O.N. (Agents of Change Training In Our Neighborhoods):** Provides bilingual leadership and advocacy training to community leaders in vulnerable neighborhoods in order to empower local leaders to address health and quality of life issues;

¹⁷ The following community benefit programs and services are no longer being provided: Care Transitions Program, Childhood Obesity - Broader Community, Childhood Obesity - Living in Poverty, Children's Oral Health - Broader Community, Children's Oral Health - Living in Poverty, Comprehensive Perinatal Services - "Growing Together," Healthy Communities Partnerships, Mary Isaac Wellness, Other Community Benefit Activities - Broader Community, Other Community Benefit Activities - Living in Poverty, Senior Care - Broader Community, Senior Care - Living in Poverty, Services to the Homeless - Living in Poverty, SRM Lab - Your Heart Your Life Screenings, Youth ATOD - Broader Community, and Youth ATOD - Living in Poverty.

- Catholic Charities - Project Nightingale: Provides 24-hour respite beds to homeless individuals who have been recently discharged from the hospital;
- Dental Clinic: Provides basic, preventive, emergency, and comprehensive dental care to community children;
- Healthy for Life: Provides a physical education program that instructs students in proper fitness and nutrition habits to reduce childhood obesity and increase student wellness;
- House Calls: Addresses the physical, spiritual, and emotional needs of vulnerable seniors and adults with chronic diseases by providing primary medical care in a home-based setting;
- Mobile Dental Van (Cultivando La Salud): Provides basic, preventative, restorative, and emergency dental care for agricultural workers, low income families, children, pregnant women, and special-needs patients;
- Mobile Health Clinic: Provides healthcare services, including screenings, treatment of minor medical problems, health and nutritional education, and referrals to low-income individuals without regular access to healthcare;
- Project Escape (Circle of Sisters): Facilitates the Circle of Sisters program, a free, after-school program designed to teach girls to make healthy life choices;
- Promotores De Salud: Bridges language and culture by providing health information and referrals, conducting cooking and nutrition classes, and training community volunteer health promoters;
- We Care - Taxi Funds and Bus Tokens: Assists low-income patients with transportation by providing taxi vouchers and bus tokens; and
- We Care - Various Donations for the Poor: Provides hotel vouchers, small medical equipment, and paid funeral expenses for low-income patients with limited resources.

ANALYSIS OF SANTA ROSA MEMORIAL HOSPITAL'S SERVICE AREA

Service Area Definition

Based upon Santa Rosa Memorial Hospital's 2014 inpatient discharges, Santa Rosa Memorial Hospital's service area is comprised of 48 ZIP Codes from which 82% of its inpatient discharges originated. Approximately 50% of Santa Rosa Memorial Hospital's discharges originated from the top six ZIP Codes located in Santa Rosa and Rohnert Park. In 2014, Santa Rosa Memorial Hospital's market share in the service area was approximately 26% based on total area discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARED BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95407	Santa Rosa	1,071	9.1%	9.1%	3,005	35.6%
95404	Santa Rosa	1,050	8.9%	18.0%	3,099	33.9%
95403	Santa Rosa	959	8.1%	26.1%	3,487	27.5%
95401	Santa Rosa	955	8.1%	34.2%	3,034	31.5%
95409	Santa Rosa	954	8.1%	42.3%	2,375	40.2%
94928	Rohnert Park	831	7.1%	49.4%	3,032	27.4%
95405	Santa Rosa	653	5.5%	54.9%	1,808	36.1%
95472	Sebastopol	531	4.5%	59.4%	1,860	28.5%
95492	Windsor	496	4.2%	63.6%	1,966	25.2%
95448	Healdsburg	269	2.3%	65.9%	1,267	21.2%
94952	Petaluma	267	2.3%	68.2%	2,361	11.3%
94954	Petaluma	258	2.2%	70.4%	2,791	9.2%
95425	Cloverdale	191	1.6%	72.0%	951	20.1%
95476	Sonoma	166	1.4%	73.4%	2,665	6.2%
94931	Cotati	143	1.2%	74.6%	639	22.4%
95436	Forestville	130	1.1%	75.7%	443	29.3%
95445	Gualala	109	0.9%	76.7%	251	43.4%
95402	Santa Rosa	84	0.7%	77.4%	264	31.8%
95446	Guerneville	71	0.6%	78.0%	423	16.8%
94951	Penngrove	69	0.6%	78.6%	302	22.8%
95452	Kenwood	56	0.5%	79.0%	142	39.4%
94923	Bodega Bay	37	0.3%	79.3%	110	33.6%
95462	Monte Rio	31	0.3%	79.6%	91	34.1%
95442	Glen Ellen	31	0.3%	79.9%	243	12.8%
95441	Geyserville	31	0.3%	80.1%	169	18.3%
95468	Point Arena	29	0.2%	80.4%	117	24.8%
95497	The Sea Ranch	25	0.2%	80.6%	57	43.9%
95465	Occidental	19	0.2%	80.8%	114	16.7%
95473	Sebastopol	18	0.2%	80.9%	63	28.6%
95406	Santa Rosa	18	0.2%	81.1%	72	25.0%
95439	Fulton	17	0.1%	81.2%	61	27.9%
95421	Cazadero	13	0.1%	81.3%	75	17.3%
95412	Annapolis	13	0.1%	81.4%	25	52.0%
95444	Graton	12	0.1%	81.5%	61	19.7%
94971	Tomales	11	0.1%	81.6%	23	47.8%
95416	Boyes Hot Springs	10	0.1%	81.7%	133	7.5%
95471	Rio Nido	9	0.1%	81.8%	37	24.3%
94922	Bodega	8	0.1%	81.8%	40	20.0%
95449	Hopland	7	0.1%	81.9%	123	5.7%
94975	Petaluma	6	0.1%	82.0%	47	12.8%
94953	Petaluma	6	0.1%	82.0%	41	14.6%
95480	Stewarts Point	5	0.0%	82.1%	20	25.0%
95450	Jenner	4	0.0%	82.1%	22	18.2%
94972	Valley Ford	4	0.0%	82.1%	19	21.1%
95419	Camp Meeker	4	0.0%	82.2%	16	25.0%
95494	Yorkville	4	0.0%	82.2%	16	25.0%
94929	Dillon Beach	3	0.0%	82.2%	18	16.7%
95430	Duncans Mills	3	0.0%	82.2%	17	17.6%
Subtotal		9,691	82.2%	82.2%	37,995	25.5%
Other ZIPs		2,093	17.8%	100%		
Total		11,784	100%			

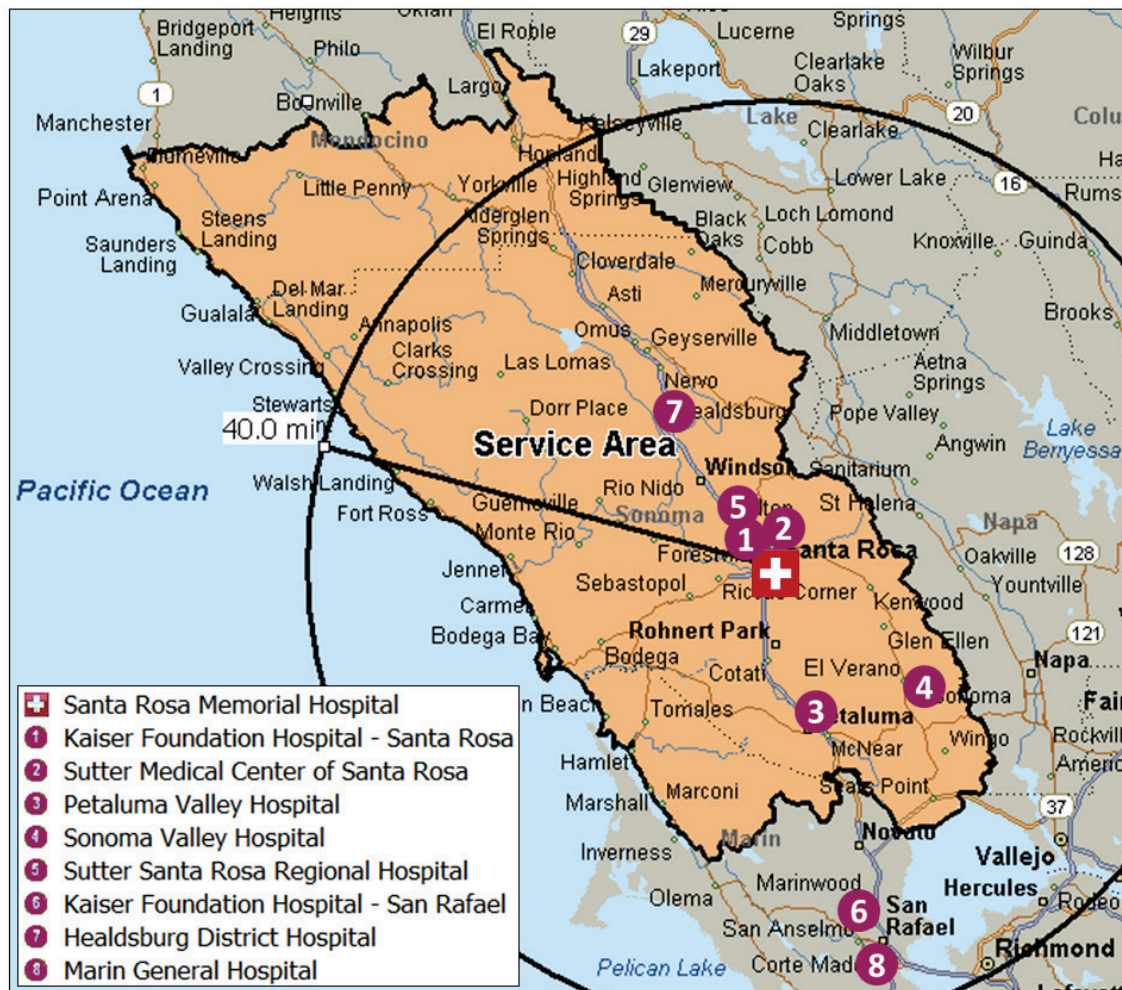
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

Santa Rosa Memorial Hospital's service area, with approximately 514,000 residents, includes the communities of Santa Rosa, Rohnert Park, Sebastopol, Windsor, Healdsburg, Petaluma, Cloverdale, Sonoma, Cotati, Forestville, Gualala, Guerneville, Penngrove, Kenwood, Bodega Bay, Monte Rio, Glen Ellen, Geyserville, Point Arena, The Sea Ranch, Occidental, Sebastopol, Fulton, Cazadero, Annapolis, Graton, Tomales, Boyes, Hot Springs, Rio Nido, Bodega, Hopland, Stewarts Point, Jenner, Valley Ford, Camp Meeker, Yorkville, Dillon Beach, and Duncans Mills.

There are five other hospitals located within Santa Rosa Memorial Hospital's service area: Kaiser Foundation Hospitals-Santa Rosa, Petaluma Valley Hospital, Sonoma Valley Hospital, Sutter Santa Rosa Regional Hospital, and Healdsburg District Hospital. Kaiser Foundation Hospitals-San Rafael, Marin General Hospital, and UCSF Medical Center, located outside of the service area, also provide care to service area residents. Santa Rosa Memorial Hospital ranks first in inpatient market share in the service area.



Service Area STEMI Receiving Centers

Santa Rosa Memorial Hospital is one of two STEMI Receiving Centers within the service area and is an important provider of percutaneous coronary intervention treatment services for service area residents experiencing an acute heart attack.



Service Area Certified Stroke Centers

Within Santa Rosa Memorial Hospital's service area, Santa Rosa Memorial Hospital and Kaiser Foundation Hospitals-Santa Rosa are the only two Primary Stroke Centers certified through The Joint Commission.

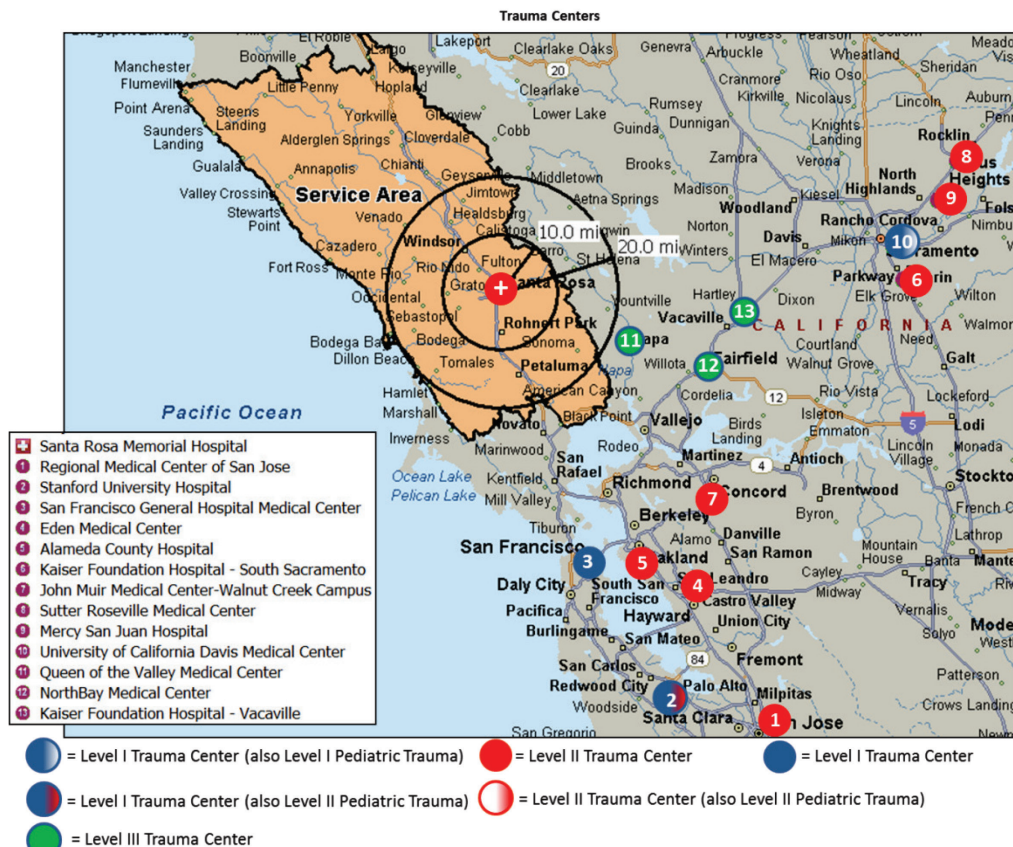


Service Area Trauma Services

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

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

The map below illustrates Santa Rosa Memorial Hospital relative to other area trauma centers within the region.



