

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 Mission Hospital Regional Medical
Center

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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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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 Mission Hospital Regional Medical Center and Mission Hospital Laguna Beach. St. Joseph Health System owns and operates Mission Hospital Regional Medical Center, a general acute care hospital located in Mission Viejo, California (Mission Hospital), and Mission Hospital Laguna Beach, a general acute care hospital located in Laguna Beach, California (Mission Laguna Beach). Additionally, St. Joseph Health System operates Hoag Memorial Hospital Presbyterian¹, a general acute care hospital located in Newport Beach, California, Hoag Hospital Irvine, a general acute care hospital in Irvine, California, and Hoag Orthopedic Institute, a specialty orthopedic hospital located in Irvine, California.

St. Joseph Health System and Providence Health & Services are multi-institutional, Catholic healthcare systems that are sponsored by a Public Juridic Person². 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.

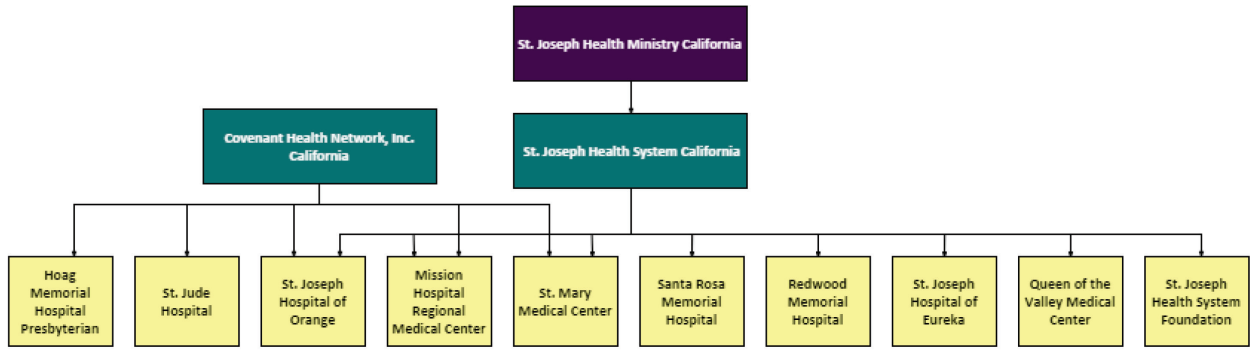
St. Joseph Health System is the sole corporate member of the following Northern California nonprofit hospitals: Queen of the Valley Medical Center, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, and St. Joseph Hospital-Eureka. St. Joseph Health System is the co-member with Covenant Health Network, Inc.³ 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 District⁴. Please refer to the summary organizational chart below:

¹ As a result of a previous change in affiliation in 2013, Hoag Memorial Hospital Presbyterian is subject to conditions placed by the California Attorney General until 2018. Accordingly, an analysis of Hoag Memorial Hospital Presbyterian's financial, utilization, and service information, as well as other publicly available data, is not included within this healthcare impact statement. More information regarding Hoag Memorial Hospital Presbyterian is available in the Appendix.

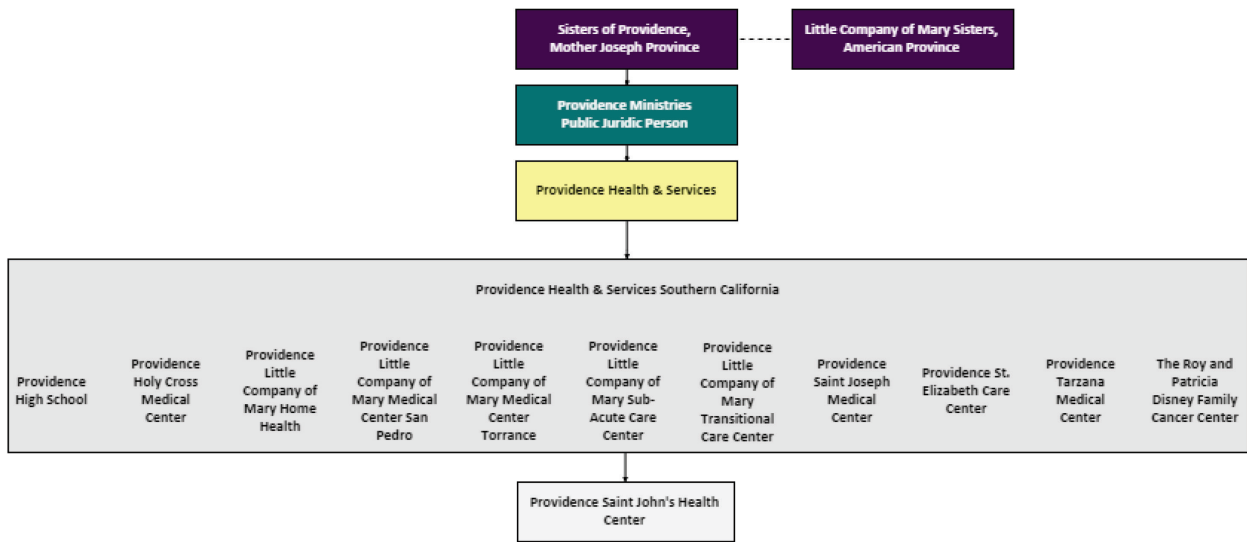
² A Public Juridic Person is a group of persons approved by the Roman Catholic Church to oversee and ensure that the mission of its healthcare organization is carried out according to Catholic principles.

³ Covenant Health Network, Inc., established in 2013, is a nonprofit public benefit corporation created by Hoag Memorial Hospital Presbyterian and St. Joseph Health System.

⁴ 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 Mission Hospital and Mission Laguna Beach'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 Mission Hospital and Mission Laguna Beach, 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, and Mission Hospital and Mission Laguna Beach'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 Aim⁵ 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;

⁵ 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

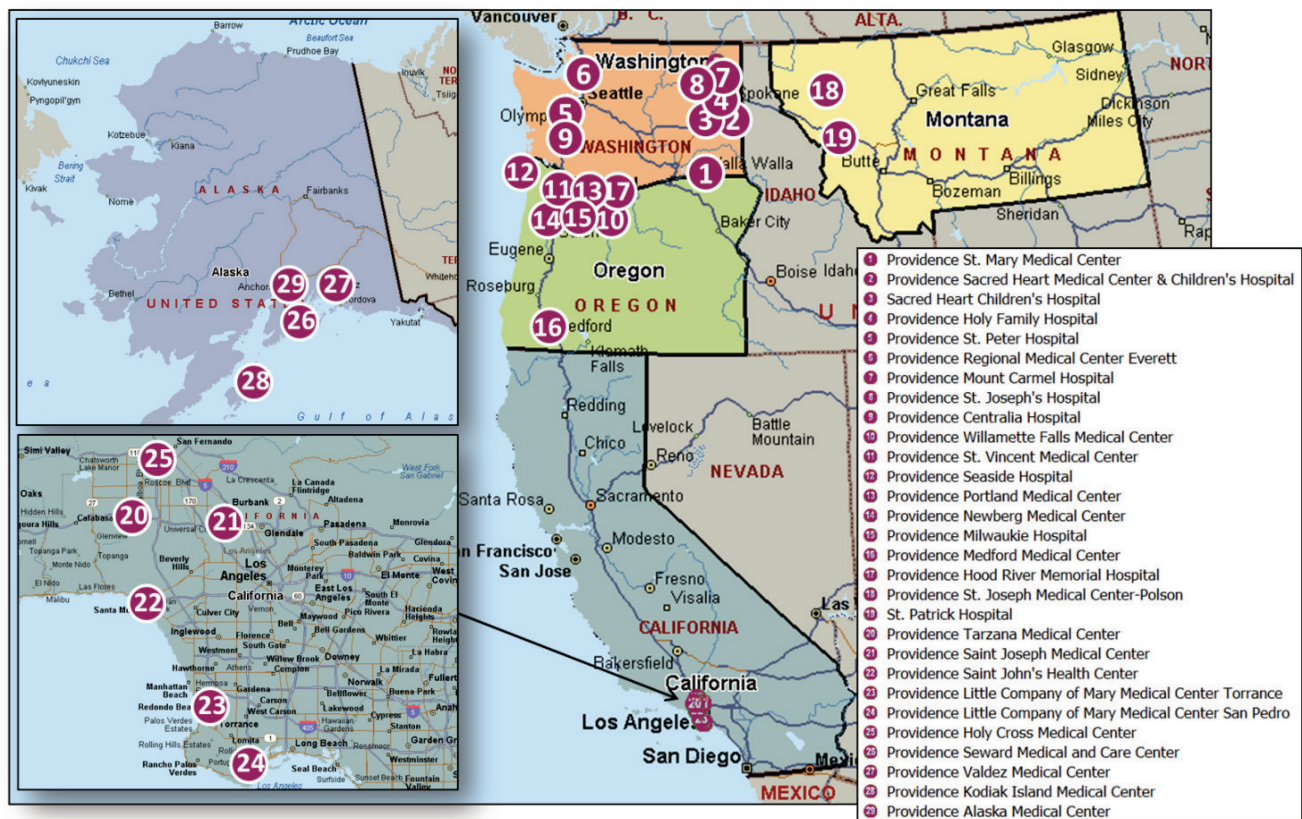
Use of Net Sale Proceeds

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 foundation⁶ 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

⁶ 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 statements⁷ 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.

⁷ 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 certified 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 foundation⁸ 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.

⁸ 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 MISSION HOSPITAL AND MISSION LAGUNA BEACH

Overview of Mission Hospital and Mission Laguna Beach

St. Joseph Health System operates Mission Hospital, a 345 licensed-bed general acute care facility, located at 27700 Medical Center Road in Mission Viejo. Mission Hospital operates a second campus, Mission Laguna Beach, a 207 licensed-bed general acute care facility located at 31872 Coast Highway in Laguna Beach. Together, the facilities have 552 licensed beds. Children’s Hospital of Orange County leases space from Mission Hospital and has the license to operate 22 neonatal intensive care beds, 24 pediatric beds, and eight pediatric intensive care beds.

MISSION HOSPITAL: BED DISTRIBUTION 2015	
Bed Type	Number of Beds
General Acute Care	217
Intensive Care	36
Coronary Care	27
Rehabilitation	22
Perinatal	43
Total Licensed Beds	345

Source: Hospital License 2015

MISSION LAGUNA BEACH: BED DISTRIBUTION 2015	
Bed Type	Number of Beds
General Acute Care	75
Intensive Care	10
Chemical Dependency Recovery	38
Perinatal	19
Total General Acute Care Beds	142
Acute Psychiatric (D/P)	36
Skilled Nursing (D/P)	29
Total Licensed Beds	207

Source: Hospital License 2015

Mission Hospital has a “basic” emergency department⁹ with 33 licensed treatment stations. It also has 10 surgical operating rooms and three cardiac catheterization labs. Mission Laguna Beach has a basic emergency department with 12 licensed treatment stations, and six surgical operating rooms. Mission Laguna Beach also has 29 licensed skilled nursing beds and 19

⁹ 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.

licensed obstetrics beds that are currently in suspense¹⁰ and do not provide any inpatient services.

Mission Hospital Foundation

Mission Hospital Foundation provides financial support through philanthropy for Mission Hospital and Mission Laguna Beach. Mission Hospital Foundation raises funds through charitable donations and planned gifts that are dedicated to capital needs, program needs, health education, and support for new programs. In recent years, Mission Hospital completed a \$200 million comprehensive campaign to fund advanced technology, research initiatives, nursing excellence, and community benefits.

Key Statistics

KEY STATISTICS: FY 2012 - 2014			
	FY 2012	FY 2013	FY 2014
Inpatient Discharges	21,489	19,951	19,789
Licensed Beds	552	552	552
Patient Days	91,360	84,548	82,911
Average Daily Census	250	232	227
Occupancy	45.3%	42.0%	41.2%
Average Length of Stay	4.3	4.2	4.2
Emergency Services Visits ¹	56,388	55,804	56,967
Cardiac Catheterization Procedures ¹	2,721	2,619	2,764
Coronary Artery Bypass Graft (CABG) Surgeries ¹	147	144	148
Total Live Births	2,992	2,825	2,772

Medical Staff	766
Employees (Full-Time Equivalents) ²	1,835

Sources: OSHPD Disclosure Reports, FY 2012-2014

¹ OSHPD Alerts Annual Utilization Reports

² St. Joseph Health System

Note: Includes Mission Hospital and Mission Laguna Beach

In FY 2014, Mission Hospital and Mission Laguna Beach had a total of 19,789 inpatient discharges, 82,911 patient days, and an average daily census of 227 patients with approximately 41% occupancy on the total licensed beds.