- Santa Rosa Memorial Hospital operates the only hospital trauma center within its service area. The next closest trauma center, San Francisco General Hospital Medical Center, is located over 50 miles away; and

- As the only trauma center in Sonoma County, Santa Rosa Memorial Hospital provides care to over 1,500 trauma patients per year.

Demographic Profile

Santa Rosa Memorial Hospital's service area population is expected to grow by 2.7% over the next five years, which is equal to the expected growth rate for Sonoma County, but lower than the expected growth rate for the state (3.7%).

SERVICE AREA POPULATION STATISTICS 2015-2020			
	2015 Estimate	2020 Projection	% Change
Total Population	500,303	513,844	2.7%
Households	192,533	198,444	3.1%
Percentage Female	50.7%	50.6%	-

Source: Esri

The median age of the population in Santa Rosa Memorial Hospital's service area is 40.8 years, which is higher than the statewide median age of 35.7 years. The percentage of adults over the age of 65 years old is the fastest growing age cohort and is forecasted to increase approximately 20% by 2020. The number of women of child-bearing age is expected to increase by 3% over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2015-2020				
	2015 Estimate		2020 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	85,959	17.2%	85,004	16.5%
Age 15-44	189,234	37.8%	194,442	37.8%
Age 45-64	142,111	28.4%	135,027	26.3%
Age 65+	82,999	16.6%	99,371	19.3%
Total	500,303	100%	513,844	100%
Female 15-44	189,234	37.8%	194,442	37.8%
Median Age	40.8	-	41.3	-

Source: Esri

The largest population cohorts in Santa Rosa Memorial Hospital's service area are White (75%) and Some Other Race (12.6%). Approximately 73% of the service area population is of non-Hispanic ethnicity and is identical to Sonoma County's non-Hispanic ethnic population. It is lower than the State of California's non-Hispanic ethnic population (61%).

SERVICE AREA POPULATION RACE/ETHNICITY: 2015-2020		
	2015	2020
White	75.3%	73.7%
Black	1.7%	1.8%
American Indian	1.4%	1.4%
Asian or Pacific Islander	4.2%	4.5%
Some Other Race	12.6%	13.7%
Two or More Races	4.8%	5.1%
Total	100%	100%
Hispanic Ethnicity	26.6%	28.9%
Non-Hispanic or Latino	73.4%	71.1%
Total	100%	100%

Source: Esri

Santa Rosa Memorial Hospital's service area has an average annual household income of \$84,552. This is similar to the Sonoma County average of \$84,831, but 3% lower than the State of California average of \$87,152. The percentage of higher-income households (\$150,000+) in Santa Rosa Memorial Hospital's service area is projected to grow at a faster rate (22%) than those for both Sonoma County (20%) and the State of California (19%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2015-2020						
Annual Income	2015 Estimate			2020 Estimate		
	Service Area	Sonoma County	California	Service Area	Sonoma County	California
\$0 - \$15,000	9.6%	9.6%	11.1%	8.8%	8.8%	10.3%
\$15 - \$24,999	8.7%	8.7%	9.0%	6.3%	6.3%	6.6%
\$25 - \$34,999	9.2%	9.2%	9.3%	7.6%	7.6%	7.7%
\$35 - \$49,999	12.4%	12.4%	12.2%	11.3%	11.3%	11.3%
\$50 - \$74,999	17.9%	17.8%	16.5%	16.9%	16.7%	15.9%
\$75 - \$99,999	13.4%	13.4%	12.3%	15.8%	15.8%	14.2%
\$100 - \$149,999	15.6%	15.6%	14.9%	17.4%	17.5%	16.6%
\$150,000+	13.1%	13.3%	14.6%	16.0%	16.0%	17.4%
Total	100%	100%	100%	100%	100%	100%
Average Household Income	\$84,552	\$84,831	\$87,152	\$96,149	\$96,483	\$99,512

Source: Esri

Hospital Supply, Demand & Market Share

There are six general acute care hospitals within the defined service area: Santa Rosa Memorial Hospital, Kaiser Foundation Hospitals-Santa Rosa, Sutter Santa Rosa Regional Hospital, Petaluma Valley Hospital, Healdsburg District Hospital, and Sonoma Valley Hospital. In FY 2014, the service area hospitals had a combined total of 740 licensed beds and an aggregate occupancy rate of approximately 52%. In FY 2014, Santa Rosa Memorial Hospital had 278 licensed beds that operated at an occupancy rate of 56%. Furthermore, Santa Rosa Memorial Hospital was responsible for approximately 35% of the service area discharges and nearly 41% of the patient days.

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

AREA HOSPITAL DATA FY 2014									
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Santa Rosa Memorial Hospital	Santa Rosa Memorial Hospital	Santa Rosa	X	278	10,778	56,778	156	56.0%	-
Kaiser Foundation Hospitals - Santa Rosa	Kaiser Foundation Hospitals	Santa Rosa	X	173	8,494	29,190	80	46.2%	3.5
Sutter Santa Rosa Regional Hospital (1)	Sutter Health	Santa Rosa	X	84	6,371	23,824	65	77.7%	5.9
Petaluma Valley Hospital	Santa Rosa Memorial Hospital	Petaluma	X	80	2,586	8,556	23	29.3%	15.5
Healdsburg District Hospital	Northern Sonoma County Hosp. District	Healdsburg	X	42	971	9,200	25	60.0%	18.1
Sonoma Valley Hospital	Sonoma Valley Healthcare District	Sonoma	X	83	1,516	11,905	33	39.3%	20.5
SUB-TOTAL				740	30,716	139,453	382	51.6%	
Kaiser Foundation Hospitals - San Rafael	Kaiser Foundation Hospitals	San Rafael		116	4,287	16,727	46	39.5%	36.1
Marin General Hospital	Marin Healthcare District	Greenbrae		235	9,016	39,551	108	46.1%	40.2
UCSF Medical Center	Regents of the University of California	San Francisco		650	28,736	178,893	490	75.4%	55.2
TOTAL				1,741	72,755	374,624	1,026	59.0%	

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on that date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital 2014 report submissions.

Hospital Market Share

The table below illustrates service area hospital inpatient market share from 2012 to 2014:

HOSPITAL MARKET SHARE: 2012-2014				
Hospital	2012	2013	2014	Trend
Santa Rosa Memorial Hospital	26.0%	25.4%	25.5%	↔
Kaiser Foundation Hospitals-Santa Rosa	20.8%	20.2%	21.2%	↗
Sutter Medical Center of Santa Rosa	14.1%	15.0%	12.6%	↘
Petaluma Valley Hospital	7.1%	6.5%	6.5%	↔
UCSF Medical Center	3.5%	3.7%	3.9%	↗
Sonoma Valley Hospital	3.9%	3.7%	3.4%	↘
Sutter Santa Rosa Regional Hospital	2.4%	2.1%	2.8%	↗
Kaiser Foundation Hospitals-San Rafael	2.8%	2.9%	2.7%	↔
Healdsburg District Hospital	2.4%	2.2%	2.3%	↔
Marin General Hospital	1.8%	1.9%	1.9%	↔
Other Discharges	15.2%	16.2%	17.2%	↗
Total Percentage	100%	100%	100%	
Total Discharges	39,017	38,006	37,995	↘

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The number of discharges in the Santa Rosa Memorial Hospital's service area decreased by nearly 3% between 2012 and 2014; and
- Santa Rosa Memorial Hospital has consistently been the market share leader for its service area based on discharges (approximately 26% in 2014). Kaiser Foundation Hospitals-Santa Rosa ranked second in inpatient discharges with 21% market share in 2014.

Market Share by Payer Type

The following table illustrates hospital market share by payer category for 2014:

HOSPITAL MARKET SHARE BY PAYER TYPE: 2014											
Payer Type	Total Discharges	Santa Rosa Memorial Hospital	Kaiser Foundation Hospitals-Santa Rosa	Sutter Medical Center of Santa Rosa	Petaluma Valley Hospital	UCSF Medical Center	Sonoma Valley Hospital	Sutter Santa Rosa Regional Hospital	Kaiser Foundation Hospitals-San Rafael	All Others	Total
Medicare	16,345	30.0%	21.0%	9.4%	6.7%	3.0%	4.8%	1.8%	3.8%	19.4%	100%
Private Coverage	11,824	15.6%	34.6%	9.0%	3.8%	4.1%	1.6%	2.3%	3.2%	25.7%	100%
Medi-Cal	8,265	31.7%	5.0%	24.0%	9.2%	5.8%	3.4%	5.1%	0.1%	15.7%	100%
All Other	1,075	22.3%	3.3%	16.3%	7.7%	1.7%	1.9%	3.4%	0.1%	43.3%	100%
Self Pay	486	16.5%	18.3%	7.8%	14.2%	1.6%	4.3%	4.3%	1.2%	31.7%	100%
Total Percentage		25.5%	21.2%	12.6%	6.5%	3.9%	3.4%	2.8%	2.7%	21.4%	100%
Total Discharges	37,995	9,691	8,058	4,802	2,463	1,492	1,306	1,047	1,016	8,120	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest categories of service area inpatient discharges are comprised of Medicare at approximately 16,300 discharges (43%), Private Coverage at approximately 11,800 discharges (31%), and Medi-Cal at nearly 8,300 discharges (22%);
- Santa Rosa Memorial Hospital is the market share leader for Medicare (30%) and Medi-Cal (32%);
- Kaiser Foundation Hospitals-Santa Rosa ranks first in private coverage (35%) and Self Pay (18%); and
- Santa Rosa Memorial Hospital provides care to a small proportion of Private Coverage patients with a 16% market share.

Market Share by Service Line

The following table illustrates service area hospital market share by service line for 2014:

HOSPITAL MARKET SHARE BY SERVICE LINE: 2014											
Service Line	Total Discharges	Kaiser								All Others	Total
		Santa Rosa Memorial Hospital	Foundation Hospital - Santa Rosa	Sutter Medical Center of Santa Rosa	Petaluma Valley Hospital	UCSF Medical Center	Sonoma Valley Hospital	Sutter Santa Rosa Regional Hospital	Kaiser Foundation Hospital - San Rafael		
General Medicine	11,057	30.4%	24.3%	11.2%	8.9%	3.1%	3.8%	2.5%	3.0%	12.8%	100%
Obstetrics	5,256	14.7%	34.4%	26.4%	8.4%	0.6%	2.9%	6.1%	0.0%	6.5%	100%
Orthopedics	4,086	29.7%	21.5%	8.1%	5.0%	2.3%	3.6%	2.2%	5.5%	22.0%	100%
Cardiac Services	3,312	33.6%	14.9%	12.9%	6.9%	2.4%	2.0%	2.4%	3.6%	21.3%	100%
General Surgery	3,113	22.6%	17.8%	10.9%	6.5%	6.9%	2.3%	2.8%	5.0%	25.2%	100%
Behavioral Health	2,198	5.7%	3.5%	2.7%	1.3%	0.5%	0.6%	0.5%	0.2%	85.1%	100%
Neonatology	2,108	18.1%	32.0%	26.6%	6.5%	2.0%	2.4%	4.5%	0.0%	8.0%	100%
Neurology	1,478	29.5%	19.7%	10.2%	6.4%	4.9%	3.4%	2.0%	3.3%	20.7%	100%
Oncology/Hematology (Medical)	1,062	31.8%	14.9%	8.8%	5.6%	15.3%	1.3%	1.9%	3.9%	16.7%	100%
Spine	895	23.8%	3.0%	2.5%	2.1%	11.1%	2.3%	0.4%	0.3%	54.4%	100%
Other	653	47.6%	10.4%	4.3%	2.0%	3.1%	0.8%	0.9%	2.9%	28.0%	100%
Rehabilitation	637	28.6%	0.0%	0.0%	0.0%	0.0%	42.7%	0.0%	0.0%	28.7%	100%
Vascular Services	520	38.8%	20.0%	5.4%	2.3%	7.1%	0.6%	1.9%	3.1%	20.8%	100%
Urology	487	17.9%	28.5%	5.5%	1.0%	17.2%	0.8%	0.6%	3.7%	24.6%	100%
Gynecology	351	12.8%	13.4%	20.5%	5.1%	10.3%	2.3%	5.1%	3.4%	27.1%	100%
Neurosurgery	351	17.9%	1.4%	1.1%	0.0%	28.8%	0.6%	0.0%	1.7%	48.4%	100%
ENT	340	33.2%	10.9%	8.5%	2.9%	15.6%	0.6%	1.2%	3.2%	23.8%	100%
<All others>	91	31.9%	9.9%	9.9%	1.1%	14.3%	0.0%	0.0%	1.1%	31.9%	100%
Total Percentage		25.5%	21.2%	12.6%	6.5%	3.9%	3.4%	2.8%	2.7%	21.4%	100%
Total Discharges	37,995	9,691	8,058	4,802	2,463	1,492	1,306	1,047	1,016	8,120	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- Santa Rosa Memorial Hospital is the service line leader in ten of 16 service lines: general medicine (30%), orthopedics (30%), cardiac services (34%), general surgery (23%), neurology (30%), oncology/hematology (32%), spine (24%), vascular services (39%), and ear, nose and throat (33%);
- Santa Rosa Memorial Hospital also has a notable service line market share in obstetrics (15%), neonatology (18%), rehabilitation (29%), urology (18%), and neurosurgery (18%); and
- In 2014, Kaiser Foundation Hospitals-Santa Rosa was the market share leader for three service lines including obstetrics (34%), neonatology (32%), and urology (29%).

Market Share by ZIP Code

The following table illustrates service area hospital market share by ZIP Code for 2014:

HOSPITAL MARKET SHARE BY ZIP CODE: 2014												
			<div><div>Santa Rosa Memorial Hospital</div><div>Kaiser Foundation Hospital - Santa Rosa</div><div>Sutter Medical Center of Santa Rosa</div><div>Petaluma Valley Hospital</div><div>UCSF Medical Center</div><div>Sonoma Valley Hospital</div><div>Sutter Santa Rosa Regional Hospital</div><div>Kaiser Foundation Hospital - San Rafael</div><div>All Others</div></div>									
ZIP Code	Community	Total Discharges	Hospital	Santa Rosa	Santa Rosa	Santa Rosa	Valley Hospital	Center	Hospital	Hospital	Rafael	Total
95403	Santa Rosa	3,487	27.5%	27.3%	20.2%	0.6%	3.2%	3.2%	0.1%	4.3%	0.3%	100%
95404	Santa Rosa	3,099	33.9%	21.5%	18.1%	0.6%	3.6%	0.2%	3.1%	0.4%	18.7%	100%
95401	Santa Rosa	3,034	31.5%	24.0%	18.1%	1.0%	3.3%	0.0%	4.3%	0.3%	17.4%	100%
94928	Rohnert Park	3,032	27.4%	26.2%	10.8%	11.8%	3.4%	0.4%	2.0%	0.8%	17.2%	100%
95407	Santa Rosa	3,005	35.6%	20.6%	20.9%	1.8%	3.7%	0.1%	4.7%	0.2%	12.4%	100%
94954	Petaluma	2,791	9.2%	16.2%	2.0%	31.4%	4.6%	0.4%	0.5%	13.4%	22.3%	100%
95476	Sonoma	2,665	6.2%	9.2%	1.8%	1.7%	5.0%	41.0%	0.3%	8.3%	26.6%	100%
95409	Santa Rosa	2,375	40.2%	24.5%	13.0%	0.5%	3.5%	0.5%	2.7%	0.5%	14.8%	100%
94952	Petaluma	2,361	11.3%	13.6%	2.9%	33.3%	5.8%	0.4%	0.6%	11.4%	20.8%	100%
95492	Windsor	1,966	25.2%	27.8%	14.5%	0.5%	3.7%	0.1%	4.2%	0.3%	23.7%	100%
95472	Sebastopol	1,860	28.5%	23.8%	12.2%	2.0%	4.0%	0.3%	3.5%	0.4%	25.4%	100%
95405	Santa Rosa	1,808	36.1%	25.3%	13.1%	0.3%	3.3%	0.2%	2.4%	0.2%	19.1%	100%
95448	Healdsburg	1,267	21.2%	19.7%	10.2%	0.1%	3.2%	0.0%	2.7%	0.0%	42.9%	100%
95425	Cloverdale	951	20.1%	18.8%	14.0%	0.1%	3.9%	0.2%	3.3%	0.5%	39.1%	100%
94931	Cotati	639	22.4%	23.0%	9.2%	13.3%	3.9%	0.0%	1.6%	1.4%	25.2%	100%
95436	Forestville	443	29.3%	27.8%	17.2%	0.7%	3.4%	0.0%	3.2%	0.2%	18.3%	100%
95446	Guerneville	423	16.8%	20.8%	23.6%	0.2%	4.3%	0.0%	7.3%	0.0%	27.0%	100%
94951	Penngrove	302	22.8%	23.5%	4.0%	17.5%	3.0%	0.3%	1.0%	2.0%	25.8%	100%
95402	Santa Rosa	264	31.8%	18.2%	19.7%	3.0%	5.7%	0.8%	3.0%	0.0%	17.8%	100%
95445	Gualala	251	43.4%	4.8%	11.6%	0.0%	5.2%	0.0%	2.8%	0.0%	32.3%	100%
95442	Glen Ellen	243	12.8%	23.9%	2.5%	1.2%	6.2%	24.7%	0.8%	4.1%	23.9%	100%
95441	Geyserville	169	18.3%	16.6%	12.4%	0.0%	4.7%	0.0%	4.7%	0.6%	42.6%	100%
95452	Kenwood	142	39.4%	23.2%	7.7%	0.0%	7.0%	2.8%	0.0%	0.7%	19.0%	100%
95416	Boyes Hot Springs	133	7.5%	9.8%	2.3%	0.8%	6.8%	54.9%	0.0%	2.3%	15.8%	100%
95449	Hopland	123	5.7%	1.6%	3.3%	0.0%	4.1%	0.0%	2.4%	0.0%	82.9%	100%
95468	Point Arena	117	24.8%	2.6%	8.5%	1.7%	3.4%	0.0%	1.7%	0.0%	57.3%	100%
95465	Occidental	114	16.7%	37.7%	12.3%	3.5%	1.8%	0.9%	6.1%	0.0%	21.1%	100%
94923	Bodega Bay	110	33.6%	16.4%	16.4%	1.8%	3.6%	1.8%	0.9%	0.0%	25.5%	100%
95462	Monte Rio	91	34.1%	25.3%	14.3%	0.0%	3.3%	0.0%	2.2%	1.1%	19.8%	100%
95421	Cazadero	75	17.3%	18.7%	26.7%	0.0%	1.3%	0.0%	0.0%	0.0%	36.0%	100%
95406	Santa Rosa	72	25.0%	25.0%	18.1%	4.2%	0.0%	0.0%	8.3%	1.4%	18.1%	100%
95473	Sebastopol	63	28.6%	22.2%	6.3%	4.8%	4.8%	0.0%	3.2%	0.0%	30.2%	100%
95439	Fulton	61	27.9%	26.2%	32.8%	0.0%	0.0%	0.0%	3.3%	0.0%	9.8%	100%
95444	Graton	61	19.7%	24.6%	18.0%	0.0%	6.6%	1.6%	3.3%	0.0%	26.2%	100%
95497	The Sea Ranch	57	43.9%	3.5%	5.3%	0.0%	5.3%	0.0%	1.8%	0.0%	40.4%	100%
94975	Petaluma	47	12.8%	8.5%	6.4%	27.7%	0.0%	2.1%	0.0%	23.4%	19.1%	100%
94953	Petaluma	41	14.6%	12.2%	7.3%	26.8%	4.9%	0.0%	0.0%	14.6%	19.5%	100%
94922	Bodega	40	20.0%	10.0%	20.0%	2.5%	27.5%	0.0%	2.5%	0.0%	17.5%	100%
95471	Rio Nido	37	24.3%	13.5%	18.9%	0.0%	2.7%	2.7%	8.1%	2.7%	27.0%	100%
95412	Annapolis	25	52.0%	0.0%	12.0%	0.0%	4.0%	0.0%	4.0%	0.0%	28.0%	100%
94971	Tomales	23	47.8%	8.7%	0.0%	13.0%	0.0%	0.0%	0.0%	4.3%	26.1%	100%
95450	Jenner	22	18.2%	18.2%	9.1%	0.0%	13.6%	0.0%	0.0%	4.5%	36.4%	100%
95480	Stewarts Point	20	25.0%	5.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	40.0%	100%
94972	Valley Ford	19	21.1%	10.5%	5.3%	26.3%	10.5%	0.0%	0.0%	0.0%	26.3%	100%
94929	Dillon Beach	18	16.7%	5.6%	27.8%	16.7%	5.6%	0.0%	0.0%	5.6%	22.2%	100%
95430	Duncans Mills	17	17.6%	17.6%	11.8%	5.9%	11.8%	0.0%	5.9%	0.0%	29.4%	100%
95419	Camp Meeker	16	25.0%	12.5%	12.5%	0.0%	12.5%	0.0%	0.0%	0.0%	37.5%	100%
95494	Yorkville	16	25.0%	6.3%	6.3%	0.0%	0.0%	0.0%	0.0%	0.0%	62.5%	100%
Total Percentage			25.5%	21.2%	12.6%	6.5%	3.9%	3.4%	2.8%	2.7%	21.4%	100%
Total Discharges			37,995	9,691	8,058	4,802	2,463	1,492	1,306	1,047	1,016	8,120

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- Santa Rosa Memorial Hospital is the market share leader in 29 of the service area ZIP Codes. In five of these ZIP Codes, Petaluma Valley Hospital had over 40% of the market share in 2014. The communities represented by these ZIP Codes include Santa Rosa, Gualala, Sea Ranch, Tomales, and Annapolis;
- Kaiser Foundation Hospitals-Santa Rosa is the market share leader in eight service area ZIP Codes, located in the communities of Windsor, Cotati, Penngrove, Occidental, Santa Rosa, Graton, Jenner, and Duncans Mills; and

- Petaluma Valley Hospital is the market share leader in five service area ZIP Codes located in Petaluma and Valley Ford.

Service Availability by Bed Type

Using FY 2014 data, the tables on the following pages show Santa Rosa Memorial Hospital's existing hospital bed capacity, occupancy, and availability for medical/surgical, intensive/coronary care, obstetrics, neonatal intensive care, pediatrics, rehabilitation and emergency services.

Medical/Surgical Capacity Analysis

The medical/surgical beds within Santa Rosa Memorial Hospital's service area operated at an overall occupancy rate of nearly 50%.

MEDICAL/SURGICAL BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Santa Rosa Memorial Hospital	-	X	203	8,292	40,088	110	54.1%
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	118	5,708	21,162	58	49.1%
Sutter Santa Rosa Regional Hospital (1)	5.9	X	40	3,423	14,667	40	100.5%
Petaluma Valley Hospital	15.5	X	61	1,885	6,296	17	28.3%
Healdsburg District Hospital	18.1	X	17	773	2,802	8	45.2%
Sonoma Valley Hospital	20.5	X	46	815	2,821	8	16.8%
SUB-TOTAL			485	20,896	87,836	241	49.6%
Kaiser Foundation Hospitals - San Rafael	36.1		104	4,161	14,616	40	38.5%
Marin General Hospital	40.2		126	4,746	18,884	52	41.1%
UCSF Medical Center	55.2		324	21,258	107,416	294	90.8%
TOTAL			1,039	51,061	228,752	627	60.3%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

- Santa Rosa Memorial Hospital reported 8,292 hospital discharges and 40,088 patient days, resulting in an occupancy rate of approximately 54% and an average daily census of 110 patients; and
- Santa Rosa Memorial Hospital's 203 licensed medical/surgical beds represented approximately 42% of the beds in this category for the service area.

Intensive Care Unit/Coronary Care Unit Capacity Analysis

There were 77 intensive care unit/coronary care unit beds within the service area that operated at an overall occupancy rate of nearly 59%. Santa Rosa Memorial Hospital had 26 licensed intensive care beds¹⁸, the most of all hospitals within the service area.

INTENSIVE CARE UNIT/CORONARY CARE UNIT BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Santa Rosa Memorial Hospital	-	X	26	550	7,877	22	83.0%
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	20	156	2,310	6	31.6%
Sutter Santa Rosa Regional Hospital (1)	5.9	X	12	930	3,410	9	77.9%
Petaluma Valley Hospital	15.5	X	9	228	1,267	3	38.6%
Healdsburg District Hospital	18.1	X	4	51	435	1	29.8%
Sonoma Valley Hospital	20.5	X	6	200	1,180	3	53.9%
SUB-TOTAL			77	2,115	16,479	45	58.6%
Kaiser Foundation Hospitals - San Rafael	36.1		12	126	2,111	6	48.2%
Marin General Hospital	40.2		48	1,708	9,454	26	54.0%
UCSF Medical Center	55.2		90	444	17,802	49	54.2%
TOTAL			227	4,393	45,846	126	55.3%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

- Among the service area hospitals, the average daily census was 45 patients based on 16,479 days;
- Santa Rosa Memorial Hospital had the highest occupancy rate of the service area hospitals at 83%; and
- Santa Rosa Memorial Hospital provided nearly 34% of the service area's intensive care/coronary care beds and 26% of the discharges.

¹⁸ Since FY 2014, Santa Rosa Memorial Hospital revised its bed licensure and is currently licensed for 16 intensive care beds and ten coronary care beds (total of 26 beds).

Obstetrics Capacity Analysis

As shown below, there were 66 obstetric beds located in the service area with an aggregate occupancy rate of 45%. Santa Rosa Memorial Hospital reported 15 licensed obstetric beds with an occupancy rate of nearly 45% and an average daily census of seven patients.

OBSTETRICS BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Santa Rosa Memorial Hospital	-	X	15	897	2,439	7	44.5%
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	17	2,223	3,714	10	59.9%
Sutter Santa Rosa Regional Hospital (1)	5.9	X	20	1,793	3,251	9	44.5%
Petaluma Valley Hospital	15.5	X	10	473	993	3	27.2%
Healdsburg District Hospital	18.1	X	-	-	-	-	-
Sonoma Valley Hospital	20.5	X	4	153	340	1	23.3%
SUB-TOTAL			66	5,539	10,737	29	44.6%
Kaiser Foundation Hospitals - San Rafael	36.1		-	-	-	-	-
Marin General Hospital	40.2		22	1,466	3,933	11	49.0%
UCSF Medical Center	55.2		29	1,920	8,473	23	80.0%
TOTAL			117	8,925	23,143	63	54.2%

Source: OSHPD Disclosure Reports, FY 2014

All Kaiser facilities have Alternative Birthing Centers

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

- Santa Rosa Memorial Hospital provided approximately 23% of licensed obstetrics beds within its service area, and reported nearly 16% of the service area's 5,539 discharges; and
- Hospitals within the service area had available capacity, with occupancy rates ranging from nearly 23% at Sonoma Valley Hospital, to approximately 60% at Kaiser Foundation Hospitals-Santa Rosa.

Neonatal Intensive Care Capacity Analysis

There were 35 neonatal intensive care beds within the service area that operated at an overall occupancy rate of nearly 44%. Santa Rosa Memorial Hospital had 12 licensed neonatal intensive care beds with an average occupancy rate of nearly 38% and an average daily census of five patients.