- Since FY 2012, both inpatient discharges and patient days have decreased by approximately 8% and 9%, respectively;

¹⁰ Licensed beds that are in suspense have been temporarily taken out of service.

- In FY 2014, Mission Hospital and Mission Laguna Beach reported 56,967 emergency department visits, which is a slight increase from previous years;
- In FY 2014, Mission Hospital reported approximately 2,764 cardiac catheterization procedures and 148 coronary artery bypass graft surgeries; and
- Total live births at Mission Hospital have decreased by 7% from 2,992 in FY 2012 to 2,772 in FY 2014.

Programs & Services

Mission Hospital offers a broad spectrum of medical services, including cardiology, oncology, maternal child health, and emergency services.

- Asthma services include: Bronchial thermoplasty treatment, anti-inflammatory drugs, bronchodilators, maintenance medications, and long-term control medications;
- Oncology services include: Radiology, linear accelerator treatment, diagnostic MRI, the Breast Program to treat breast cancer, and the Lymphedema Program;
- Pediatric services include: Children’s Hospital of Orange County operates Children’s at Mission Hospital, a pediatric healthcare facility that provides medical/surgical, Pediatric Intensive Care Unit, Level III Neonatal Intensive Care Unit, inpatient epilepsy monitoring, and sleep study services;
- Diabetes services include: Diabetes education for patients and families that includes diabetes overview, nutrition, medication, and fitness education;
- Emergency services include: 24-hour “basic” emergency department licensed for 33 treatment stations and a Level II Trauma Center. Specialized treatment is available for ear, nose, and throat, obstetrics and gynecology, pediatric, orthopedic, and chest pain emergencies;
- Gastrointestinal services include: Detection, diagnosis, and treatment for pulmonary and gastroesophageal diseases and disorders, including endoscopy, endobronchial ultrasound, and endoscopic ultrasound;
- Cardiology services include: STEMI Receiving Center, coronary artery bypass graft surgery, Chest Pain Center, cardiac intensive care, and cardiac telemetry services;
- Imaging services include: Radiation oncology, CT, CT/PET, linear accelerator, high dose radiation therapy, and MRI services;
- Laboratory services include: Inpatient and outpatient laboratory services that include

phlebotomy services and a Federal Drug Administration registered Blood Bank;

- Maternal child health services include: Maternity education programs, prenatal, labor and delivery, and postpartum services;
- Neuroscience and spine services include: Neurosurgery, Primary Stroke Center, and rehabilitation services to treat stroke, traumatic brain injury, and orthopedic patients;
- Orthopedic services include: Orthopedic surgery, total joint replacement for hips, partial knee replacement, and treatment for orthopedic disorders and injuries, including hand and wrist injuries;
- Rehabilitation services include: Inpatient and outpatient rehabilitation for brain injury, neurological, orthopedic, spinal cord injury, and stroke patients. Services also include the Center for Rehab/Sports Wellness and pulmonary rehabilitation education;
- Vascular services include: Diagnosis and treatment that includes minimally invasive surgical procedures and endovascular techniques, for atherosclerotic disease, aneurysms, blood vessel trauma, artery repair, and other vascular disorders; and
- Women’s health services include: Three-dimension tomosynthesis, PET/CT, CT lung screening, breast MRI, and the Women’s Wellness Center, which offers a Breast Program, and bone health, integrative medicine, and pelvic health services.

Mission Laguna Beach provides emergency, chemical dependency, behavioral health, and eating disorder services.

- Emergency services include: a 24-hour “basic” emergency department licensed for 12 treatment stations;
- Behavioral health services include: Comprehensive inpatient and outpatient medical, psychological, and psychiatric evaluation, individualized treatment, group, individual, and family therapy, activity groups, and aftercare planning;
- Chemical dependency services include: Mission Pacific Coast Recovery, a hospital-based program for drug and alcohol treatment that provides inpatient medical detoxification, inpatient program, intensive outpatient program, partial hospitalization, family program, and continuing care program services; and
- Eating disorder services include: Outpatient partial hospitalization and intensive outpatient program services to treat anorexia nervosa, bulimia nervosa, and co-occurring disorders.

Accreditations, Certifications, & Awards

Mission Hospital and Mission Laguna Beach are accredited by The Joint Commission, effective May 2015 through May 2018. Over the years, Mission Hospital and Mission Laguna Beach have received several awards and accolades as a provider of quality care, some of which include the following for Mission Hospital:

- Designation as a Level II Trauma Center by Orange County Emergency Medical Services;
- Certification as a Primary Stroke Center by The Joint Commission, effective September 2014 through September 2016;

Awards and accolades for both Mission Hospital and Mission Laguna Beach include the following:

- Recognition as a Magnet Hospital in 2012 by the American Nursing Credentialing Center, the most prestigious distinction a health care organization can receive for nursing excellence and quality patient outcomes;
- The 2015 Commission on Cancer Accreditation from the American College of Surgeons;
- The 2013 CNOR Strong recognition from the Competency and Credentialing Institute for excellence in perioperative nursing; and
- Recognition as a 2012 Top Workplace in Orange County by the *OC Register*.

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 Mission Hospital and Mission Laguna Beach by 0.63%. For FY 2016, the Centers for Medicare & Medicaid services will reduce payments to Mission Hospital and Mission Laguna Beach by 0.41%.

The following table reports Mission Hospital and Mission Laguna Beach’s average 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	Mission 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	96.4%	97.6%	97.3%
Patient Experience of Care Domain	Average of Measures for the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey	67.5%	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	11.6%	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, Mission Hospital and Mission Laguna Beach scored below (96.4%) the California average (97.6%) and the national average (97.3%);
- Mission Hospital and Mission Laguna Beach scored between (67.5%) the California average (67.0%) and the national average (71.0%) for the patient experience of care domain;
- Within the outcome domain, Mission Hospital and Mission Laguna Beach have a better average 30-day mortality rate and central-line bloodstream infection rate (11.6%) than the California and national averages (12.1% and 12.4%, respectively); and
- With a ratio of 0.95, Mission Hospital and Mission Laguna Beach spend less per patient for an episode of care initiated at the Hospital than California hospitals (0.98) and national hospitals (0.98).

The Hospital Readmissions Reduction Program¹¹, 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 reimbursement payments under the Medicare program by a certain percentage for the entire year.

¹¹ 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.

In FY 2014, Mission Hospital and Mission Laguna Beach were not penalized for their 30-day readmission rates. However, in FY 2014, Mission Hospital and Mission Laguna Beach were penalized by a 0.13% reduction in reimbursement. The following graph shows Mission Hospital and Mission Laguna Beach’s 30-day readmission rates for heart attack, heart failure, and pneumonia patients:

30-DAY READMISSION RATES			
Condition	Mission Hospital	National Average	California Average
Heart Attack	15.6%	17.0%	17.0%
Heart Failure	21.4%	22.0%	22.1%
Pneumonia	15.7%	16.9%	16.9%
Average 30-Day Readmission Rate	17.6%	18.6%	18.6%

Source: IPRO & Medicare.gov Hospital Compare, 2015

- Mission Hospital and Mission Laguna Beach had fewer 30-day readmissions (17.6%) than the national and State of California averages of 18.6%; and
- Mission Hospital and Mission Laguna Beach will be penalized with a 0.22% reduction in reimbursement in FY 2016.

Seismic Issues

Using the HAZUS seismic criteria¹², Mission Hospital and Mission Laguna Beach'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 Mission Hospital and Mission Laguna Beach'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
Mission Hospital		
1) Pavilion - Building 1	SPC-2	NPC-2
2) Pavilion - Building 2	SPC-5	NPC-2
3) Pavilion - Building 3	SPC-4	NPC-2
4) Pavilion - Building 4	SPC-4	NPC-2
5) Pavilion - Building 5	SPC-5	NPC-2
6) Hospital Tower	SPC-4	NPC-2
7) Tower 2	SPC-5	NPC-4
8) Linear Accelerator	SPC-5	NPC-4
9) Perioperative Pediatric Pavilion	SPC-5s*	NPC-4
Mission Laguna Beach		
1) Original Building	SPC-2	NPC-2
2) Nursing Tower	SPC-1	NPC-2
3) Elevator Tower	SPC-2	NPC-2
4) Radiographic	SPC-2	NPC-2
5) Radiographic - South Addition	SPC-2	NPC-2
6) Administration Building	SPC-2	NPC-2
7) Mechanical/Central Plant	SPC-2	NPC-2
8) Linear Accelerator Suite (Treatment)	SPC-4	NPC-2

Source: OSHPD

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

- Collectively, Mission Hospital and Mission Laguna Beach have eight buildings that are rated as SPC-1 or SPC-2. In order to continue providing acute care services, the SPC-1 buildings must be seismically retrofitted by January 1, 2020, and the SPC-2 buildings must be seismically retrofitted by January 1, 2030.

¹² OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

Patient Utilization Trends

The following table shows combined volume trends at Mission Hospital and Mission Laguna Beach 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	53,697	53,632	50,229	46,676	46,427
Intensive Care	14,226	14,746	15,043	13,305	12,552
Psychiatric Acute	4,879	6,284	6,209	7,184	7,008
Obstetrics	9,937	9,348	9,263	8,375	7,960
Chemical Dependency	4,911	5,694	6,298	4,749	4,374
Rehabilitation	4,675	4,900	4,318	4,259	4,590
Total	92,325	94,604	91,360	84,548	82,911
DISCHARGES					
Medical/Surgical	16,165	15,227	14,405	13,208	13,364
Intensive Care	1,156	1,240	1,176	1,021	874
Psychiatric Acute	931	1,182	1,363	1,630	1,548
Obstetrics	3,394	3,276	3,143	2,923	2,844
Chemical Dependency	775	910	962	726	708
Rehabilitation	390	450	440	443	451
Total	22,811	22,285	21,489	19,951	19,789
AVERAGE LENGTH OF STAY					
Medical/Surgical	3.3	3.5	3.5	3.5	3.5
Intensive Care	12.3	11.9	12.8	13.0	14.4
Psychiatric Acute	5.2	5.3	4.6	4.4	4.5
Obstetrics	2.9	2.9	2.9	2.9	2.8
Chemical Dependency	6.3	6.3	6.5	6.5	6.2
Rehabilitation	12.0	10.9	9.8	9.6	10.2
Total	4.0	4.2	4.3	4.2	4.2
AVERAGE DAILY CENSUS					
Medical/Surgical	147.1	146.9	137.6	127.9	127.2
Intensive Care	39.0	40.4	41.2	36.5	34.4
Psychiatric Acute	13.4	17.2	17.0	19.7	19.2
Obstetrics	27.2	25.6	25.4	22.9	21.8
Chemical Dependency	13.5	15.6	17.3	13.0	12.0
Rehabilitation	12.8	13.4	11.8	11.7	12.6
Total	252.9	259.2	250.3	231.6	227.2
OTHER SERVICES					
Inpatient Surgeries	5,271	5,001	5,008	4,632	4,802
Outpatient Surgeries	4,315	4,207	3,699	3,020	3,084
Emergency Services Visits ¹	51,021	51,434	56,388	55,804	56,967
Cardiac Catheterization Procedures ¹	2,671	3,077	2,721	2,619	2,764
Obstetric Deliveries	3,182	3,094	2,992	2,825	2,772

Sources: OSHPD Disclosure Reports, FY 2010-2014

¹ OSHPD Alerts Annual Utilization Reports

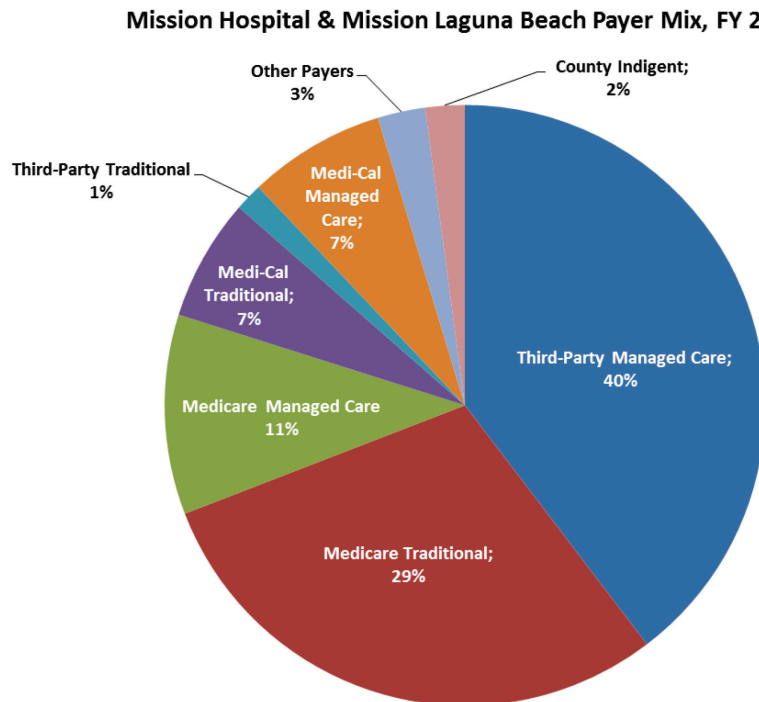
Note: Includes Mission Hospital and Mission Laguna Beach

A review of historical utilization trends supports the following conclusions:

- Total patient days have decreased by 10% between FY 2010-2014;
- Inpatient discharges have decreased 13% from 22,811 in FY 2010 to 19,789 in FY 2014;
- The average daily census has decreased 10% from 253 patients in FY 2010 to 227 patients in FY 2014; and
- Obstetric deliveries have decreased 13% from 3,182 in FY 2010 to 2,772 in FY 2014.