NEONATAL INTENSIVE CARE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Santa Rosa Memorial Hospital	-	X	12	154	1,650	5	37.7%
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	11	95	1,412	4	35.2%
Sutter Santa Rosa Regional Hospital (1)	5.9	X	12	225	2,496	7	57.0%
Petaluma Valley Hospital	15.5	X	-	-	-	-	-
Healdsburg District Hospital	18.1	X	-	-	-	-	-
Sonoma Valley Hospital	20.5	X	-	-	-	-	-
SUB-TOTAL			35	474	5,558	15	43.5%
Kaiser Foundation Hospitals - San Rafael	36.1		-	-	-	-	-
Marin General Hospital	40.2		8	180	1,057	3	36.2%
UCSF Medical Center	55.2		51	731	14,213	39	76.4%
TOTAL			94	1,385	20,828	57	60.7%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital FY 2014 report submissions.

- Among the service area hospitals, the average daily census was 15 patients based on 5,558 patient days; and
- Santa Rosa Memorial Hospital provided approximately 34% of the service area's neonatal intensive care beds that accounted for nearly 33% of the service area's discharges.

Pediatric Capacity Analysis

Santa Rosa Memorial Hospital was one of only two providers within the service area to provide licensed pediatric beds. Service area hospitals had a combined total of 13 licensed pediatric beds that operated at an occupancy rate of nearly 47%. Santa Rosa Memorial Hospital reported six pediatric beds with 1,613 patient days and an occupancy rate of almost 74%.

PEDIATRIC ACUTE CARE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Santa Rosa Memorial Hospital	-	X	6	645	1,613	4	73.7%
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	7	312	592	2	23.2%
Sutter Santa Rosa Regional Hospital (1)	5.9	X	-	-	-	-	-
Petaluma Valley Hospital	15.5	X	-	-	-	-	-
Healdsburg District Hospital	18.1	X	-	-	-	-	-
Sonoma Valley Hospital	20.5	X	-	-	-	-	-
SUB-TOTAL			13	957	2,205	6	46.5%
Kaiser Foundation Hospitals - San Rafael	36.1		-	-	-	-	-
Marin General Hospital	40.2		14	219	468	1	9.2%
UCSF Medical Center	55.2		70	3,999	20,431	56	80.0%
TOTAL			97	5,175	23,104	63	65.3%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date.

- Among the service area hospitals, the average daily census was six patients based on 2,205 days; and
- Santa Rosa Memorial Hospital provided approximately 46% of the service area's pediatric beds, and accounted for nearly 67% of the service area's pediatric discharges; and
- University of California, San Francisco Medical Center, located outside of the service area, provided 70 licensed pediatric beds that ran at a high occupancy rate of 80%.

Rehabilitation Capacity Analysis

Santa Rosa Memorial Hospital was the only provider of rehabilitation beds within the service area. Santa Rosa Memorial Hospital reported 16 licensed rehabilitation beds that were approximately 53% occupied on average and an average daily census of nine patients.

REHABILITATION BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Santa Rosa Memorial Hospital	-	X	16	240	3,111	9	53.3%
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	-	-	-	-	-
Sutter Santa Rosa Regional Hospital (1)	5.9	X	-	-	-	-	-
Petaluma Valley Hospital	15.5	X	-	-	-	-	-
Healdsburg District Hospital	18.1	X	-	-	-	-	-
Sonoma Valley Hospital	20.5	X	-	-	-	-	-
SUB-TOTAL			16	240	3,111	9	53.3%
Kaiser Foundation Hospitals - San Rafael	36.1		-	-	-	-	-
Marin General Hospital	40.2		-	-	-	-	-
UCSF Medical Center	55.2		-	-	-	-	-
TOTAL			16	240	3,111	9	53.3%

Source: OSHPD Disclosure Reports, FY 2014

(1) Opened 10/25/2014; Sutter Medical Center of Santa Rosa closed on this date.

Emergency Department Volume at Hospitals in the Service Area

In 2014, Santa Rosa Memorial Hospital had 33 emergency treatment stations. In total, there were 111 treatment stations among all service area hospitals. As shown below, Santa Rosa Memorial Hospital reported 41,451 visits, totaling approximately 26% of all visits among the service area hospitals (157,470 visits).

The table below shows the visits by severity category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System.

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2014												
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
Santa Rosa Memorial Hospital	-	X	Basic	33	41,451	1,378	3,316	17,042	15,124	4,591	19.0%	-
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	Basic	34	51,103	12,469	11,297	9,369	13,387	4,581	8.9%	-
Sutter Santa Rosa Regional Hospital (1)	5.9	X	Basic	12	28,317	281	4,501	8,861	8,102	6,572	10.2%	-
Petaluma Valley Hospital	15.5	X	Basic	15	17,428	1,086	1,753	8,313	5,289	987	10.4%	-
Healdsburg District Hospital	18.1	X	Standby	8	9,493	74	591	4,465	2,050	2,313	8.0%	-
Sonoma Valley Hospital	20.5	X	Basic	9	9,678	397	2,176	3,431	2,467	1,207	8.4%	-
SUB-TOTAL				111	157,470	15,685	23,634	51,481	46,419	20,251	11.9%	-
Kaiser Foundation Hospitals - San Rafael	36.1		Basic	15	26,123	5,582	4,217	5,304	7,831	3,189	10.8%	-
Marin General Hospital	40.2		Basic	22	36,385	546	6,449	11,242	7,601	10,547	17.9%	-
UCSF Medical Center	55.2		Basic	33	44,572	292	2,606	13,893	8,978	18,803	20.9%	1,031
TOTAL				181	264,550	22,105	36,906	81,920	70,829	52,790	14.1%	1,031

Source: OSHPD Alerts Annual Utilization Reports, 2014

(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital 2014 report submissions.

- In 2014, Santa Rosa Memorial Hospital had the highest percentage of emergency department visits resulting in admission to the hospital (19%); and

- None of the service area hospitals went on diversion in 2014.

Emergency Department Capacity

In 2014, Santa Rosa Memorial Hospital's emergency department was operating at nearly 63% of its 33-treatment station capacity. The service area hospitals' average capacity was nearly 71%.

EMERGENCY DEPARTMENT CAPACITY 2014							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Santa Rosa Memorial Hospital	-	X	Basic	33	41,451	66,000	24,549
Kaiser Foundation Hospitals - Santa Rosa	3.5	X	Basic	34	51,103	68,000	16,897
Sutter Santa Rosa Regional Hospital (1)	5.9	X	Basic	12	28,317	24,000	(4,317)
Petaluma Valley Hospital	15.5	X	Basic	15	17,428	30,000	12,572
Healdsburg District Hospital	18.1	X	Standby	8	9,493	16,000	6,507
Sonoma Valley Hospital	20.5	X	Basic	9	9,678	18,000	8,322
SUB-TOTAL				111	157,470	222,000	64,530
Kaiser Foundation Hospitals - San Rafael	36.1		Basic	15	26,123	30,000	3,877
Marin General Hospital	40.2		Basic	22	36,385	44,000	7,615
UCSF Medical Center	55.2		Basic	33	44,572	66,000	21,428
TOTAL				181	264,550	362,000	97,450

Source: OSHPD Alirits Annual Utilization Reports, 2014

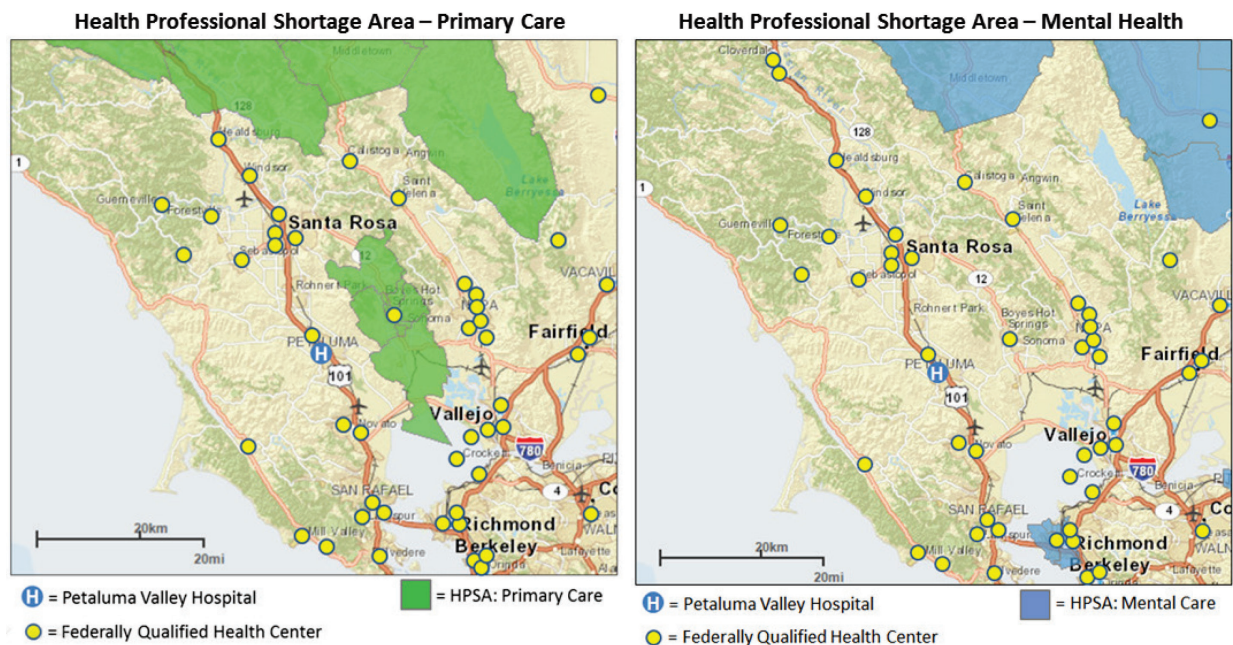
(1) Opened 10/25/2014; Sutter Med Center of Santa Rosa closed on this date; data based on combination of Sutter Medical Center and Sutter Santa Rosa Regional Hospital 2014 report submissions.

ANALYSIS OF SONOMA COUNTY

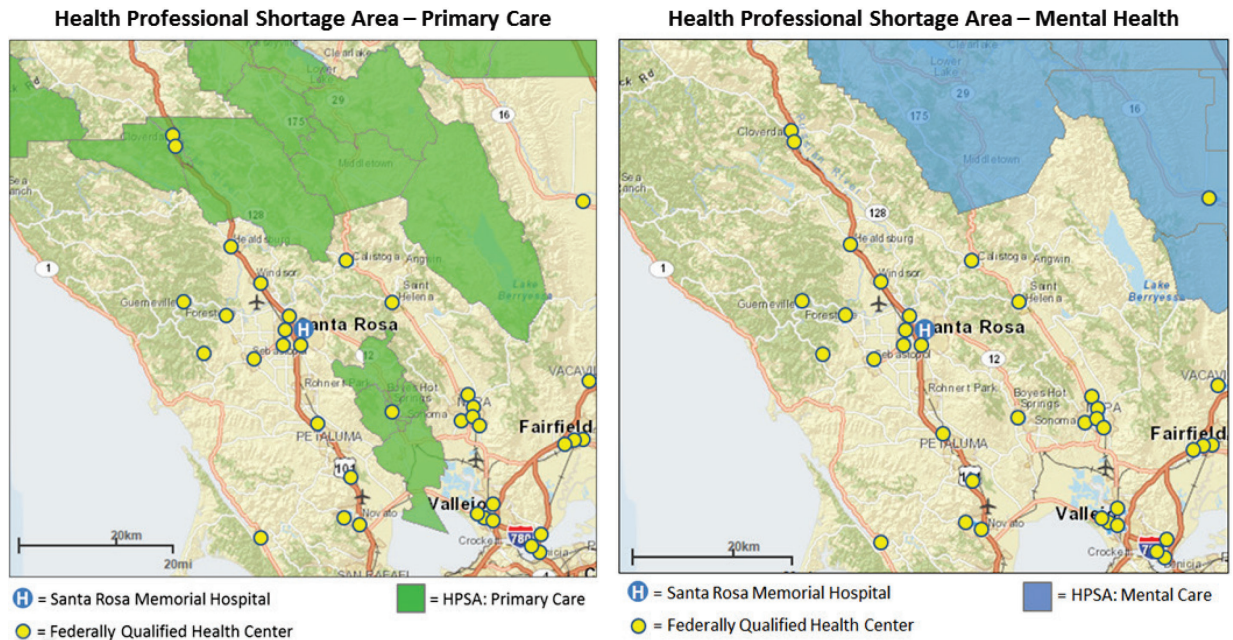
Health Professional Shortage Areas, Medically Underserved Areas & Medically Underserved Populations

The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (e.g., service area), demographics (e.g., low-income population), or institutions (e.g., comprehensive health centers).

The maps below depict these shortage areas relative to Petaluma Valley Hospital and Santa Rosa Santa Rosa Memorial Hospital's location.



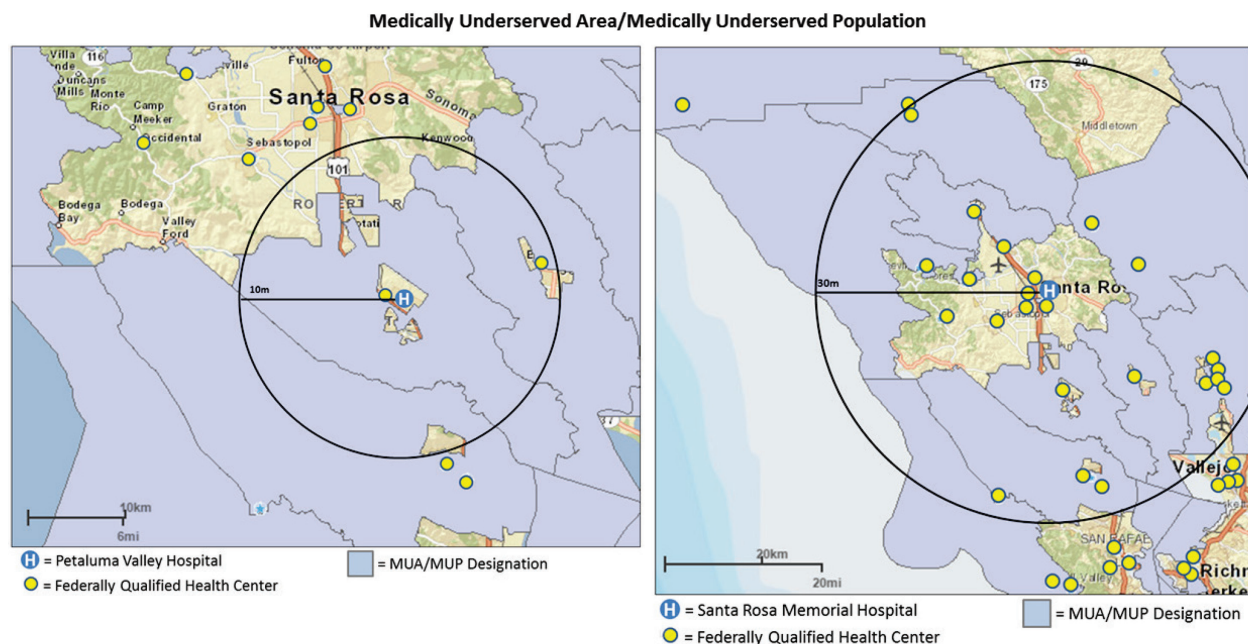
- Neither Petaluma Valley Hospital nor its service area is located in a Health Professional Shortage Area.



- Although Petaluma Valley Hospital is not located in a Health Professional Shortage Area, parts of the hospitals service area to the north and east are shortage designated, indicating a need for additional primary care physicians.

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

The maps below depict the Medically Underserved Areas/Medically Underserved Populations relative to Petaluma valley Hospital and Santa Rosa Memorial Hospital's location.



- Petaluma Valley Hospital, along with the almost all of the service area, is located in a Medically Underserved Area/Medically Underserved Populations area, signifying the importance of Petaluma Valley Hospital to the community it serves;
- There are two Federally Qualified Health Centers¹⁹ within a ten mile radius of Petaluma Valley Hospital;
- Although Santa Rosa Memorial Hospital is not located in a Medically Underserved Area/Medically Underserved Populations area, large areas to the north and south of Santa Rosa Memorial Hospital are designated as Medically Underserved Area/Medically Underserved Population areas; and
- There are approximately 25 Federally Qualified Health Centers within a ten-mile radius of Santa Rosa Memorial Hospital.

¹⁹ Federally Qualified Health Centers are health clinics that qualify for enhanced reimbursement from Medicare and Medicaid. They must provide primary care services to an underserved area or population, offer a sliding fee scale, have an ongoing quality assurance program, and have a governing board of directors. The ACA included provisions that increased federal funding to Federally Qualified Health Centers to help meet the anticipated demand for healthcare services by those individuals who gained healthcare coverage through the various health exchanges. A large percentage of area residents depend on the Federally Qualified Health Centers to receive their healthcare services. Additionally, many of the Federally Qualified Health Centers' patients utilize the services of St. Joseph Hospital-Eureka.

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that 10% of the population in the Petaluma Valley Hospital's service area and 13% of the population in Santa Rosa Memorial Hospital's service area was eligible for Medi-Cal coverage (compared to the statewide average of 21%). With the implementation of the ACA and the statewide expansion of Medi-Cal, the percentage of the State of California's population that is currently eligible for Medi-Cal has greatly increased, reporting a historic increase to more than 12 million total enrollees in the Medi-Cal program in 2015. Based on Petaluma Valley Hospital and Santa Rosa Memorial Hospital's percentage of Medi-Cal inpatient discharges, and the combined service area's low percentage of Medi-Cal eligible residents, the two hospitals have a lower percentage of service area residents that qualify for Medi-Cal coverage under the ACA expansion than the statewide average.

Selected Health Indicators

A review of health indicators for Sonoma County (deaths, diseases, and births) supports the following conclusions:

- Sonoma County's rates of low birth weight infants and first trimester prenatal care are favorable to both the State of California rates and the national goals. However, the County's adequate/adequate plus care rate is inferior to that of the state and the national goal.

NATALITY STATISTICS: 2015			
Health Status Indicator	Sonoma County	California	National Goal
Low Birth Weight Infants	5.6%	6.8%	7.8%
First Trimester Prenatal Care	84.3%	83.6%	77.9%
Adequate/Adequate Plus Care	76.5%	79.2%	77.6%

Source: California Department of Public Health

- The overall age-adjusted mortality rate for Sonoma County is higher than that of the State of California. Sonoma County's age-adjusted rates for nine out of the 18 causes of mortality are lower than the statewide rate. Sonoma County's age-adjusted rates are higher than State of California rates for all cancers, colorectal cancer, lung cancer, female breast cancer, Alzheimer's disease, cerebrovascular disease, chronic lower respiratory disease, chronic liver disease and cirrhosis, and suicide. Based on underlying and contributing cause of death statistics, Sonoma County reported equal or lower age-adjusted rates for ten out of the 14 reported national goals.

MORTALITY STATISTICS: 2015 RATE PER 100,000 POPULATION				
Selected Cause	Sonoma County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	795.8	643.8	641.1	N/A
- All Cancers	193.3	159.1	151.0	161.4
- Colorectal Cancer	17.7	14.5	13.9	14.5
- Lung Cancer	42.8	35.4	33.6	45.5
- Female Breast Cancer	30.5	23.4	20.7	20.7
- Prostate Cancer	18.4	18.5	20.2	21.8
- Diabetes	21.9	18.2	20.8	N/A
- Alzheimer's Disease	53.1	40.2	30.8	N/A
- Coronary Heart Disease	113	88.7	103.8	103.4
- Cerebrovascular Disease (Stroke)	45.9	36.2	35.9	34.8
- Influenza/Pneumonia	11.4	8.6	16.3	N/A
- Chronic Lower Respiratory Disease	46.1	38.2	35.9	N/A
- Chronic Liver Disease And Cirrhosis	14.5	11.9	11.7	8.2
- Accidents (Unintentional Injuries)	27.4	24.7	27.9	36.4
- Motor Vehicle Traffic Crashes	5.2	4.7	7.6	12.4
- Suicide	12.6	11.2	10.2	10.2
- Homicide	2.2	2.3	5.1	5.5
- Firearm-Related Deaths	6.5	5.9	7.8	9.3
- Drug-Induced Deaths	10.3	9.6	11.1	11.3

Source: California Department of Public Health

- Sonoma County has lower morbidity rates than the State of California for each of the conditions reported below. The measured Sonoma County rates for each of the health status indicators are lower than the national goals, with the exception of tuberculosis.

MORBIDITY STATISTICS: 2015 RATE PER 100,000 POPULATION			
Health Status Indicator	Sonoma County	California	National Goal
AIDS	4.5	8.1	12.4
Chlamydia	298.6	442.6	N/A
Gonorrhea Female 15-44	70.4	152.8	251.9
Gonorrhea Male 15-44	89.2	213.1	194.8
Tuberculosis	2.4	5.9	1.0

Source: California Department of Public Health

2014 Community Health Needs Assessment

In order to assess the health status of their residents and identify critical areas for health improvement, Petaluma Valley Hospital and Santa Rosa Memorial Hospital conduct a Community Health Needs Assessment every three years. The most recent 2014 report was conducted in partnership with Sutter Medical Center of Santa Rosa, Kaiser Foundation Hospitals-Santa Rosa, and the Sonoma County Department of Health Services, and utilized both primary and secondary sources to gather, analyze, and summarize current data on the residents of Sonoma County, including their health status and quality of life. Primary data was collected from interviews with local key stakeholders, community focus groups, and a telephone survey, while secondary data was gathered from a broad range of sources, including federal, state, and county government reports.

As a result of the above findings, the Community Health Needs Assessment identified the most important healthcare needs for Sonoma County residents as follows:

- Healthy eating and physical fitness;
- Gaps in access to primary care;
- Access to services for substance use disorders;
- Barriers to healthy aging;
- Access to mental health services;
- Disparities in educational attainment;
- Cardiovascular disease;
- Adverse childhood exposure to stress;
- Access to healthcare coverage;
- Tobacco use;
- Coordination and integration of local healthcare system;
- Disparities in oral health; and
- Lung, breast, and colorectal cancer.

SUMMARY OF INTERVIEWS FOR PETALUMA VALLEY HOSPITAL AND SANTA ROSA MEMORIAL HOSPITAL

Between December 2015 and February 2016, both in-person and telephone interviews were conducted with representatives of Petaluma Valley Hospital, Santa Rosa Memorial Hospital, Petaluma Health Care District, St. Joseph Health System, Partnership Health Plan, and Providence Health & Services. Interviews were also held with Sonoma County representatives, hospital employees, union representatives, and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed combination of system level governance between St. Joseph Health System and Providence Health & Services to form Providence St. Joseph Health. The list of individuals who were interviewed is located in the Appendix of this report. The major findings of these interviews are summarized below.

Reasons for the Proposed Transaction

Members of Petaluma Valley Hospital and Santa Rosa Memorial Hospital's Board of Trustees, management, and medical staff cited a number of reasons why the proposed combination would be beneficial, including the following:

- The opportunity to partner with a Catholic, faith-based health system with a similar heritage and values would help to ensure that the mission to serve uninsured and under-insured patient populations would be continued;
- Leveraging the different strengths of Providence Health & Services and St. Joseph Health System would create an opportunity for sharing and mutual learning regarding best clinical practices, data, and community benefits and charity care;
- The proposed combination will put two already fiscally strong health systems in an even stronger financial position by increasing their bargaining power, allowing greater economies of scale, and providing greater access to capital at a lower cost; and
- The proposed combination has the potential to enable more collaboration between the hospitals and the sharing of best practices for development of programs for clinical services, mental health, telemedicine, and information technology.

Importance of Petaluma Valley Hospital and Santa Rosa Memorial Hospital to the Community

According to all who were interviewed, Petaluma Valley Hospital and Santa Rosa Memorial Hospital are important providers of healthcare services to the local community, and are known

for providing essential services to uninsured and under-served populations.

Petaluma Valley Hospital is the sole provider within its defined service area, with Medi-Cal and Medicare payers representing just over 70% of the patient population. Some of the programs and services that were mentioned in the interviews as being especially important at Petaluma Valley Hospital included the following:

- Emergency services; and
- Maternal child health services.

There are six hospitals located within Santa Rosa Memorial Hospital's service area. Among all service area facilities, Santa Rosa Memorial Hospital is the market share leader, with Medi-Cal and Medicare payers representing nearly 75% of the patient population. Some of the programs and services that were mentioned in the interviews as being especially important at Santa Rosa Memorial Hospital included the following:

- Emergency services, including Level II Trauma Center services;
- Cardiology services, including designation as a STEMI Receiving Center;
- Oncology services;
- Neurology services, including certification as a Primary Stroke Center; and
- Maternal child health services.

Community, Sonoma County, and Federally Qualified Health Center representatives all believed that it was essential for Petaluma Valley Hospital and Santa Rosa Memorial Hospital to retain all of the services that they currently offer, especially cardiac, maternal and child health, and emergency/trauma services. If Petaluma Valley Hospital and Santa Rosa Memorial Hospital did not maintain their current levels of healthcare services, accessibility and availability issues would be created for area residents, especially the underinsured and uninsured residents.

Selection of Providence Health & Services for the Proposed Combination

Most who were interviewed indicated they knew very little about Providence Health & Services, and were limited to the information about the proposed combination that was communicated to them from St. Joseph Health System through emails and employee forums. Many who were interviewed believed that Providence Health & Services was well prepared for the future of healthcare and further ahead in population health and risk management, insurance products, electronic medical records systems, telemedicine, and had expertise that would be helpful for Petaluma Valley Hospital and Santa Rosa Memorial Hospital.

Impact on the Availability and Accessibility of Healthcare Services

At Santa Rosa Memorial Hospital, none of the interviewees expressed concern that the proposed combination would negatively impact the accessibility or availability of current services. Despite the impending public ballot measure to determine the future management company for Petaluma Valley Hospital, there were no concerns expressed about the accessibility or availability of current services at Petaluma Valley Hospital as a result of the combination. Some of those who were interviewed thought that a population health initiative may lead Providence St. Joseph Health to eventually move specialty services to specific hospitals to create centers of excellence within Sonoma County, as well as throughout Providence St. Joseph Health. Due to the slow population growth expected in Sonoma County over the next five years, many who were interviewed expected regionalization of some services within the service area, especially in the areas of neurosciences, oncology, and tertiary cardiology. Many felt that they would be better positioned for the future of healthcare by partnering with an organization that has experience in providing the services necessary to achieve population health goals.

Alternatives

Almost all believed that the proposed combination was not driven by financial necessity. Rather, they believed it was instead by a desire to create greater opportunity for improving operational, financial, and clinical performance. While some interviewed had no direct knowledge of Providence Health & Services or interactions with Providence Health & Services' staff, many individuals were confident that combining efforts with a financially strong, Catholic, faith-based health system would ensure that fulfilling the mission of caring for the poor would continue to remain a priority. Most of those interviewed expressed no concerns regarding the proposed combination.

Views of National and Regional Health Plan Representatives

The views of the health plan representatives can be divided into the following categories: views from the larger, national health plans whose membership is primarily insured by commercial health products, and views from representatives of health plans that are regional, with a focus on lower income Medi-Cal and dual Medicare/Medi-Cal eligible patient populations. The representatives from the nationally-based health plans stated that their relationship with both St. Joseph Health System and Providence Health & Services has always been strong. They viewed the proposed combination positively, and did not express any concerns about the effects of the transaction on their membership. Despite some uncertainty regarding how the larger size of the new organization may impact contract negotiations, they believed they would be able to continue their existing relationships with the respective health systems and potentially expand coverage to new markets.

The views of representatives from the County Organized Health System, Partnership Health Plan, did not express any concerns surrounding the proposed combination. This payer has had a strong and long-lasting relationship with Petaluma Valley Hospital and Santa Rosa Memorial Hospital given the large percentage of low-income and Medi-Cal eligible cared for by them. Partnership Health Plan viewed the proposed combination positively because of the potential to expand coverage to additional members for the patient populations they serve. Because there are fewer hospitals and less specialty providers in the more rural areas of Northern California, some of those interviewed expressed concerns about limited member access to specialty services and some women's reproductive services. They indicated that the proposed combination has the potential to improve physician recruitment efforts for the hospitals, particularly in specialty services, and thereby, improve access.