Payer Mix

In FY 2014, approximately 41% of Mission Hospital and Mission Laguna Beach’s inpatient payer mix consisted of Third-Party Managed Care (40%) and Third-Party Traditional (1%) patients. Approximately 40% of Mission Hospital and Mission Laguna Beach’s inpatient payer mix consisted of Medicare Traditional (29%) and Medicare Managed Care (11%) patients. In addition, approximately 14% of Mission Hospital and Mission Laguna Beach’s inpatient payer mix consisted of Medi-Cal Traditional (7%) and Medi-Cal Managed Care (7%) patients. The remaining 5% of the inpatient discharges consisted of Other Payers* (3%) and County Indigent (2%) patients.



Total Discharges = 19,789

* 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 Mission Hospital and Mission Laguna Beach’s inpatient discharge payer mix compared to Orange County and the State of California for FY 2014. The comparison shows that Mission Hospital and Mission Laguna Beach have higher percentages of Medicare Traditional and Third-Party Managed Care patients and lower percentages of Medi-Cal Traditional and Medi-Cal Managed Care patients relative to other hospitals in Orange County and statewide.

PAYER MIX COMPARISON						
	Mission Hospital (FY 2014)		Orange County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	1,296	6.5%	26,591	12.2%	448,311	15.8%
Medi-Cal Managed Care	1,455	7.4%	28,215	12.9%	435,129	15.3%
Medi-Cal Total	2,751	13.9%	54,806	25.1%	883,440	31.1%
Medicare Traditional	5,814	29.4%	53,982	24.7%	805,912	28.4%
Medicare Managed Care	2,119	10.7%	30,670	14.1%	273,709	9.6%
Medicare Total	7,933	40.1%	84,652	38.8%	1,079,621	38.0%
Third-Party Managed Care	7,814	39.5%	62,636	28.7%	610,781	21.5%
Third-Party Managed Care Total	7,814	39.5%	62,636	28.7%	610,781	21.5%
Third-Party Traditional	294	1.5%	5,168	2.4%	121,054	4.3%
Other Payers	504	2.5%	6,098	2.8%	62,617	2.2%
Other Indigent	75	0.4%	1,436	0.7%	32,930	1.2%
County Indigent	418	2.1%	3,401	1.6%	51,759	1.8%
Other Total	1,291	6.5%	16,103	7.4%	268,360	9.4%
Total	19,789	100%	218,197	100%	2,842,202	100%

Source: OSHPD Disclosure Reports, FY 2014

Note: Includes Mission Hospital and Mission Laguna Beach

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.

Orange 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, Orange County reported approximately 54,806 inpatient discharges from either Medi-Cal Traditional (51%) or Medi-Cal Managed Care (49%) coverage. The percentage of Orange 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 Orange County, the County Organized Health System plan is provided by CalOptima. Currently, Mission Hospital and Mission Laguna Beach are contracted with CalOptima to provide services for Medi-Cal Managed Care patients.

Medical Staff

Mission Hospital and Mission Laguna Beach have 766 medical staff members representing multiple specialties. The six largest specialties comprising 45% of the medical staff include: internal medicine, pediatrics, family medicine, orthopedic surgery, cardiovascular disease, and emergency medicine. Of the 766 medical staff members, 464 members are considered “active” users of Mission Hospital and Mission Laguna Beach (representing approximately 61% of the medical staff).

Mission Hospital and Mission Laguna Beach are affiliated with Mission Heritage Medical Group, a medical group that contracts exclusively with St. Joseph Heritage Healthcare. Mission Hospital and Mission Laguna Beach are also affiliated with Mission Hospital Affiliated Physician Network, a contracted physician network of St. Joseph Heritage Healthcare.

MEDICAL STAFF PROFILE 2016					
Specialty	Count	% of Total	Specialty	Count	% of Total
Addiction Medicine	4	0.5%	Neonatology	12	1.6%
Allergy/Immunology	8	1.0%	Nephrology	12	1.6%
Anesthesiology	33	4.3%	Neurological Surgery	8	1.0%
Cardiac Electrophysiology	2	0.3%	Neurology	9	1.2%
Cardiac Surgery	3	0.4%	Obstetrics & Gynecology	15	2.0%
Cardiovascular Disease	34	4.4%	Ophthalmology	20	2.6%
Clinical Neuropsychology	1	0.1%	Oral/Maxillofacial Surgery	10	1.3%
Clinical Psychology	7	0.9%	Orthopedic Surgery	35	4.6%
Colon & Rectal Surgery	1	0.1%	Otolaryngology	17	2.2%
Dental Surgery	1	0.1%	Pain Management	17	2.2%
Denistry	1	0.1%	Pathology	13	1.7%
Dermatology	18	2.3%	Pediatric Critical Care	8	1.0%
Diagnostic Radiology	12	1.6%	Pediatrc Surgery	1	0.1%
Emergency Medicine	34	4.4%	Pediatrics	67	8.7%
Endocrinology	10	1.3%	Physical Medicine & Rehabilitation	2	0.3%
Family Medicine	56	7.3%	Plastic Surgery	16	2.1%
Gastroenterology	23	3.0%	Podiatry	15	2.0%
General Surgery	27	3.5%	Psychiatry	9	1.2%
Gynecologic Oncology	4	0.5%	Pulmonary Disease	10	1.3%
Gynecology	18	2.3%	Radiation Oncology	5	0.7%
Hematology	1	0.1%	Reproductive Endocrinology	2	0.3%
Infectious Disease	5	0.7%	Rheumatology	10	1.3%
Internal Medicine	119	15.5%	Thoracic Surgery	3	0.4%
Interventional Cardiology	1	0.1%	Urology	11	1.4%
Maternal Fetal Medicine	2	0.3%	Vascular/Interventional Radiology	2	0.3%
Medical Oncology	7	0.9%	Vascular Surgery	5	0.7%
Total Medical Staff	766				

Source: Mission Hospital

(1) Includes Mission Laguna Beach

Unionized Employees

Mission Hospital and Mission Laguna Beach do not currently have any Collective Bargaining Agreements (CBAs)¹³ in place.

¹³ A Collective Bargaining Agreement is an agreement between employers and employees aimed at regulating working conditions.

Financial Profile

Over the five reported fiscal years, Mission Hospital and Mission Laguna Beach have maintained positive net income ranging from \$37.8 million to \$57.6 million. Net patient revenue has increased by nearly 8% from \$428.5 million in FY 2010 to \$461.6 million in FY 2014. Over the same period, Mission Hospital and Mission Laguna Beach's total operating expenses have increased by over 8% from \$396.3 million in FY 2010 to \$429.0 million in FY 2014. Net non-operating revenue, totaling nearly \$140 million over the course of the five-year period, has served to offset these increased operating expenses and improve 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, and taxes.

Mission Hospital and Mission Laguna Beach's current asset-to-liability ratio¹⁴ has increased over the last five years from 0.94 in FY 2010 to 1.20 in FY 2014. The California average in 2014 was 1.72. Mission Hospital and Mission Laguna Beach's percentage of bad debt is approximately 1.2%, which is lower 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	92,325	94,604	91,360	84,548	82,911	-
Discharges	22,811	22,285	21,489	19,951	19,789	-
ALOS	4.0	4.2	4.3	4.2	4.2	-
Net Patient Revenue	\$428,466,598	\$454,259,632	\$456,931,475	\$474,991,530	\$461,647,605	-
Other Operating Revenue	\$11,679,464	\$12,851,660	\$14,755,450	\$10,779,988	\$11,157,332	-
Total Operating Revenue	\$440,146,062	\$467,111,292	\$471,686,925	\$485,771,518	\$472,804,937	-
Operating Expenses	\$396,276,461	\$436,047,816	\$433,177,856	\$430,082,500	\$429,049,899	-
Net from Operations	\$43,869,601	\$31,063,476	\$38,509,069	\$55,689,018	\$43,755,038	-
Net Non-Operating Revenue	\$28,068,623	\$32,868,499	\$19,529,725	\$27,454,571	\$31,615,288	-
Net Income	\$57,639,733	\$43,164,213	\$37,796,839	\$61,777,571	\$57,246,209	-
						2014 California Average
Current Ratio	0.94	1.98	2.07	1.24	1.20	1.72
Days in A/R	54.6	50.9	58.9	62.4	63.4	62.2
Bad Debt Rate	1.9%	1.2%	1.4%	0.7%	1.2%	1.3%
Operating Margin	9.97%	6.65%	8.16%	11.46%	9.25%	2.48%

Source: OSHPD Disclosure Reports, 2010-2014

Note: Includes Mission Hospital and Mission Laguna Beach

¹⁴ 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

Mission Hospital and Mission Laguna Beach's operating cost of services includes both inpatient and outpatient care. In FY 2014, approximately 44% of total costs were associated with Medicare patients, 40% with Third Party payers, 11% with Medi-Cal patients, and 2% with County Indigent. The remaining 3% 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	\$396,276,461	\$436,047,816	\$433,177,856	\$430,082,500	\$429,049,899
Cost of Services By Payer:					
Medicare	\$157,283,017	\$183,452,534	\$184,213,572	\$187,547,762	\$187,474,503
Medi-Cal	\$32,632,805	\$37,583,277	\$32,466,953	\$32,385,105	\$45,914,497
County Indigent	\$14,697,122	\$10,725,404	\$10,652,100	\$12,184,913	\$7,318,517
Third Party	\$174,475,888	\$181,322,278	\$185,649,901	\$181,482,895	\$173,241,808
Other Indigent	\$6,692,917	\$6,763,469	\$4,644,958	\$2,766,055	\$1,556,345
Other Payers	\$10,494,713	\$16,200,854	\$15,550,372	\$13,715,770	\$13,544,229

Source: OSHPD Disclosure Reports, 2010-2014

Note: Includes Mission Hospital and Mission Laguna Beach

Charity Care

According to OSHPD, Mission Hospital and Mission Laguna Beach's charity care charges have decreased from approximately \$30.8 million in FY 2011 to approximately \$21.2 million in FY 2015. The five-year average for charity charges was approximately \$31.4 million.

CHARITY CARE TOTAL CHARGES: FY 2011-2015	
Year	OSHPD Disclosure Reports
2015	\$21,230,260
2014	\$31,947,751
2013	\$31,293,535
2012	\$41,580,147
2011	\$30,763,996
5-Year Average	\$31,363,138

Source: OSHPD Disclosure Reports, FY 2011-2015

The following table shows a comparison of charity care and bad debt for Mission Hospital and Mission Laguna Beach, and all general acute care hospitals in the State of California. For FY 2011-2015, the five-year average of charity care and bad debt for Mission Hospital and Mission Laguna Beach, as a percentage of gross patient revenue, was 2.8%. This is 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	\$1,692.30	\$288,636.7	\$1,835.8	\$303,278.6	\$1,773.52	\$317,543.8	\$1,846.79	\$337,773.16	\$1,948.26	-
Charity	\$30.76	\$6,171.5	\$41.58	\$6,251.0	\$31.29	\$6,209.9	\$31.95	\$4,571.00	\$21.23	-
Bad Debt	\$20.21	\$4,815.5	\$25.97	\$5,007.6	\$12.24	\$5,549.5	\$22.19	\$4,420.44	\$18.18	-
Total	\$50.97	\$10,987.0	\$67.55	\$11,258.6	\$43.54	\$11,759.4	\$54.14	\$8,991.45	\$39.41	-
Charity as a % of Gross Rev.	1.8%	2.1%	2.3%	2.1%	1.8%	2.0%	1.7%	1.4%	1.1%	-
Bad Debt as a % of Gross Rev.	1.2%	1.7%	1.4%	1.7%	0.7%	1.7%	1.2%	1.3%	0.9%	-
Total as a % of Gross Rev.	3.0%	3.8%	3.7%	3.7%	2.5%	3.7%	2.9%	2.7%	2.0%	-
Uncompensated Care										
Cost to Charge Ratio	25.0%	24.6%	22.8%	24.6%	23.6%	24.4%	22.6%	23.5%	25.2%	-
Cost of Charity	\$7.7	\$1,520.9	\$9.5	\$1,539.1	\$7.4	\$1,514.6	\$7.23	\$1,074.19	\$5.35	-
Cost of Bad Debt	\$5.1	\$1,186.8	\$5.9	\$1,232.9	\$2.9	\$1,353.5	\$5.02	\$1,038.80	\$4.58	-
Total	\$12.7	\$2,707.7	\$15.4	\$2,772.0	\$10.29	\$2,868.1	\$12.25	\$2,112.99	\$9.92	-

Source: OSHPD Disclosure Reports, 2011-2015

Note: Includes Mission Hospital and Mission Laguna Beach

The table below shows Mission Hospital and Mission Laguna Beach’s historical costs for charity care as reported by OSHPD. Mission Hospital and Mission Laguna Beach’s charity care costs have decreased from approximately \$7.7 million in FY 2011 to \$5.4 million in FY 2015. The average cost of charity care for the last five-year period was approximately \$7.4 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	\$21,230,260	25.2%	\$5,350,026	1.1%
FY 2014	\$31,947,751	22.6%	\$7,229,156	1.7%
FY 2013	\$31,293,535	23.6%	\$7,398,557	1.7%
FY 2012	\$41,580,147	22.8%	\$9,477,212	2.2%
FY 2011	\$30,763,996	25.0%	\$7,693,183	1.8%
5-Year Average	\$31,363,138		\$7,429,627	

Source: OSHPD Disclosure Reports, 2011-2015

Note: Includes Mission Hospital and Mission Laguna Beach

Mission Hospital and Mission Laguna Beach 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	\$2,454,958	\$748,294	\$1,490,601	\$4,693,853
Visits/Discharges	1,886	2,322	3,538	
2014:				
Cost of Charity	\$4,017,723	\$956,284	\$2,089,490	\$7,063,497
Visits/Discharges	1,847	2,919	5,426	
2013:				
Cost of Charity	\$3,736,925	\$951,144	\$2,268,903	\$6,956,971
Visits/Discharges	1,478	1,434	3,579	
2012:				
Cost of Charity	\$5,975,943	\$1,037,822	\$2,117,065	\$9,130,830
Visits/Discharges	1,769	2,118	4,632	
2011:				
Cost of Charity	\$4,920,858	\$799,827	\$1,600,885	\$7,321,570
Visits/Discharges	1,784	2,300	4,912	

Source: St. Joseph Health

Community Benefit Services

Mission Hospital and Mission Laguna Beach have consistently provided a contribution to community benefit services. As shown in the table below, the average annual cost of community benefit services over the last five fiscal years has been \$5,907,761 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 Pove	\$1,916,916	\$1,707,512	\$2,767,791	\$3,889,000	\$4,012,306	\$2,858,705	\$14,293,525
Benefits for Broader Community	\$4,890,731	\$4,756,331	\$1,942,155	\$1,873,000	\$1,783,061	\$3,049,056	\$15,245,278
Total	\$6,807,647	\$6,463,843	\$4,709,946	\$5,762,000	\$5,795,367	\$5,907,761	\$29,538,803

Source: Mission Hospital Regional Medical Center

Note: Community Benefit programs and services excludes grants

- Mission Hospital and Mission Laguna Beach’s five-year average cost of community benefit services for persons living in poverty is approximately \$2.9 million per year;
- Mission Hospital and Mission Laguna Beach’s five-year average cost of community benefit services for the broader community is approximately \$3.0 million per year; and
- Over the five-year period, Mission Hospital and Mission Laguna Beach’s combined total cost of community benefit services fluctuated from \$6.8 million in FY 2011 to \$5.8 million in FY 2015.

Mission Hospital and Mission Laguna Beach’s community benefit services over the past five fiscal years included the following programs over \$10,000:

COST OF COMMUNITY BENEFIT SERVICES FY 2011-2015					
Services over \$10,000 in cost:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Access to Healthcare	-	-	-	\$63,956	\$16,525
Beyond Our Wall - Soup Kitchen	\$10,000	-	-	-	-
Breastcare Center	\$335,607	\$374,668	\$316,768	\$289,729	\$550,218
Bridges	\$55,627	\$37,238	-	-	-
Bridges Newborn Program	\$139,417	\$132,490	\$100,522	\$82,890	-
California Kids	\$86,958	-	-	-	-
Cancer Detection Partnership: Every Woman Counts	\$10,616	-	-	-	-
Cash & In-Kind Donations	\$45,050	-	-	-	-
Cash and Food Donations Reclassed to Community Building/Other	-	\$121,347	\$95,185	\$106,468	\$104,372
Cash Donations - Care for the Poor Program	-	\$1,707,512	-	-	-
Cash Donations - CFP Camino	\$1,793,955	-	\$1,600,000	\$1,599,996	\$1,333,330
Cash Donations - CFP Helping Hands - Pharmacy and DME	-	-	\$22,160	\$24,566	\$26,827
Cash Donations - CFP Recuperative Program	-	-	\$59,000	\$58,000	\$33,250
Cash Donations - Community Benefit	-	-	\$20,800	\$15,058	\$35,950
CHEC- Family Resource Center	\$111,266	\$197,619	\$198,658	\$193,976	-
Community Benefit - Others	\$145,278	\$73,489	-	-	\$401,910
Community Flu Clinic	\$96,612	\$96,801	\$15,472	\$25,218	\$23,249
Community Health Improvement	\$524,303	\$296,620	\$253,055	-	-
Community Mental Health Initiatives/Depression Initiatives	\$183,236	\$195,891	\$222,064	\$275,515	\$292,228
Community Support Group	\$11,803	\$11,103	\$12,306	\$11,118	\$10,014
Coordinator of Interpreter Services	\$48,512	-	-	-	-
Donations - Noncash	\$90,731	\$26,562	-	-	-
Family Resource Center	\$250,110	\$288,692	\$277,076	\$238,645	\$354,851
Health Ministry/ Parish Nurse	\$379,103	\$236,922	\$265,192	\$195,217	\$157,530
Helping Hands - Meal & Transportation	\$101,317	\$17,286	\$22,965	-	-
Homeless Community Lunch Program	\$60,290	\$41,826	\$56,336	\$21,528	\$21,528
Homeless Outreach	\$54,600	\$111,968	\$55,356	\$57,234	\$16,384
Literacy Awareness Program/Education Initiatives	\$81,895	\$55,828	\$30,561	\$16,686	-
Meals on Wheels Program	\$13,623	\$15,729	\$3,024	\$3,088	\$2,057
Mentoring Moms	\$12,318	-	-	-	-
Obesity	\$599,874	\$564,498	\$450,870	\$365,144	-
Perinatal High Risk Program	\$12,748	\$11,592	-	-	-
Project Search	-	-	\$72,123	\$87,262	\$79,861
Quality of Life Initiatives	\$14,610	-	-	-	-
Regional Chaplain Professional Education Program	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Rental Assistance	-	-	\$44,816	\$24,252	-
Senior Health Improvement	\$50,000	-	-	-	-
Senior Transportation	\$160,923	\$100,136	\$103,577	\$88,211	\$73,384
South County Safe Ride	\$51,156	\$35,440	\$18,534	\$16,608	\$7,042
Substance Use Initiative	-	-	-	-	\$74,448
UCI - Donation	\$110,000	-	-	-	-
Women Wellness Community Outreach	-	-	\$11,740	-	-
Youth Alcohol Prevention	\$10,169	\$23,076	\$72,258	\$37,814	-

Source: Mission Hospital Regional Medical Center

Note: Includes Community Benefit Expenses to Mission Hospital Regional Medical Center before Grants and Offsets

Mission Hospital and Mission Laguna Beach's community benefit services have supported many programs for the community that include various outreach efforts for new mothers, health education outreach, programs targeting the poor and vulnerable, and others as described below¹⁵:

- Access to Healthcare: Aims to increase access to primary and specialty health care services for poor and vulnerable residents;
- Beyond Our Wall - Soup Kitchen: Offers financial support to a local soup kitchen;
- Breast Care Center: Operates a center dedicated to promoting awareness and earlier detection of breast cancer and also offers breast health services and cancer education outreach at health fairs, church events, classes, and community awareness campaigns;
- Bridges: Offers various support services for new mothers including inpatient breastfeeding support, postpartum depression follow up, CPR classes, and Spanish childbirth classes;
- Bridges Newborn Program: Provides inpatient screening and support services for any risk factors that could impact the healthy development of newborn;
- Cash & In-kind Donations: Offers in-kind or direct financial support to local nonprofit organizations serving South Orange County residents;
- Cash and Food Donations Reclassified to Community Building Other: Provides cash or in-kind donations to local food banks serving vulnerable residents of South Orange County;
- Cash Donations - Care for the Poor Program: Provides a donation to the St. Joseph Health Community Partnership Fund to support programs and services for the poor;
- Cash Donations - CFP Camino: Contributes financial assistance to the Camino Health Center, which operates a medical clinic, dental clinic, mobile medical unit, and Women, Infant, and Children (WIC) Program;
- Cash Donations - CFP Helping Hands, Pharmacy and DME: Supports the pharmacy and durable medical equipment needs of low income patients beyond their hospital stay;

¹⁵ The following community benefit programs and services are no longer being provided: California Kids, Cancer Detection Partnership: Every Woman Counts, Coordinator of Interpreter Services, Literacy Awareness Program/Education Initiatives, Meals on Wheels Program, Mentoring Moms, Obesity, Perinatal High Risk Program, Quality of Life Initiatives, Senior Health Improvement, and Youth Alcohol Prevention (merged with Substance Use Initiative).

- Cash Donations - CFP Recuperative Program: Dedicates funds to support homeless clients transitioning from a hospital stay;
- Cash Donations - Community Benefit: Provides in-kind or direct financial support to local nonprofit organizations serving South Orange County residents;
- CHEC - Family Resource Center, San Juan Capistrano, CA: Provides various health and social services to the low income Spanish speaking residents that include parenting classes, mental health services, health insurance enrollment, emergency assistance, and other community resources;
- Community Benefit - Others: Supports general community benefit operations;
- Community Flu Clinic: Operates flu vaccination clinics with a special focus on poor and vulnerable individuals;
- Community Health Improvement: Administers various health improvement efforts including off-site community health screenings, immunizations, flu shots, and speakers bureau;
- Community Mental Health Initiatives/Depression Initiatives: Captures the mental health services provided by the two Family Resource Centers;
- Community Support Group: Provides various support groups to the broad community;
- Donations - Noncash: Supplies food donations to local food banks, churches, and other organizations who serve vulnerable populations;
- Family Resource Center: Provides health and social services to low income, Spanish speaking residents that include parenting classes, mental health services, health insurance enrollment, emergency assistance, and other community resources;
- Health Ministry/Parish Nurse: Forms collaborations with faith communities and other community organizations serving the underserved and underinsured residents of South Orange County;
- Helping Hands - Meal & Transportation: Provides support for patients in need of meals and transportation beyond their hospital stay;
- Homeless Community Lunch Program: Supplies lunches to the homeless of the Alternative Sleeping Location in Laguna Canyon;
- Homeless Outreach: Provides support to homeless individuals in Laguna Beach;

- Project Search: Coordinates work experiences for young adults with special needs;
- Regional Chaplain Professional Education Program: Offers professional development education to Chaplains throughout Southern California;
- Rental Assistance: Provides emergency rental and utility assistance for individuals facing unexpected financial situations such as a medical emergency, loss of a loved one, or domestic violence;
- Senior Transportation: Offers free transportation for seniors in order to increase access to health care services;
- South County Safe Ride: Operates a volunteer-supported program designed to support adolescents by providing a safe ride home on Friday/Saturday evenings;
- Substance Use Initiative: Supports local efforts designed to prevent substance use and foster relationships between community members who are currently suffering from addiction; and
- Women Wellness Community Outreach: Provides educational outreach related to various women's health issues.