All national and regional health plan representatives indicated they were unaware of any plans to eliminate or change covered services as a result of the proposed combination. The representatives viewed Providence Health & Services and St. Joseph Health System's decision to come together positively because it will allow them to capitalize on opportunities to lower costs, expand physician networks, and offer patients greater service offerings.

Views of the Unions

Ten of the hospitals under consideration as part of the Health System Combination Agreement are represented by unions. These unions are: California Nurses Association, National Union of Healthcare Workers, International Union of Operating Engineers Local 39, Staff Nurses Association, United Steelworkers Union, Service Employees International Union Local 121 RN, and Service Employees International Union United Healthcare Workers West. Approximately 40% of the employees at the hospitals are represented by CBAs.

Approximately 56% of Petaluma Valley Hospital's employees and 71% of Santa Rosa Memorial Hospital's employees are covered by CBAs with California Nurses Association, the Staff Nurses Association, the National Union of Healthcare Workers, and the International Union of Operating Engineers, Local 39.

Union members and representatives have voiced various concerns regarding St. Joseph Health System and the proposed combination, including the following:

- The especially large footprint that will result from the proposed combination and the concern that the needs of Petaluma Valley Hospital and Santa Rosa Memorial Hospital, as small hospitals, will not be a priority in a much larger health system;
- Historically, when mergers have occurred, prices to consumer have risen, making healthcare less affordable and accessible;
- The potential for outsourcing employee benefits, changes to employee benefits,

changes to nurse staffing ratios, changes in salaries, and fears that jobs will disappear;

- The ability to effectively negotiate when the geographic territory increases; and
- The impact of the Ethical and Religious Directives that prohibit healthcare providers from offering a range of beginning of life and end of life services may be administered differently from hospital to hospital.

Some of those who were interviewed disagreed with the Bishop's authority to determine what services are offered at a facility that receives public tax dollars. Some of those who were interviewed also believed the financial benefit received from the merger should translate into an increase in community benefit spending, higher rates of pay, lower prices to patients, and increased service offerings at the Providence Health & Services and St. Joseph Health System hospitals.

ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES

Importance of Petaluma Valley Hospital and Santa Rosa Memorial Hospital to the Community

As the only hospital located in its service area, Petaluma Valley Hospital is an important provider of healthcare services to the residents of the surrounding communities. Petaluma Valley Hospital is essential for the provision of basic emergency and maternal and child health services. While there are several hospitals located less than 20 miles away, Petaluma Health Care District was formed by the residents of Southern Sonoma County in 1946 as a result of their desire to have a convenient, locally-based hospital.

Santa Rosa Memorial Hospital makes up 38% of the 740 licensed beds in its service area, and is an important provider of healthcare services to area residents. Santa Rosa Memorial Hospital is especially essential for the provision of emergency, trauma, cardiovascular, oncology, maternal and child health, and neurology services to residents within its service area and for the broader community. Key specialty services offered at Santa Rosa Memorial Hospital include oncology, cardiovascular, neuroscience, orthopedics, interventional radiology, bariatric surgery, palliative care, and rehabilitation services, among others.

In addition to the provision of key medical services, Petaluma Valley Hospital and Santa Rosa Memorial Hospital have provided a historically significant level of charity care and community benefit programs for low-income, uninsured, and under-insured populations residing in the surrounding communities.

Continuation as General Acute Care Hospitals

The Health System Combination Agreement states that Santa Rosa Memorial Hospital will continue to operate as a licensed general acute care facility for a minimum of five years.

The Health System Combination Agreement states that Petaluma Valley Hospital will continue to operate as a licensed general acute care facility through the remaining term of the Lease Agreement and the Transfer Agreement. However, they both expire in January 2017.

Emergency and Trauma Services

As a provider of Level II Trauma Center services, Santa Rosa Memorial Hospital is of critical importance to the residents of Sonoma County and the surrounding communities. In 2014, Santa Rosa Memorial Hospital reported 41,451 emergency room visits, including treatment for over 1,800 trauma patients at 63% capacity.

Petaluma Valley Hospital is the only provider of emergency services within its designated service area. Sonoma Valley Hospital, the next closest provider of emergency services, reported an occupancy rate of approximately 54% in 2014. In 2014, Petaluma Valley Hospital reported 17,428 emergency room visits on its 15 emergency treatment stations, and operated at 58% capacity.

Any change in trauma medical services at Santa Rosa Memorial Hospital, or a loss or reduction of emergency services at Santa Rosa Memorial Hospital or Petaluma Valley Hospital, would negatively impact the availability and accessibility of services for the community.

As a result of the ACA and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. This influx of newly insured individuals, combined with the growing shortage of primary care physicians, is expected to increase emergency department utilization within the service area. Keeping both the Petaluma Valley Hospital and Santa Rosa Memorial Hospital emergency departments open is critical to ensure the provision of emergency services within the service area.

Medical/Surgical Services

In FY 2014, Petaluma Valley Hospital operated 61 licensed medical/surgical beds with an average daily census of approximately 17 patients (28% occupancy).

In FY 2014, Santa Rosa Memorial Hospital operated 203 licensed medical/surgical beds with an average daily census of 110 (54% occupancy).

Petaluma Valley Hospital and Santa Rosa Memorial Hospital are important providers of medical/surgical services.

Intensive Care/Coronary Care Services

In FY 2014, Petaluma Valley Hospital reported an occupancy rate of approximately 39% for its nine licensed intensive care beds.

In FY 2014, Santa Rosa Memorial Hospital had the highest occupancy rate of all service area hospitals of 83% for 26 licensed intensive care beds.

These services are an important resource for supporting the emergency department and other medical and surgical services at Petaluma Valley Hospital and Santa Rosa Memorial Hospital.

Obstetrics Services

Petaluma Valley Hospital is licensed for ten obstetrics beds and reported an average daily census of approximately three patients in FY 2014. While the occupancy rate of 27% on

Petaluma Valley Hospital's obstetrics beds is low, Petaluma Valley Hospital is the sole provider of obstetrics beds in its service area.

In FY 2014, Santa Rosa Memorial Hospital had an occupancy rate of approximately 45% on 15 licensed obstetrics beds. Santa Rosa Memorial Hospital reported 925 live births and held nearly 15% of the service area obstetrics market share.

Pediatric Services

Santa Rosa Memorial Hospital is licensed for six pediatric beds (46% of the total service area beds) with an occupancy rate of 74% and average daily census of approximately four patients in FY 2014. Kaiser Foundation Hospitals-Santa Rosa is the only other hospital that offers pediatric services in the service area and had an occupancy rate of 23% in FY 2014. Santa Rosa Memorial Hospital has a low average daily census of four pediatric patients; however, approximately 14% of Santa Rosa Memorial Hospital's emergency services visits are pediatric patients.

Neonatal Intensive Care Services

The Santa Rosa Memorial Hospital Neonatal Intensive Care Unit has 12 licensed neonatal intensive care beds which are operated by the University of California-San Francisco. In FY 2014, the unit maintained a occupancy rate of 38% with an average daily census of five patients per day. There are a total of 35 licensed Neonatal Intensive Care Unit beds in the service area, with Santa Rosa Memorial Hospital representing approximately 33% of the total discharges in FY 2014. Designated as a Community Neonatal Intensive Care Unit by the State of California Children's Services, Santa Rosa Memorial Hospital is an important provider of these services due to the limited neonatal intensive care resources in the service area.

Inpatient Rehabilitation Services

Santa Rosa Memorial Hospital is the sole provider of inpatient rehabilitation services in the service area, with 16 licensed rehabilitation beds and an occupancy rate of approximately 53% in FY 2014. Santa Rosa Memorial Hospital is an important provider of these services.

Reproductive Health Services

Providence Health & Services and St. Joseph Health System are subject to the Ethical and Religious Directives for Catholic Health Care Services (the Ethical and Religious Directives). The Ethical and Religious Directives is a document that offers guidance based on the Catholic Church's teachings regarding various aspects of healthcare delivery. The Ethical and Religious Directives were created as a discernment tool to be used in the application of healthcare decisions regarding beginning-of-life and end-of life-issues, and to safeguard the sacredness of the physician-patient relationship.

Within each Catholic Diocese, the Bishop has the authority to interpret the practical application of the Ethical and Religious Directives at area hospitals. Since the Catholic Church vests this authority to the Bishop in each Diocese, there may be slight variations in the application of the Ethical and Religious Directives among the Dioceses. Petaluma Valley Hospital and Santa Rosa Memorial Hospital are located in the Diocese of Santa Rosa.

Under the Ethical and Religious Directives, some women's reproductive health services, including elective abortions and tubal ligations, are prohibited. According to interviews with the ethicists of Providence Health & Services and St. Joseph Health System, each hospital facility has an Ethics Committee in place to provide timely review and consultation with physicians, as needed, to ensure the physicians are supported throughout the decision-making process regarding the application of the Ethical and Religious Directives. While the Ethical and Religious Directives prohibit tubal ligations and abortions, these procedures are performed at both Providence Health & Services and St. Joseph Health System's hospitals when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

Under the terms of the current Transfer Agreement, Petaluma Valley Hospital is subject to restrictions for certain services, including abortions.

Petaluma Valley Hospital and Santa Rosa Memorial Hospital are important providers of a range of women's reproductive services. Below is a table showing instances where Petaluma Valley Hospital, Santa Rosa Memorial Hospital, Providence Health & Services, and St. Joseph Health System recorded reproductive-related procedures that were in accordance with the Ethical and Religious Directives in 2014 because of their pathology.

REPRODUCTIVE HEALTH SERVICES BY DIAGNOSTIC RELATED GROUP				
Diagnostic Related Group	Petaluma Valley Hospital	Santa Rosa Memorial Hospital	Providence Health & Services	St. Joseph Health System
778-Threatened Abortion	3	16	183	239
779-Abortion w/o D&C	-	3	33	48
777-Ectopic Pregnancy	2	5	81	49
767-Vaginal Delivery w Sterilization &/or D&C	6	-	31	69
770-Abortion w D&C, Aspiration Curettage or Hysterectomy	1	1	61	32
Total 2014 Discharges:	12	25	389	437

Source: OSHPD 2014

Women's reproductive services are available at other area providers including, but not limited to, Kaiser Foundation Hospitals-Santa Rosa, Sutter Santa Rosa Regional Hospital, Healdsburg District Hospital, Sonoma Valley Hospital, and Planned Parenthood of Northern California.

Since both St. Joseph Health System and Providence Health & Services are Catholic-sponsored health systems, both adhere to the Ethical and Religious Directives, and no changes in reproductive health services are expected as a result of the Health System Combination Agreement.

Effects on Services to Medi-Cal, County Indigent, and Other Classes of Patients

Approximately 71% of Petaluma Valley Hospital's inpatient discharges are reimbursed through Medicare (46%) and Medi-Cal (25%); whereas 75% of Santa Rosa Memorial Hospital's inpatient discharges are reimbursed through Medicare (52%) and Medi-Cal (23%). Petaluma Valley Hospital and Santa Rosa Memorial Hospital currently participate in the Medicare program and the Medi-Cal managed care program, and also have managed care contracts for these types of patients with the Sonoma County Organized Health System.

The Health System Combination Agreement includes a commitment to keep Santa Rosa Memorial Hospital's emergency department open for at least five years in order to ensure access to services to Medicare and Medi-Cal patients.

Since St. Joseph Health System operates Petaluma Valley Hospital under a Lease Agreement and a Transfer Agreement, the Health System Combination Agreement states that Petaluma Valley Hospital will continue to keep its emergency department open to ensure access of services to Medicare and Medi-Cal patients through the remaining term of the agreements.

In order for Medicare and Medi-Cal patients to access other key services not provided through Petaluma Valley Hospital and Santa Rosa Memorial Hospital's emergency departments, both hospitals must maintain participation in both programs, as well as maintain their managed care contractual agreements with payers. Providence St. Joseph Health has made a five-year commitment that Santa Rosa Memorial Hospital will continue to remain certified in the Medicare program and continue to maintain Medi-Cal contracts, on competitive terms that provide the same types and levels of emergency services and non-emergency services as its existing Medicare and Medi-Cal contracts.

For Petaluma Valley Hospital, the commitment to remain certified in the Medicare and Medi-Cal programs will continue through the remaining term of the current Lease Agreement and Transfer Agreement.

If Petaluma Valley Hospital and Santa Rosa Memorial Hospital did not participate in the Medicare and Medi-Cal managed care programs, these classes of patients would be denied access to certain non-emergency healthcare services. A denial of access would negatively impact the availability or accessibility for these large service area patient populations.

Effects on the Level and Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on Petaluma Valley Hospital and Santa Rosa Memorial Hospital for healthcare services. Petaluma Valley Hospital provides a slightly higher percentage of charity care and bad debt than the statewide average (2.8% of their gross patient revenue, as compared to 2.7% for the State of California). Over the last five years, Petaluma Valley Hospital averaged \$1.2 million in charity care costs. The Health

System Combination Agreement includes a commitment to maintain levels of financial support for charity care (based on the average costs for FY 2014-2015) at Petaluma Valley Hospital through the remaining term of the Lease Agreement and the Transfer Agreement.

Santa Rosa Memorial Hospital also provides a slightly lower percentage of charity care (3.1%) than the state as a whole. Over the last five years, Santa Rosa Memorial Hospital averaged \$6.6 million per year in charity care costs. The Health System Combination Agreement also includes a commitment to maintain financial support for charity care at Santa Rosa Memorial Hospital for a minimum of five years based on the average costs for FY 2014-2015.

California's expansion of Medi-Cal coverage and coverage through Covered California has reduced the number of uninsured patients resulting in diminished charity care usage at Petaluma Valley Hospital and Santa Rosa Memorial Hospital.