ANALYSIS OF MISSION HOSPITAL AND MISSION LAGUNA BEACH'S SERVICE AREA

Service Area Definition

Based upon Mission Hospital and Mission Laguna Beach's 2014 inpatient discharges, the service area is comprised of 26 ZIP Codes from which 87% of their inpatient discharges originated. Approximately 51% of the discharges originated from the top six ZIP Codes that are located in Laguna Niguel, Mission Viejo, San Juan Capistrano, Rancho Santa Margarita, and San Clemente. In 2014, Mission Hospital and Mission Laguna Beach's combined market share in the service area based on total area discharges was approximately 31%, and Mission Laguna Beach's market share was 6.1%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: FY 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
92677	Laguna Niguel	1,819	10.9%	10.9%	4,737	38.4%
92691	Mission Viejo	1,673	10.0%	20.8%	4,194	39.9%
92675	San Juan Capistrano	1,611	9.6%	30.5%	3,340	48.2%
92692	Mission Viejo	1,543	9.2%	39.7%	3,806	40.5%
92688	Rancho Santa Margarita	1,005	6.0%	45.7%	2,705	37.2%
92672	San Clemente	943	5.6%	51.3%	3,204	29.4%
92630	Lake Forest	936	5.6%	56.9%	4,416	21.2%
92629	Dana Point	847	5.1%	61.9%	2,412	35.1%
92656	Aliso Viejo	689	4.1%	66.0%	3,151	21.9%
92679	Trabuco Canyon	666	4.0%	70.0%	1,870	35.6%
92694	Ladera Ranch	588	3.5%	73.5%	1,324	44.4%
92673	San Clemente	583	3.5%	77.0%	2,122	27.5%
92653	Laguna Hills	544	3.2%	80.2%	2,454	22.2%
92637	Laguna Woods	356	2.1%	82.4%	3,616	9.8%
92651	Laguna Beach	315	1.9%	84.2%	1,980	15.9%
92624	Capistrano Beach	207	1.2%	85.5%	671	30.8%
92610	Foothill Ranch	91	0.5%	86.0%	526	17.3%
92690	Mission Viejo	34	0.2%	86.2%	58	58.6%
92674	San Clemente	24	0.1%	86.4%	68	35.3%
92676	Silverado	20	0.1%	86.5%	128	15.6%
92693	San Juan Capistrano	19	0.1%	86.6%	46	41.3%
92678	Trabuco Canyon	17	0.1%	86.7%	39	43.6%
92652	Laguna Beach	10	0.1%	86.8%	75	13.3%
92607	Laguna Niguel	10	0.1%	86.8%	47	21.3%
92654	Laguna Hills	7	0.0%	86.9%	44	15.9%
92609	El Toro	5	0.0%	86.9%	33	15.2%
Sub-Total		14,562	86.9%	86.9%	47,066	30.9%
All Other		2,196	13.1%	100%		
Total		16,758	100%			

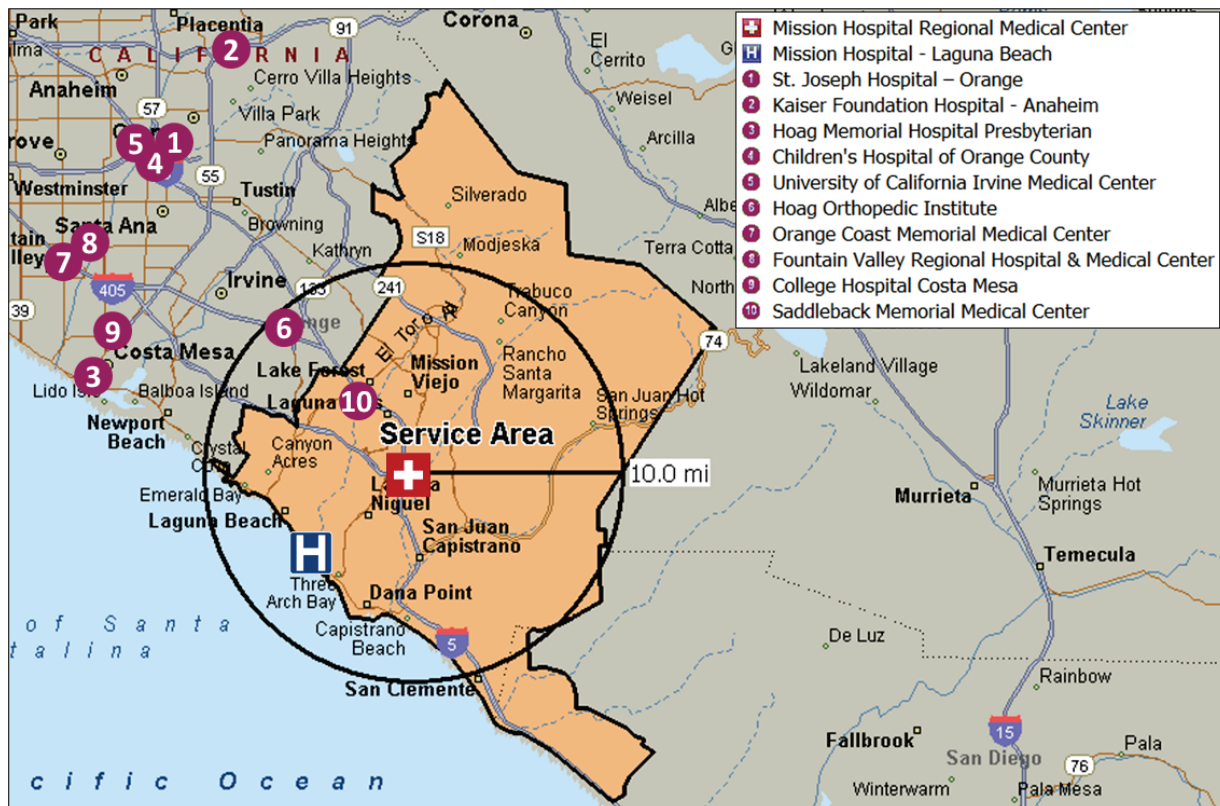
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

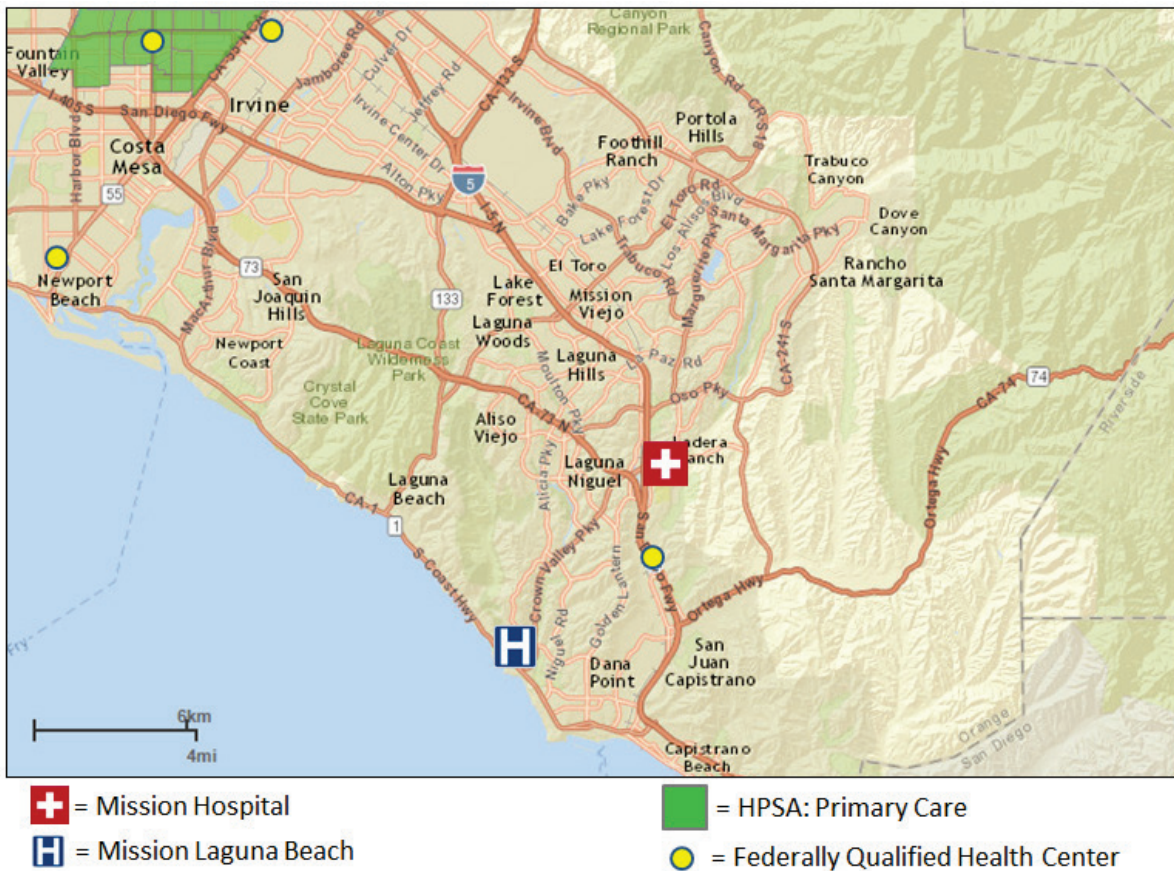
Mission Hospital and Mission Laguna Beach’s service area, with approximately 600,000 residents, includes the communities of Laguna Niguel, Mission Viejo, San Juan Capistrano, Mission Viejo, Rancho Santa Margarita, San Clemente, Lake Forest, Dana Point, Aliso Viejo, Trabuco Canyon, Ladera Ranch, Laguna Hills, Laguna Woods, Laguna Beach, Capistrano Beach, Foothill Ranch, Silverado, and El Toro.

Saddleback Memorial Medical Center is only other hospital located within Mission Hospital and Mission Laguna Beach’s service area. Saddleback Memorial Medical Center, located in Laguna Hills, operates a second campus in San Clemente that is licensed for 73 beds. The San Clemente campus is currently scheduled to close on May 31, 2016. Hoag Memorial Hospital Presbyterian, Hoag Hospital Irvine, Hoag Orthopedic Institute, and College Hospital Costa Mesa are all located just outside of the service area and are within approximately 15 miles of Mission Hospital. Mission Hospital ranks first in inpatient market share in the service area.



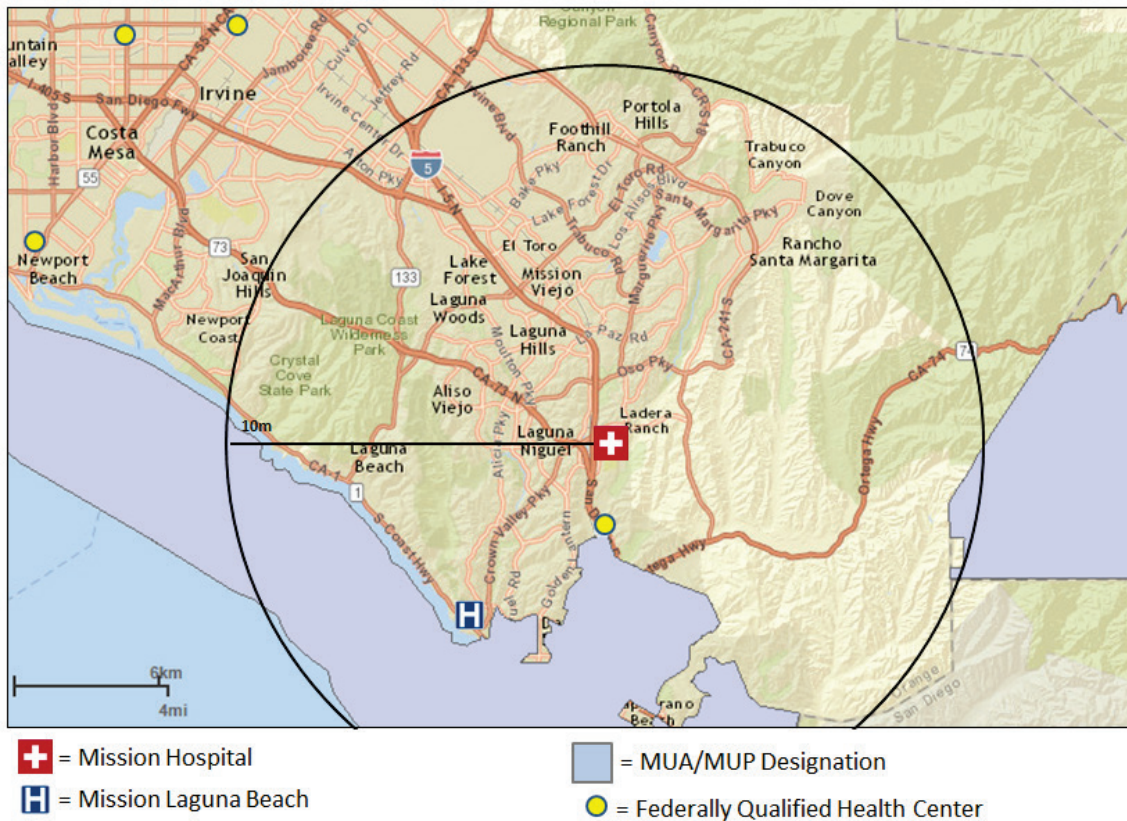
Health Professional Shortage Areas, Medically Underserved Areas, & Medically Underserved Populations

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 (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). Neither Mission Hospital or Mission Laguna Beach, nor their service area is located in designated shortage areas. The map below depicts these shortage areas relative to Mission Hospital and Mission Laguna Beach's location.



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

necessary. The map below depicts the Medically Underserved Areas/Medically Underserved Populations relative to Mission Hospital and Mission Laguna Beach’s location.



Neither Mission Hospital nor Mission Laguna Beach is located in Medically Underserved Area/Medically Underserved Populations areas. However, coastal communities within their service area, stretching between Dana Point and San Clemente, are designated as Medically Underserved Area/Medically Underserved Population areas.

El Camino Health Center, located in San Juan Capistrano, is the only Federally Qualified Health Center within a ten-mile radius of both Mission Hospital and Mission Laguna Beach. 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. Many of the area Federally Qualified Health Centers’ patients utilize the services of both Mission Hospital and Mission Laguna Beach.

Service Area STEMI Receiving Centers

Mission 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 patients experiencing an acute heart attack. Within Orange County, there are 12 STEMI Receiving Centers.



Service Area Certified Stroke Centers

Mission Hospital and Saddleback Memorial Medical Center are the two certified stroke centers in the service area. There are nine stroke centers certified through The Joint Commission within Orange County, including one Comprehensive Stroke Center and eight Primary Stroke Centers¹⁶.



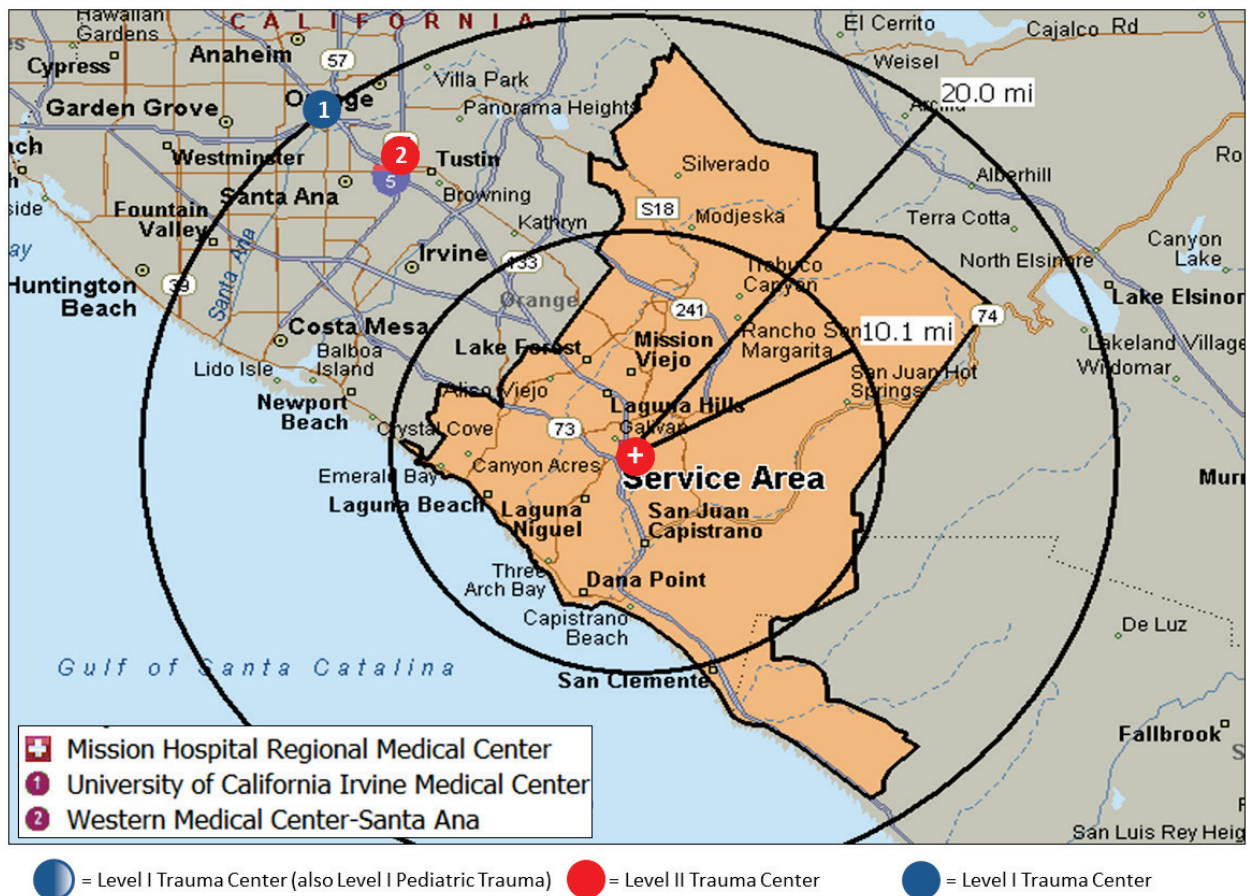
¹⁶ Eligibility standards for the Comprehensive Stroke Center Certification include all components of a Primary Stroke Center plus: availability of advanced imaging techniques; availability of personnel trained in vascular neurology, neurosurgery and endovascular procedures; 24/7 availability of personnel, imaging, operating room, and endovascular facilities; ICU/neuroscience facilities and capabilities; and experience and expertise treating patients with large ischemic strokes, intracerebral hemorrhage, and subarachnoid hemorrhage.

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.

Mission Hospital is a Level II Trauma Center. Therefore, it is required to have emergency and surgical services available 24 hours a day and on-call coverage in place for select specialists including neurosurgeons, pulmonologists, intensivists, trauma surgeons, anesthesiologists, and orthopedists. A Level II Trauma Center must also have an in-house laboratory, and 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 Mission Hospital relative to other area trauma centers within 20 miles of the Hospital.



- There are two other trauma centers located within 20 miles of Mission Hospital: University of California Irvine Medical Center and Western Medical Center-Santa Ana; and
- Mission Hospital is the only trauma center in the service area and provides care to over 1,000 trauma patients per year.

Demographic Profile

Mission Hospital and Mission Laguna Beach’s service area is expected to grow 4.7% over the next five years. This is greater than the expected growth for both Orange County (4.1%) and the State of California (3.7%).

SERVICE AREA POPULATION STATISTICS			
2015-2020			
	2015 Estimate	2020 Projection	% Change
Total Population	600,450	628,644	4.7%
Households	223,121	233,709	4.7%
Percentage Female	51.0%	51.0%	-

Source: Esri

The median age of the population of Mission Hospital and Mission Laguna Beach’s service area is 41.3 years, which is higher than the State of California 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 4% 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	110,091	18.3%	110,503	17.6%
Age 15-44	220,260	36.7%	230,645	36.7%
Age 45-64	176,698	29.4%	175,174	27.9%
Age 65+	93,401	15.6%	112,322	17.9%
Total	600,450	100%	628,644	100%
Female 15-44	109,292	18.2%	114,154	18.2%
Median Age	41.3	-	41.6	-

Source: Esri

The largest population cohorts in Mission Hospital and Mission Laguna Beach’s service area are White (77%) and Asian or Pacific Islander (10%). Approximately 80% of the service area population is of non-Hispanic ethnicity. This is greater than the non-Hispanic ethnic populations of both Orange County (65%) and the State of California (61%).

SERVICE AREA POPULATION RACE/ETHNICITY: 2015-2020		
	2015	2020
White	76.7%	74.2%
Black	1.5%	1.6%
American Indian	0.4%	0.4%
Asian or Pacific Islander	10.1%	11.6%
Some Other Race	6.5%	6.9%
Two or More Races	4.8%	5.2%
Total	100%	100%
Hispanic Ethnicity	19.7%	21.3%
Non-Hispanic or Latino	80.3%	78.7%
Total	100%	100%

Source: Esri

Mission Hospital and Mission Laguna Beach’s service area has an average household income of \$127,902. This is 17% higher than the average for Orange County (\$106,158) and 32% higher than the State of California average (\$87,152). The percentage of high-income households (\$150,000+) is growing at an identical rate (16%) to that of Orange County but slower than the State of California (19%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2015-2020						
Annual Income	2015 Estimate			2020 Estimate		
	Service Area	Orange County	California	Service Area	Orange County	California
\$0 - \$15,000	5.1%	7.2%	11.1%	4.4%	6.4%	10.3%
\$15 - \$24,999	4.8%	6.6%	9.0%	3.3%	4.6%	6.6%
\$25 - \$34,999	5.8%	7.4%	9.3%	4.6%	5.9%	7.7%
\$35 - \$49,999	8.3%	10.4%	12.2%	7.2%	9.2%	11.3%
\$50 - \$74,999	15.2%	16.5%	16.5%	13.6%	15.3%	15.9%
\$75 - \$99,999	12.9%	13.6%	12.3%	13.6%	15.0%	14.2%
\$100 - \$149,999	19.0%	18.0%	14.9%	19.9%	19.8%	16.6%
\$150,000+	28.8%	20.3%	14.6%	33.4%	23.6%	17.4%
Total	100%	100%	100%	100%	100%	100%
Average Household Income	\$127,902	\$106,158	\$87,152	\$145,112	\$120,649	\$99,512

Source: Esri

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that only 6% of the population in Mission Hospital and Mission Laguna Beach’s service area was eligible for Medi-Cal coverage in comparison to the California 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 more than 12 million total enrollees in the Medi-Cal program in 2015. Based on Mission Hospital and Mission Laguna Beach’s service area income demographics and payer mix consisting of 14% Medi-Cal patients, a lower percentage of service area residents will qualify for Medi-Cal coverage under the expansion than seen on average statewide.

Selected Health Indicators

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

- Orange County’s rates of low birth weight infants, first trimester prenatal care, and adequate/adequate plus care are favorable to both the State of California rates and the national goals.

NATALITY STATISTICS: 2015			
Health Status Indicator	Orange County	California	National Goal
Low Birth Weight Infants	6.4%	6.8%	7.8%
First Trimester Prenatal Care	89.6%	83.6%	77.9%
Adequate/Adequate Plus Care	88.6%	79.2%	77.6%

Source: California Department of Public Health

- The overall age-adjusted mortality rate for Orange County is lower than that of the State of California. Orange County’s age-adjusted rates for 16 out of the 18 causes of mortality are lower than the statewide rates. The County’s age-adjusted rates are higher than the State of California rates for Alzheimer’s disease and influenza/pneumonia. Based on underlying and contributing cause of death statistics, Orange County reported lower age-adjusted death rates for 13 out of the 14 reported national goals.