Effects on Community Benefit Programs

Petaluma Valley Hospital and Santa Rosa Memorial Hospital support a significant number of ongoing community benefit programs that serve lower income residents from the surrounding communities. In the Health System Combination Agreement, Providence St. Joseph Health has made a commitment for Petaluma Valley Hospital and Santa Rosa Memorial Hospital to maintain expenditures for community benefit services based on the average expenditure for the three years covering FY 2011-2014. This equates to a commitment of \$2.4 million for Santa Rosa Memorial Hospital and \$98,000 for Petaluma Valley Hospital through the remaining term of the current Lease Agreement and Transfer Agreement. However, the five-year average was \$3.1 million for Santa Rosa Memorial Hospital and \$161,000 for Petaluma Valley Hospital.

Petaluma Valley Hospital provides various community benefit programs, including House Calls. According to the Health System Combination Agreement, Petaluma Valley Hospital will continue this program through the remaining terms of the Lease Agreement and the Transfer Agreement.

Community benefit programs at Santa Rosa Memorial Hospital include the Mobile Health Clinic, Promotores de Salud, Healthy for Life, Circle of Sisters, St. Joseph Dental Clinic, Mobile Dental Clinic, and the Agents of Change Training in the Neighborhood. According to the Health System Combination Agreement, these programs will be maintained for a period of five years.

Effects on County Contracts

Both Petaluma Valley Hospital and Santa Rosa Memorial Hospital have a number of contracts with the County of Sonoma to provide and support specific services. According to the Health System Combination Agreement, these contracts will be maintained for a period of five years for Santa Rosa Memorial Hospital unless the contract is terminated for cause or expires in accordance with its current terms. For Petaluma Valley Hospital, these contracts will be

maintained through the remaining term of the current Lease Agreement and Transfer Agreement unless the contract is terminated for cause or expires in accordance with its current terms.

Effects on Staffing and Employee Rights

The Health System Combination Agreement states that all non-executive employees of Petaluma Valley Hospital and Santa Rosa Memorial Hospital shall remain employees of their current employer, with compensation and benefits established by their respective employer. The Health System Combination Agreement does not specify a time commitment for this intention.

Over 50% of Petaluma Valley Hospital's employees and over 70% of Santa Rosa Memorial Hospital's employees are covered by CBAs. Management has made no specific assurances to the unions. Some employees expressed concerns about potential changes in employee benefits, changes in salaries, elimination of jobs, and the ability to effectively negotiate when there are changes to the geographic territory.

Almost all who were interviewed indicated that some administrative functions may be regionalized and/or centralized over time in order to leverage the strength of the respective health systems, capitalize on best practices, or to achieve efficiencies. Consistent with past business practices, it is also expected that the number of patient care employees could change with fluctuations in patient volumes.

Effects on Medical Staff

The Health System Combination Agreement states that it is the intent of the parties not to adversely affect (or require a change to) the medical staff privileges held by any member of a medical staff of a health care facility owned or controlled by a party. The Health System Combination Agreement, however, does not contain any specific commitments to maintain physician contracts, including on-call services. Nor does it contain any specific commitments to maintain the medical staff officers or the department or committee chairs/heads or vice-chairs/heads of Petaluma Valley Hospital and Santa Rosa Memorial Hospital's medical staff.

Effects on Lease Agreement & Transfer Agreement

There are no specific assurances in the Health System Combination Agreement for the existing Lease Agreement and Transfer Agreement with Petaluma Health Care District to be renewed. Petaluma Health Care District is currently conducting due diligence to identify potential operators of Petaluma Valley Hospital, and plans to hold a ballot measure in November 2016 to determine the final selection.

Alternatives

If the proposed combination is not approved, neither the health systems, nor the communities they serve, are expected to be negatively impacted. Community benefit programs and charity care provisions would be expected to continue at their present levels, due to the mission and commitment of the respective organizations' to serve the poor and underserved. However, due to the ACA and changes in the marketplace, Providence Health & Services and St. Joseph Health System may not realize the same anticipated benefits if they remained as independent organizations.

CONCLUSIONS

Potential Conditions & Recommendations for Transaction Approval by the California Attorney General

If the California Attorney General approves the proposed combination, MDS Consulting recommends the following conditions for Santa Rosa Memorial Hospital be required in order to minimize any potential negative healthcare impact that might result from the transaction:

Santa Rosa Memorial Hospital

1. For at least ten years from closing, Santa Rosa Memorial Hospital shall continue to operate as a general acute care hospital;
2. For at least ten years from closing, Santa Rosa Memorial Hospital shall maintain 24-hour emergency and trauma medical services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. A minimum of 33 emergency treatment stations;
 - b. Designation as a Level II Trauma Center; and
 - c. Designation as an EMS Base Hospital.
3. For at least five years from closing, Santa Rosa Memorial Hospital shall maintain the following services at the current licensure, types, and/or levels of services:
 - a. Cardiology services, including a minimum of 2 cardiac catheterization labs and the designation as a STEMI Receiving Center;
 - b. Intensive care services, including a minimum of 16 intensive care beds and 10 coronary care beds;
 - c. Joint replacement services;
 - d. Neurosciences services, including certification as a Primary Stroke Center;
 - e. Obstetric services, including a minimum of 15 obstetrics beds;
 - f. Neonatal intensive care services, including a minimum of 12 neonatal intensive care beds, and at minimum, maintaining designation as a Level III Neonatal Intensive Care Unit;
 - g. Pediatric services, including a minimum of 6 pediatric beds; and
 - h. Rehabilitation services, including a minimum of 16 rehabilitation beds.
4. Additionally, for at least five years from closing, Santa Rosa Memorial Hospital shall maintain the following services as committed to in Exhibit 8.13 of the Health System Combination Agreement:
 - a. Bariatric surgery services;

- b. Behavioral health outpatient services;
 - c. Behavioral health partial hospital program services;
 - d. Cancer care services;
 - e. Imaging/radiology services;
 - f. Interventional radiology services;
 - g. Laboratory services;
 - h. Orthopedics services;
 - i. Palliative care services;
 - j. Surgical services;
 - k. Vascular services; and
 - l. Women's services.
5. For at least five years from closing, Santa Rosa Memorial Hospital shall maintain a charity care policy that is no less favorable than the current charity care policy and in compliance with California and Federal law, and Santa Rosa Memorial Hospital shall provide an annual amount of Charity Care equal to or greater than \$6,627,886 (the "Minimum Charity Care Amount"). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. For purposes herein, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by Santa Rosa Memorial Hospital in connection with the operations and provision of services at Santa Rosa Memorial Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as that used by OSHPD for annual hospital reporting purposes. The minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California;
6. For at least five years from closing, Santa Rosa Memorial Hospital shall continue to expend an average of no less than \$3,128,196 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California. The following community benefit programs and services shall continue to be offered on an ongoing basis:
- a. Catholic Charities – Project Nightingale;
 - b. Circle of Sisters;
 - c. Healthy for Life;
 - d. House Calls Program;
 - e. Mobile Health Clinic;
 - f. Promotores de Salud;
 - g. St. Joseph Dental Clinic and Mobile Dental Clinic; and
 - h. The Agents of Change Training in the Neighborhoods.
7. For at least five years from closing, Santa Rosa Memorial Hospital shall maintain its

participation in the Medi-Cal managed care program through Partnership Health Plan or its successor, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage;

8. For at least five years from closing, Santa Rosa Memorial Hospital shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;
9. For at least five years from closing, Santa Rosa Memorial Hospital shall maintain its current contracts with County of Sonoma, including the following:
 - a. Mental Health Services;
 - b. Medi-Cal;
 - c. Emergency coordination services in disaster situations;
 - d. Vaccinations;
 - e. Facility Lease Agreement for the County Office of Education; and
 - f. STEMI Receiving Center Agreement.
10. Providence St. Joseph Health and Santa Rosa Memorial Hospital shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at Santa Rosa Memorial Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070); and
11. Providence St. Joseph Health and Santa Rosa Memorial Hospital shall complete any capital projects as committed to in the Health System Combination Agreement.

Petaluma Valley Hospital

MDS recommends that the terms and conditions of the existing Lease Agreement and Transfer Agreement continue to apply through the remaining term of both agreements, and that similar terms be included in subsequent agreements. In addition, MDS recommends that Petaluma Health Care District consider including the following conditions at Petaluma Valley Hospital in establishing the new Lease and Transfer Agreements:

1. For least five years from closing, Petaluma Valley Hospital maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. A minimum of 15 emergency treatment stations; and

- b. Designation as an EMS Receiving Hospital.
- 2. Petaluma Valley Hospital maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive care services, including a minimum of 9 intensive care beds; and
 - b. Obstetric services, including a minimum of 10 obstetrics beds.
- 3. Petaluma Valley Hospital maintain the following services as committed to in Exhibit 8.13 of the Health System Combination Agreement:
 - a. Cancer care services;
 - b. Imaging/radiology services;
 - c. Laboratory services;
 - d. Orthopedics services;
 - e. Palliative care services;
 - f. Rehabilitation services;
 - g. Vascular services; and
 - h. Women's services.
- 4. Petaluma Valley Hospital provides an annual amount of Charity Care equal to or greater than \$1,235,587 (the "Minimum Charity Care Amount") through the remaining term of the current Lease Agreement and Transfer Agreement. It is further suggested that the Minimum Charity Care Amount be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California in a new contract;
- 5. Through the remaining term of the Lease Agreement and Transfer Agreement, Petaluma Valley Hospital expends an average of no less than \$160,690 annually in community benefit services. It is further suggested that this amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California. In addition, MDS recommends that the following community benefit programs and services continue to be offered through the remaining term of the Lease Agreement and Transfer Agreement and be included in a new contract:
 - a. House Calls Program; and
 - b. Mobile Dental Clinic;
 - c. Mobile Health Clinic; and
 - d. Promotores de Salud.

6. Petaluma Valley Hospital maintain its participation in the Medi-Cal managed care program through Partnership Health Plan or its successor, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage through the remaining term of the Lease Agreement and Transfer Agreement and in a new contract;
7. Petaluma Valley Hospital maintains its participation in the Medicare program through the remaining term of the Lease Agreement and Transfer Agreement, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number and in a new contract;
8. Petaluma Valley Hospital maintains its current contracts with the County of Sonoma through the remaining term of the Lease Agreement and Transfer Agreement, and in a new contract with the County of Sonoma, including the following:
 - a. Emergency coordination services in disaster situations;
 - b. Vaccinations;
 - c. Facility Use Agreement with Sonoma County Office of Education;
 - d. EMS Receiving Hospital Agreement; and
 - e. Mental health services.
9. Through the remaining term of the Lease Agreement and Transfer Agreement, Providence St. Joseph Health and Petaluma Valley Hospital complete any capital projects as committed to in the Health System Combination Agreement.

APPENDIX

List of Interviewees

Last Name	First Name	Position	Affiliation
Acosta	Lucia	Union Organizer	National Union of Healthcare Workers
Afable, MD	Rick	EVP, Southern California / President & CEO, St. Joseph Hoag Health	St. Joseph Health System
Apolinarski	Marirose	Nursing Director, Emergency Department, Trauma Services & Critical Care	Santa Rosa Memorial Hospital
Bahn	MaryLou	Registered Nurse	California Nurses Association
Boren	Jaynie	Regional Vice President, Strategy	St. Joseph Health System
Butler	Mike	President & Chief Operating Officer	Providence Health & Services
Carrier	Karl	Interim Chief Executive Officer	Providence Health & Services, Southern California
Carvolth, MD	Richard	Chief Medical Officer	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Cleaver	Bryan	Regional EMS Manager	Sonoma County Emergency Medical Services Agency
Curry	Bob	Vice Chair, Board of Trustees	Petaluma Valley Hospital
Dugan	Dennis	Coordinator and Lead Negotiator	National Union of Healthcare Workers
Eason, MD	Lanny	Chief Medical Officer	Providence Health & Services, Southern California
Escasa-Haigh	Jo Ann	Chief Financial Officer	St. Joseph Health System
Ester	Lesley	Registered Nurse	California Nurses Association
Emad, MD	Lele	Physician and Department Chair, OB/GYN	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Faith	Ramona	Chief Executive Officer	Petaluma Healthcare District
Forman	Matt	Regional Director, Referral Services	St. Joseph Health System
Forrester	Shawn	Vice President, Provider Solutions	Anthem Blue Cross of California
Fuchs	Naomi	Chief Executive Officer	Santa Rosa Community Health Center
Gadbois	Sue	Union Representative	Staff Nurse's Association
Gibboney	Liz	Chief Executive Officer	Partnership Health Plan
Gray	Sr. Katherine	Chair	St. Joseph Health Ministry
Hagen	Gayle	Union Steward	National Union of Healthcare Workers
Houser	Jim	Vice Chair, Board of Trustees	Santa Rosa Memorial Hospital
Igram	Rick	Senior Vice President, Network Development & Contracting	St. Joseph Health System
Jauregui	Jessica	Director, Human Resources	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Jurecki	Sr. Nancy	Director, Mission Leadership & Spiritual Care	Providence Health & Services, Southern California
Just	Bob	Regional Chief Operating Officer	St. Joseph Health System
Khurana	Prub (P.K.)	Chief Strategic Services Officer	Providence Health & Services, Southern California
Kosinski, MD	Anthony	Physician, OB/GYN	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Learned	Andrea	Vice President, Fund Development	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Manemann	Kevin	Chief Executive Officer	St. Joseph Heritage Healthcare
Mast	Dave	Chief Integration Officer, Shared Services	Providence Health & Services, Southern California
McNair	Karen	Registered Nurse	California Nurses Association
Meekins	Debbie	Board Chair, Foundation	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Mohr	Steven	Vice President, Finance & Operations	Providence Health & Services, Southern California
Montalvo	Darrin	President, Integrated Services	St. Joseph Health System
Murphy	Kevin	Vice President, Theology & Ethics	St. Joseph Health System
Noce	Bill	Chair, Board of Trustees	St. Joseph Health System
Papouchian	Arminé	Vice President, Contracting Relations & Analytics	Blue Shield
Pavic-Zabinski	Karen	Regional Director, Ethics	Providence Health & Services, Southern California
Powell	Kathie	Executive Director	Petaluma Health Center
Proctor	Deborah	President & Chief Executive Officer	St. Joseph Health System
Read	Jane	Vice President, Operations & Pharmacy	Petaluma Valley Hospital
Riccioni	Mich	Chief Financial Officer	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Saddiq, MD	Kaliq	Regional Medical Director	St. Joseph Heritage Healthcare
Salnas	Todd	President	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Sanders	Lois	Registered Nurse, Wound Care	St. Mary Medical Center
Schiele	Julie	Registered Nurse, Neonatal Intensive Care Unit	St. Mary Medical Center
Schubert	Sr. Marian	Executive Vice President, Mission Integration	St. Joseph Health System
Selden	Ian	Registered Nurse	California Nurses Association
Siebert	Greg	Senior Vice President, Network Management	UnitedHealthcare
Sloggett-O'Dell	Stephanie	Vice President, Labor & Employee Relations	St. Joseph Health System
Stahl	Pam	Chief Human Resources Officer	Providence Health & Services, Southern California
Stuebe	Michelle	Registered Nurse	St. Mary Medical Center
Sweeney	Kerry	Registered Nurse	California Nurses Association
Thomas	Wendi	Nursing Director, Critical Care & Emergency Services	Petaluma Valley Hospital
Tourville	Sharon	Interim Chief Nursing Officer	Petaluma Valley Hospital & Santa Rosa Memorial Hospital
Treanor	Joline	Senior Vice President, Human Resources	St. Joseph Health System
Tuft	Pam	Chair, Board of Trustees	Petaluma Valley Hospital
Walker	Annette	Executive Vice President, Strategic Services / Newly Appointed President & CEO	St. Joseph Health System
Williams	Karen	Senior Regional Director, Napa and Sonoma County	Planned Parenthood
Wright	Sharon	Chair, Board of Trustees	Santa Rosa Memorial Hospital
Ziolkowski	David	Chief Operating Officer	Petaluma Valley Hospital & Santa Rosa Memorial Hospital