MORTALITY STATISTICS: 2015 RATE PER 100,000 POPULATION				
Selected Cause	Orange County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	595.4	584.0	641.1	N/A
- All Cancers	145.1	142.9	151.0	161.4
- Colorectal Cancer	12.7	12.2	13.9	14.5
- Lung Cancer	31.6	31.6	33.6	45.5
- Female Breast Cancer	20.9	18.4	20.7	20.7
- Prostate Cancer	15.5	19.2	20.2	21.8
- Diabetes	15.3	15.0	20.8	N/A
- Alzheimer's Disease	37.6	36.6	30.8	N/A
- Coronary Heart Disease	101.3	98.8	103.8	103.4
- Cerebrovascular Disease (Stroke)	35.2	34.7	35.9	34.8
- Influenza/Pneumonia	18.1	17.8	16.3	N/A
- Chronic Lower Respiratory Disease	30.9	31.2	35.9	N/A
- Chronic Liver Disease And Cirrhosis	10.3	9.5	11.7	8.2
- Accidents (Unintentional Injuries)	22.6	22.0	27.9	36.4
- Motor Vehicle Traffic Crashes	5.5	5.4	7.6	12.4
- Suicide	10.0	9.6	10.2	10.2
- Homicide	2.2	2.2	5.1	5.5
- Firearm-Related Deaths	4.8	4.7	7.8	9.3
- Drug-Induced Deaths	10.8	10.4	11.1	11.3

Source: California Department of Public Health

- With the exception of tuberculosis, Orange County has lower morbidity rates for each of the conditions reported below than both the State of California rates and the national goals.

MORBIDITY STATISTICS: 2015 RATE PER 100,000 POPULATION			
Health Status Indicator	Orange County	California	National Goal
AIDS	5.8	8.1	12.4
Chlamydia	273.5	442.6	N/A
Gonorrhea Female 15-44	59.7	152.8	251.9
Gonorrhea Male 15-44	104.5	213.1	194.8
Tuberculosis	6.4	5.9	1.0

Source: California Department of Public Health

2014 Community Health Needs Assessment

In an effort to better understand the significant health and quality of life needs facing its most vulnerable community members, Mission Hospital and Mission Laguna Beach conduct a Community Health Needs Assessment every three years. In order to conduct the assessment, Mission Hospital and Mission Laguna Beach collected primary data from residents using both telephone surveys and focus groups. It also collected secondary data, including hospital data and information from local non-profit agencies and the Orange County Health Care Agency. Mission Hospital and Mission Laguna Beach's service area were defined as follows:

- A primary service area consisting of Mission Viejo, Laguna Beach, Laguna Niguel, San Juan Capistrano, San Clemente, Rancho Santa Margarita, Lake Forest, Laguna Hills, Dana Point, Ladera Ranch Trabuco Canyon, Capistrano Beach and Aliso Viejo; and
- A secondary service area that includes Laguna Woods, Irvine, Foothill Ranch and Silverado.

Based on the methods described above, the following needs were identified as significant health concerns for the community:

- Substance abuse;
- Dental care;
- Mental health;
- Access to healthcare;
- Overweight/obesity;
- Diabetes; and
- Senior/aging-related issues.

Mission Hospital and Mission Laguna Beach also identified the following quality of life concerns:

- Services and activities for teens;
- Affordable housing;
- Mental health education;
- Access to social services;
- Economic burden; and
- Safety.

Hospital Supply, Demand & Market Share

There are four general acute care hospitals within the defined service area: Mission Hospital, Mission Laguna Beach, Children's Hospital at Mission, and Saddleback Memorial Medical Center. In FY 2014, the service area hospitals had a combined total of 902 licensed beds and an aggregate occupancy rate of 44%. Mission Hospital had 345 licensed beds that operated at an occupancy rate of nearly 52%, while Mission Laguna Beach had 178 licensed beds that operated at an occupancy rate of approximately 27%. Mission Hospital and Mission Laguna Beach were responsible for approximately 43% and 11% of service area discharges, respectively.

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

AREA HOSPITAL DATA FY 2014									
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Mission Hospital	St. Joseph Health System	Mission Viejo	X	345	15,735	65,316	179	51.9%	-
Mission Laguna Beach	St. Joseph Health System	Laguna Beach	X	178	4,054	17,595	48	27.1%	-
Children's Hospital at Mission	Children's Hospital at Mission	Mission Viejo	X	54	1,821	7,604	21	38.6%	0.0
Saddleback Memorial Medical Center	Memorial Health Services	Laguna Beach	X	325	14,708	54,349	149	45.8%	5.8
SUB-TOTAL				902	36,318	144,864	397	44.0%	
Hoag Orthopedic Institute	Hoag Memorial Hosp. Presb. & Phys.	Irvine		70	3,308	7,716	21	30.2%	11.7
Hoag Memorial Hospital Presbyterian	Hoag Memorial Hospital Presbyterian	Newport Beach		569	18,326	75,627	207	36.4%	20.9
Children's Hospital of Orange County	Children's Hospital of Orange County	Orange		279	11,247	56,996	156	56.0%	21.0
St. Joseph Hospital - Orange	St. Joseph Health System	Orange		491	20,298	76,932	211	42.9%	21.2
University of California, Irvine Medical Center	Regents of the University of California	Orange		411	19,268	107,782	295	71.8%	22.1
Kaiser Foundation Hospitals - Anaheim	Kaiser Foundation Hospitals	Anaheim		436	24,959	92,726	254	58.3%	25.8
TOTAL				3,158	133,724	562,643	1,541	48.8%	

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

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
Mission Hospital	30.6%	29.7%	30.9%	↔
Saddleback Memorial Medical Center	27.8%	27.7%	25.9%	↘
Kaiser Foundation Hospital - Anaheim	7.4%	8.1%	8.3%	↗
Mission Laguna Beach	6.5%	6.2%	6.1%	↘
Hoag Memorial Hospital Presbyterian	5.9%	5.8%	5.8%	↔
Children's Hospital at Mission	3.1%	3.1%	3.1%	↔
University Of California Irvine Medical Center	2.5%	2.4%	2.5%	↔
Hoag Orthopedic Institute	1.5%	1.5%	1.8%	↗
Children's Hospital of Orange County	1.5%	1.6%	1.6%	↔
St. Joseph Hospital - Orange	1.6%	1.7%	1.6%	↔
Other Discharges	11.7%	12.1%	12.3%	↗
Total Percentage	100%	100%	100%	
Total Discharges	48,532	47,252	47,066	↘

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The number of discharges in the Mission Hospital and Mission Laguna Beach's service area decreased by nearly 3% between 2012 and 2014;
- Mission Hospital has consistently been the market share leader for its service area based on discharges with approximately 31% in 2014. In 2014, Saddleback Memorial Medical Center ranked second in inpatient discharges with 26% market share.
- Mission Laguna Beach decreased its market share to 6% in 2014; and
- Kaiser Foundation Hospitals-Anaheim increased its market share slightly to 8% 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	Mission Hospital	Saddleback Memorial Medical Center	Kaiser Foundation Hospital - Anaheim	Mission Laguna Beach	Hoag Memorial Hospital Presbyterian	Children's Hospital at Mission	University of California Irvine Medical Center	Hoag Orthopedic Institute	All Others	Total
Medicare	19,962	31.6%	34.8%	9.0%	5.5%	4.6%	0.0%	1.9%	2.0%	10.6%	100%
Private Coverage	19,003	25.7%	21.6%	10.3%	6.8%	8.5%	4.6%	2.8%	2.1%	17.6%	100%
Medi-Cal	6,242	46.8%	11.0%	2.1%	6.1%	2.2%	8.6%	3.8%	0.0%	19.5%	100%
All Other	1,057	23.7%	21.7%	0.9%	3.2%	2.0%	4.2%	2.4%	3.4%	38.6%	100%
Self Pay	802	24.3%	29.2%	3.0%	11.3%	3.6%	3.1%	1.0%	0.1%	24.3%	100%
Total Percentage		30.9%	25.9%	8.3%	6.1%	5.8%	3.1%	2.5%	1.8%	15.5%	100%
Total Discharges	47,066	14,562	12,195	3,907	2,888	2,737	1,481	1,180	839	7,277	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest categories of service area inpatient discharges are comprised of Medicare at nearly 20,000 discharges (42%), Private Coverage at approximately 19,000 discharges (40%), and Medi-Cal at over 6,200 discharges (13%);
- Mission Hospital is the market share leader for Private Coverage (26%) and Medi-Cal (47%);
- Saddleback Memorial Medical Center ranks first in Medicare (35%) and Self Pay (29%);
- Mission Laguna Beach has 11.3% of the market share for Self Pay patients; and
- Mission Hospital also provides care to a large proportion of Medicare patients with a 32% 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 Foundation									Total
		Mission Hospital	Saddleback Memorial Center	Hospital - Orange County - Anaheim	Mission Laguna Beach	Hoag Memorial Hospital Presbyterian	Children's Hospital At Mission	University Of California Irvine Medical Center	Hoag Orthopedic Institute	All Others	
General Medicine	13,458	32.9%	30.4%	9.4%	5.6%	5.2%	5.0%	1.7%	0.0%	9.8%	100%
Obstetrics	6,098	40.0%	30.4%	11.8%	0.2%	11.2%	0.0%	0.7%	0.0%	5.7%	100%
Cardiac Services	4,461	35.3%	34.7%	7.7%	3.2%	4.6%	0.4%	0.9%	0.0%	13.1%	100%
Orthopedics	4,042	22.1%	27.1%	10.2%	6.3%	0.9%	1.5%	2.0%	17.6%	12.4%	100%
Behavioral Health	3,514	4.1%	2.5%	0.9%	39.4%	3.5%	0.9%	4.4%	0.0%	44.3%	100%
General Surgery	3,477	26.8%	22.7%	7.2%	3.3%	6.6%	3.6%	5.7%	0.1%	23.8%	100%
Neonatology	2,152	34.7%	26.1%	11.2%	0.0%	8.3%	12.7%	0.6%	0.0%	6.4%	100%
Neurology	1,969	32.6%	31.0%	8.8%	1.6%	3.7%	5.4%	2.9%	0.0%	14.1%	100%
Spine	1,654	36.6%	19.3%	2.2%	3.2%	3.9%	0.5%	2.9%	7.1%	24.2%	100%
Oncology/Hematology (Medical)	1,452	22.9%	23.1%	10.1%	4.1%	6.3%	1.2%	7.1%	0.1%	25.2%	100%
Other	1,123	45.9%	17.7%	6.2%	1.2%	4.4%	5.9%	4.3%	0.0%	14.5%	100%
Vascular Services	736	28.3%	37.9%	6.0%	3.4%	6.9%	0.1%	5.3%	0.0%	12.1%	100%
Urology	677	26.6%	20.8%	5.5%	0.7%	17.1%	0.6%	5.3%	0.0%	23.3%	100%
ENT	558	36.2%	13.1%	8.2%	3.2%	3.6%	15.1%	3.2%	0.0%	17.4%	100%
Rehabilitation	557	68.4%	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	0.0%	29.3%	100%
Neurosurgery	542	34.3%	15.3%	4.1%	0.4%	10.5%	0.7%	7.6%	0.0%	27.1%	100%
Gynecology	469	28.1%	23.0%	10.2%	1.9%	12.6%	1.3%	5.1%	0.0%	17.7%	100%
<All others>	127	21.3%	11.0%	10.2%	4.7%	2.4%	4.7%	1.6%	0.0%	44.1%	100%
Total Percentage		30.9%	25.9%	8.3%	6.1%	5.8%	3.1%	2.5%	1.8%	15.5%	100%
Total Discharges	47,066	14,562	12,195	3,907	2,888	2,737	1,481	1,180	839	7,277	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- Mission Hospital is the service line leader in 12 of 16 service lines: general medicine (33%), obstetrics (40%), cardiac services (35%), general surgery (27%), neonatology (35%), neurology (32%), spine (37%), urology (27%), ear, nose, and throat (36%), rehabilitation (68%), neurosurgery (34%), and gynecology (28%);
- Mission Hospital also has significant service line market share in orthopedics (22%), oncology/hematology (23%), and vascular services (28%);
- In 2014, Saddleback Memorial Medical Center was the market share leader for three service lines including orthopedics (27%), oncology/hematology (23%), and vascular services (38%); and
- Mission Laguna Beach has the highest market share in behavioral health with nearly 40% market share.