Hospital Licenses

Petaluma Valley Hospital

License: 110000001
Effective: 01/19/2016
Expires: 01/18/2017
Licensed Capacity: 80

State of California
Department of Public Health

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

this License to

SRM Alliance Hospital Services
to operate and maintain the following **General Acute Care Hospital**

Petaluma Valley Hospital
400 N McDowell Blvd.
Petaluma, CA 94954-2339

Bed Classifications/Services 80 General Acute Care 10 Perinatal 9 Intensive Care 61 Unspecified General Acute Care	Other Approved Services Basic Emergency Medical Mobile Unit - Lithotripsy Mobile Unit - MRI Mobile Unit - Stereotactic Therapy Nuclear Medicine Outpatient Service - Outpatient Clinic - Lab Draw station at LAB DRAWING STATION @ 110 LYNCH CREEK WAY, STE. B, PETALUMA Outpatient Service - Outpatient Clinic - Primary Care Outpatient Service - Outpatient Clinic - x-ray at X-RAY @ 110 LYNCH CREEK WAY, STE B, PETALUMA Physical Therapy
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This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
NEWBORN NURSERY APPROVED 2/13/97 TO ACCOMMODATE 3 BASSINETS FOR OBSERVATION AND
EXTENDED CARE NEWBORNS.

MOBILE MRI UNIT HCD # 80731 VIN # 1T9FAOZ31MB021528

Karen L. Smith, MD, MPH
Director and State Public Health Officer


Dana Forney, HFEM II, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa
Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

POST IN A PROMINENT PLACE

Santa Rosa Memorial Hospital

License: 140000648

Effective: 02/01/2016

Expires: 01/31/2017

Licensed Capacity: 338

State of California Department of Public Health

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

this License to

Santa Rosa Memorial Hospital

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

Santa Rosa Memorial Hospital

Santa Rosa Memorial Hospital

Santa Rosa Memorial Hospital
1165 Montgomery Dr
Santa Rosa, CA 95405-4801

Bed Classifications/Services

278 General Acute Care
16 Intensive Care
16 Rehabilitation
15 Perinatal
12 Intensive Care Newborn Nursery
10 Coronary Care
6 Pediatric
203 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical
Cardiac Catheterization Laboratory Services
Cardiovascular Surgery
Mobile Unit - Lithotripsy
Nuclear Medicine
Occupational Therapy
Outpatient Service - Outpatient Clinic -
Angiocardiology at 1165 Montgomery,
Santa Rosa
Outpatient Service - Outpatient Clinic -
Behavioral Health at Behavioral Health, 405
W. College Avenue, Ste. F, Santa Rosa
Outpatient Service - Outpatient Clinic - Cardiac
Imaging at Outpatient Diagnostic Cardiac
Imaging, 500 Doyle Park Drive, Suite G03,
Santa Rosa
Outpatient Service - Outpatient Clinic -
Catheterization Lab at 1165 MONTGOMERY
DR., Santa Rosa, CA 95405,
Outpatient Service - Outpatient Clinic -
Echocardiography, EEG at 1165
Montgomery Drive, Santa Rosa

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 140000648
Effective: 02/01/2016
Expires: 01/31/2017
Licensed Capacity: 338

Santa Rosa Memorial Hospital (Continued)
1165 Montgomery Dr
Santa Rosa, CA 95405-4801

Other Approved Services (cont'd)

Outpatient Service - Outpatient Clinic -
Electrophysiology at 1165 Montgomery
Drive, Santa Rosa
Outpatient Service - Outpatient Clinic -
Endoscopy at 1165 Montgomery Dr., Santa
Rosa
Outpatient Service - Outpatient Clinic - Imaging
at 1165 Montgomery Drive, Santa Rosa
Outpatient Service - Outpatient Clinic -
Imaging, Lab, Infusion at Santa Rosa
Memorial - Outpatient Imaging Center, 121
Sotoyome Street, Santa Rosa
Outpatient Service - Outpatient Clinic -
Imaging, Lab, Infusion at St. Joseph
Outpatient Cancer Center- Fountain Grov,
3555 Round Barn Circle, Suite 100, Santa
Rosa, CA
Outpatient Service - Outpatient Clinic -
Imaging, Lab, Infusion at St. Joseph
Outpatient Cancer Center- Lynch Creek,
110 Lynch Creek Way, Suite A, Petaluma
Outpatient Service - Outpatient Clinic -
Laboratory at 1165 Montgomery Drive,
Santa Rosa
Outpatient Service - Outpatient Clinic -
Nutritional Counseling at 1165 Montgomery
Drive, Santa Rosa
Outpatient Service - Outpatient Clinic -
Occupational Therapy at 1165 Montgomery
Dr, Santa Rosa
Outpatient Service - Outpatient Clinic -
Perinatal Services at 1165 Montgomery
Drive, Santa Rosa
Outpatient Service - Outpatient Clinic -
Physical Therapy at 1165 Montgomery
Drive, Santa Rosa

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa
Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 140000648
Effective: 02/01/2016
Expires: 01/31/2017
Licensed Capacity: 338

Santa Rosa Memorial Hospital (Continued)
1165 Montgomery Dr
Santa Rosa, CA 95405-4801

Other Approved Services (cont'd)

Outpatient Service - Outpatient Clinic -
Physical Therapy at St. Joseph Health -
West County Hand & PT, 968 Gravenstein
Hwy. S, Sebastopol, CA 95472
Outpatient Service - Outpatient Clinic - PT at
Orthopedic Physical Therapy, 1255 North
Dutton Ave, Suite B, Santa Rosa
Outpatient Service - Outpatient Clinic -
RADIOLOGY, PHLEBOTOMY & EKG at
RADIOLOGY & PHLEBOTOMY, 500
DOYLE PARK DR., G01, SANTA ROSA
Outpatient Service - Outpatient Clinic - Sleep
Medicine at St. Joseph Sleep Medicine
Institute, 1476 Professional Dr., Petaluma
Outpatient Service - Outpatient Clinic - Sleep
Medicine at St. Joseph Sleep Medicine
Institute, 585 W. Collere Avenue, Santa
Rosa
Outpatient Service - Outpatient Clinic - Speech
Therapy at 1165 Montgomery Dr, Santa
Rosa
Outpatient Service - Outpatient Clinic - Surgery
Center at St. Joseph Health - Advanced
Surgery Institute, 1739 4th Street, Santa
Rosa
Outpatient Service - Outpatient Clinic -
Transfusions & Infusions at 1165
Montgomery Drive, Santa Rosa
Outpatient Service - Outpatient Clinic - Urgent
Care at St. Joseph Urgent Care, 6580
Hembree Lane, Suite 262, 266 & 270,
Windsor
Outpatient Service - Outpatient Clinic - Urgent
Care at Urgent Care Rohnert, 1450
MEDICAL CTR DR. STE. 3, ROHNERT
PARK

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa
Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

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State of California
Department of Public Health
License Addendum

License: 140000648
Effective: 02/01/2016
Expires: 01/31/2017
Licensed Capacity: 338

Santa Rosa Memorial Hospital (Continued)
1165 Montgomery Dr
Santa Rosa, CA 95405-4801

Other Approved Services (cont'd)

Outpatient Service - Outpatient Clinic - Urgent
Care at Urgent Care Santa Rosa, 925
Corporate Ctr. Pkwy, Suite A, Santa Rosa
Outpatient Service - Outpatient Clinic - Wound
Care at 500 Doyle Park Drive, Suite #202,
Santa Rosa
Physical Therapy
Radiation Therapy at 1165 Montgomery Drive,
Santa Rosa
Respiratory Care Services at 1165
Montgomery Drive, Santa Rosa
Social Services at 1165 Montgomery Drive,
Santa Rosa
Speech Therapy

Santa Rosa Memorial Hospital
151 Sotoyome St
Santa Rosa, CA 95405-4803

Bed Classifications/Services

29 General Acute Care
31 Skilled Nursing (D/P)

Other Approved Services

Occupational Therapy at 151 Sotoyome St,
SANTA ROSA
Outpatient Service - Outpatient Clinic -
Occupational Therapy at 1170 Montgomery
Drive, Santa Rosa
Outpatient Service - Outpatient Clinic -
Physical Therapy at 1170 Montgomery
Drive, Santa Rosa
Outpatient Service - Outpatient Clinic - Speech
Therapy at 1170 Montgomery Drive, Santa
Rosa
Physical Therapy at 151 Sotoyome St., SANTA
ROSA
Respiratory Care Services
Social Services
Speech Pathology at 151 Sotoyome St.,
SANTA ROSA

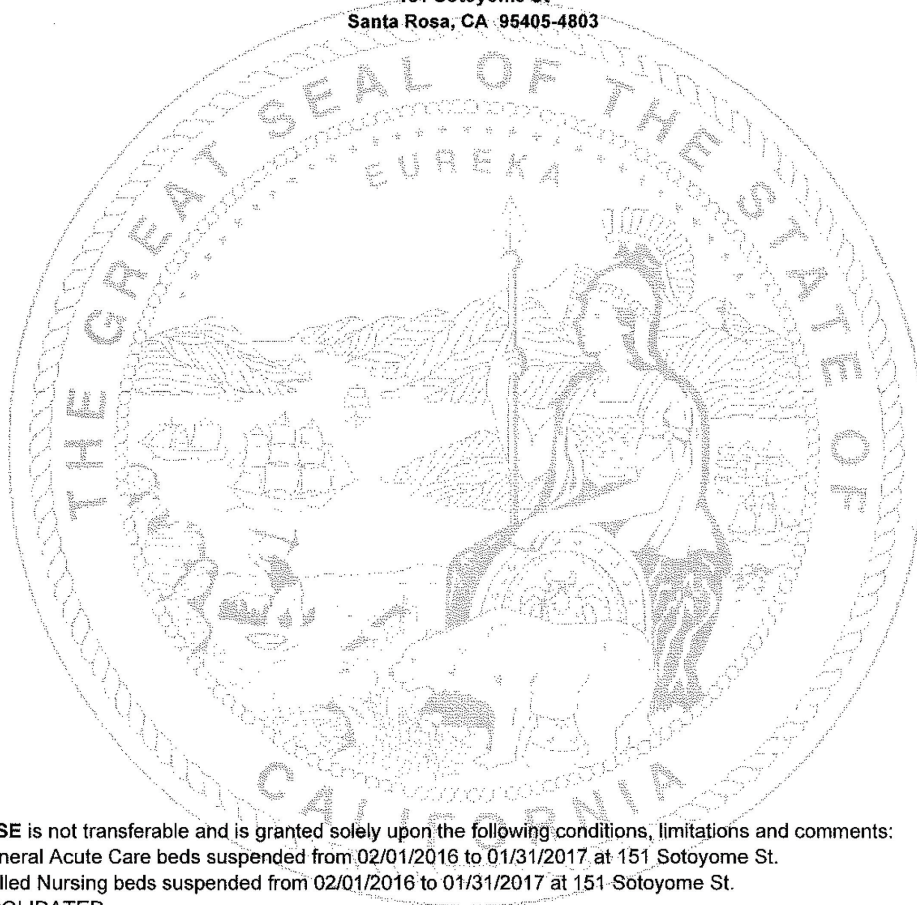
Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa
Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 140000648
Effective: 02/01/2016
Expires: 01/31/2017
Licensed Capacity: 338

Santa Rosa Memorial Hospital (Continued)
151 Sotoyome St
Santa Rosa, CA 95405-4803



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

29 General Acute Care beds suspended from 02/01/2016 to 01/31/2017 at 151 Sotoyome St.

31 Skilled Nursing beds suspended from 02/01/2016 to 01/31/2017 at 151 Sotoyome St.

CONSOLIDATED

I.C. NEWBORN NURSERY LICENSED FOR MAXIMUM CAPACITY OF 12 LEVEL II CARE INFANTS.

Six Operating rooms at the ASC-525 Doyle Park Dr Santa Rosa. Surgical Clinics are not permitted to keep pts longer than 24 hrs for any reason.

Partial Hospitalization Program-405 College Avenue, Suite F, Santa Rosa.

Emergency Department: Emergency Department Annex (7 bays with one gurney).

Karen L. Smith, MD, MPH

Director and State Public Health Officer

A handwritten signature in black ink, appearing to read 'Dana Forney', is written over a horizontal line.

Dana Forney, HFEM II, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

POST IN A PROMINENT PLACE