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	Kaiser Foundation Hospital - Orange County - Mission Laguna									All Others	Total
			Mission Hospital	Saddleback Memorial Medical Center	Orange County - Anaheim	Mission Laguna Beach	Hoag Memorial Hospital Presbyterian	Children's Hospital At Mission	University Of California Irvine Medical Center	Hoag Orthopedic Institute			
92677	Laguna Niguel	4,737	38.4%	15.4%	7.5%	10.1%	5.8%	3.2%	2.4%	2.3%	14.9%	100%	
92630	Lake Forest	4,416	21.2%	35.5%	10.6%	2.1%	6.6%	2.7%	2.3%	1.3%	17.7%	100%	
92691	Mission Viejo	4,194	39.9%	22.5%	8.3%	3.5%	4.5%	2.6%	2.7%	1.5%	14.4%	100%	
92692	Mission Viejo	3,806	40.5%	19.5%	9.1%	3.0%	5.3%	3.1%	2.4%	1.9%	15.2%	100%	
92637	Laguna Woods	3,616	9.8%	59.6%	10.6%	1.3%	4.8%	0.0%	1.7%	1.3%	10.8%	100%	
92675	San Juan Capistrano	3,340	48.2%	16.1%	6.5%	5.2%	3.3%	4.3%	2.2%	1.4%	12.8%	100%	
92672	San Clemente	3,204	29.4%	33.2%	5.8%	6.9%	2.2%	3.7%	2.3%	1.3%	15.1%	100%	
92656	Aliso Viejo	3,151	21.9%	27.0%	9.6%	4.4%	10.2%	3.6%	3.1%	1.1%	19.0%	100%	
92688	Rancho Santa Margarita	2,705	37.2%	18.3%	10.1%	3.4%	5.8%	5.0%	2.5%	1.3%	16.5%	100%	
92653	Laguna Hills	2,454	22.2%	38.6%	7.5%	2.0%	6.6%	2.6%	2.7%	1.8%	15.9%	100%	
92629	Dana Point	2,412	35.1%	13.4%	7.8%	18.0%	4.0%	2.9%	2.6%	2.3%	14.0%	100%	
92673	San Clemente	2,122	27.5%	32.8%	7.5%	4.8%	4.1%	4.1%	2.2%	2.0%	15.0%	100%	
92651	Laguna Beach	1,980	15.9%	10.8%	5.2%	30.6%	13.4%	1.5%	3.2%	4.4%	14.9%	100%	
92679	Trabuco Canyon	1,870	35.6%	17.0%	7.8%	3.1%	8.2%	3.4%	2.7%	2.4%	19.9%	100%	
92694	Ladera Ranch	1,324	44.4%	15.1%	6.4%	3.3%	5.8%	8.8%	2.4%	1.3%	12.4%	100%	
92624	Capistrano Beach	671	30.8%	31.7%	5.5%	6.3%	2.7%	2.1%	2.4%	2.2%	16.2%	100%	
92610	Foothill Ranch	526	17.3%	22.1%	12.9%	1.5%	11.4%	4.6%	3.2%	3.0%	24.0%	100%	
92676	Silverado	128	15.6%	15.6%	14.8%	3.1%	3.1%	3.1%	7.0%	2.3%	35.2%	100%	
92652	Laguna Beach	75	13.3%	8.0%	8.0%	32.0%	9.3%	0.0%	6.7%	4.0%	18.7%	100%	
92674	San Clemente	68	35.3%	17.6%	5.9%	4.4%	2.9%	1.5%	2.9%	0.0%	29.4%	100%	
92690	Mission Viejo	58	58.6%	5.2%	3.4%	1.7%	0.0%	3.4%	5.2%	1.7%	20.7%	100%	
92607	Laguna Niguel	47	21.3%	6.4%	10.6%	4.3%	17.0%	2.1%	4.3%	2.1%	31.9%	100%	
92693	San Juan Capistrano	46	41.3%	17.4%	8.7%	2.2%	8.7%	0.0%	0.0%	0.0%	21.7%	100%	
92654	Laguna Hills	44	15.9%	27.3%	6.8%	0.0%	6.8%	2.3%	9.1%	6.8%	25.0%	100%	
92678	Trabuco Canyon	39	43.6%	17.9%	12.8%	5.1%	0.0%	0.0%	2.6%	0.0%	17.9%	100%	
92609	El Toro	33	15.2%	39.4%	9.1%	0.0%	0.0%	0.0%	0.0%	3.0%	33.3%	100%	
Total Percentage			30.9%	25.9%	8.3%	6.1%	5.8%	3.1%	2.5%	1.8%	15.5%	100%	
Total Discharges		47,066	14,562	12,195	3,907	2,888	2,737	1,481	1,180	839	7,277		

Note: Excludes normal newborns
Source: OSHPD Patient Discharge Database

- Mission Hospital is the market share leader in 14 of the service area ZIP Codes. In 2014, Mission Hospital had over 40% of the market share in seven of these ZIP Codes represented by Mission Viejo, San Juan Capistrano, Ladera Ranch, and Trabuco Canyon.
- Saddleback Memorial Medical Center is the market share leader in the communities of Lake Forest, Laguna Woods, San Clemente, Aliso Viejo, Laguna Hills, Capistrano Beach, Foothill Ranch, Silverado, and El Toro; and
- Mission Laguna Beach is the market share leader in two service area ZIP Codes both located in Laguna Beach.

Service Availability by Bed Type

Using FY 2014 data, the tables on the following pages show Mission Hospital and Mission Laguna Beach’s existing hospital bed capacity, occupancy, and availability for medical/surgical, intensive/coronary care, obstetrics, acute psychiatric care, chemical dependency acute care, rehabilitation, and emergency services.

Medical/Surgical Capacity Analysis

The medical/surgical beds within Mission Hospital and Mission Laguna Beach’s service area operated at an overall occupancy rate of approximately 42%.

MEDICAL/SURGICAL BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	217	11,600	41,482	114	52.4%
Mission Laguna Beach	-	X	75	1,813	6,037	17	22.1%
Children's Hospital at Mission	0.0	X	-	-	-	-	-
Saddleback Memorial Medical Center	5.8	X	192	8,369	27,041	74	38.6%
SUB-TOTAL			484	21,782	74,560	204	42.2%
Hoag Orthopedic Institute	11.7		70	3,308	7,716	21	30.2%
Hoag Memorial Hospital Presbyterian	20.9		387	11,557	42,002	115	29.7%
Children's Hospital of Orange County	21.0		-	-	-	-	-
St. Joseph Hospital - Orange	21.2		283	6,789	22,245	61	21.5%
University of California, Irvine Medical Center	22.1		143	10,072	46,281	127	88.7%
Kaiser Foundation Hospitals - Anaheim	25.8		276	17,013	65,364	179	64.9%
TOTAL			1,643	70,521	258,168	707	43.0%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- Mission Hospital reported 11,600 hospital discharges and 41,482 patient days, resulting in an occupancy rate of approximately 52% and an average daily census of 114 patients;
- Mission Hospital’s 217 licensed medical/surgical beds represented nearly 45% of the beds in this category for the service area;
- Mission Laguna Beach reported 1,813 hospital discharges and 6,037 patient days that resulted in an occupancy rate of approximately 22% and an average daily census of 17 patients; and
- Mission Laguna Beach’s 75 licensed medical/surgical beds represented nearly 16% of the beds in this category for the service area.

Intensive Care Unit/Coronary Care Unit Capacity Analysis

There were 111 intensive care unit/coronary care unit beds within the service area that operated at an overall occupancy rate of nearly 48%.

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
Mission Hospital	-	X	63	840	12,109	33	52.7%
Mission Laguna Beach	-	X	10	34	443	1	12.1%
Children's Hospital at Mission	0.0	X	-	-	-	-	-
Saddleback Memorial Medical Center	5.8	X	38	518	6,713	18	48.4%
SUB-TOTAL			111	1,392	19,265	53	47.6%
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		43	347	8,271	23	52.7%
Children's Hospital of Orange County	21.0		-	-	-	-	-
St. Joseph Hospital - Orange	21.2		52	1,209	6,234	17	32.8%
University of California, Irvine Medical Center	22.1		88	2,890	17,555	48	54.7%
Kaiser Foundation Hospitals - Anaheim	25.8		60	351	7,170	20	32.7%
TOTAL			354	6,189	58,495	160	45.3%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- Mission Hospital operated 36 intensive care beds and 27 coronary care beds that had a combined occupancy rate of nearly 53% and an average daily census of 33 patients;
- Mission Hospital provided nearly 57% of the service area's intensive care/coronary care beds and approximately 60% of the discharges;
- Mission Laguna Beach operated 10 intensive care beds that had an occupancy rate of approximately 12% and an average daily census of one patient; and
- Mission Laguna Beach provided only 9% of the service area's intensive care/coronary care beds and approximately 2% of the discharges.

Obstetrics Capacity Analysis

As shown below, there were 101 obstetric beds located in the service area with an aggregate occupancy rate of nearly 42%. Mission Hospital reported 43 licensed obstetric beds with an occupancy rate of nearly 46% and an average daily census of 20 patients. Mission Laguna Beach has 19 licensed obstetrics beds that are currently in suspense.

OBSTETRICS BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	43	2,844	7,140	20	45.5%
Mission Laguna Beach	-	X	19	-	-	-	-
Children's Hospital at Mission	0.0	X	-	-	-	-	-
Saddleback Memorial Medical Center	5.8	X	39	2,802	8,242	23	57.9%
SUB-TOTAL			101	5,646	15,382	42	41.7%
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		70	4,834	12,685	35	49.6%
Children's Hospital of Orange County	21.0		-	-	-	-	-
St. Joseph Hospital - Orange	21.2		89	5,371	13,062	36	40.2%
University of California, Irvine Medical Center	22.1		35	1,786	6,081	17	47.6%
Kaiser Foundation Hospitals - Anaheim	25.8		62	6,348	10,537	29	46.6%
TOTAL			357	23,985	57,747	158	44.3%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

Saddleback Memorial Medical Center has an Alternative Birthing Center

- Mission Hospital provided nearly 43% of licensed obstetrics beds within its service area, and it reported approximately 50% of the service area's 5,646 discharges.

Pediatric and Neonatal Services Capacity Analysis

Children’s Hospital of Orange County (CHOC) owns and operates Children’s Hospital at Mission as a separately licensed pediatric and neonatal “hospital within a hospital” that is physically located at Mission Hospital. The following tables show the bed capacity and availability of the 54 licensed beds that Children’s Hospital at Mission operates at Mission Hospital.

Pediatric Acute Care

Children’s Hospital at Mission operates 24 pediatric acute care beds at Mission Hospital. These are the only licensed pediatric acute care beds within Mission Hospital and Mission Laguna Beach’s service area. In FY 2014, these 24 pediatric acute care beds had an average occupancy rate of nearly 36% and an average daily census of 9 patients.

PEDIATRIC ACUTE CARE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	-	-	-	-	-
Mission Laguna Beach	-	X	-	-	-	-	-
Children's Hospital at Mission	0.0	X	24	1,325	3,143	9	35.9%
Saddleback Memorial Medical Center	5.8	X	-	-	-	-	-
SUB-TOTAL			24	1,325	3,143	9	35.9%
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		-	-	-	-	-
Children's Hospital of Orange County	21.0		158	9,498	33,402	92	57.9%
St. Joseph Hospital - Orange	21.2		-	-	-	-	-
University of California, Irvine Medical Center	22.1		-	-	-	-	-
Kaiser Foundation Hospitals - Anaheim	25.8		12	862	2,282	6	52.1%
TOTAL			170	10,360	35,684	98	57.5%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- The closest provider of pediatric acute care beds outside of Mission Hospital and Mission Laguna Beach’s service area is CHOC, which is located 21 miles from Mission Hospital.

Neonatal Intensive Care

Children’s Hospital at Mission operates 22 licensed neonatal intensive care beds at Mission Hospital. In FY 2014, the neonatal intensive care beds had an average occupancy rate of nearly 48% and an average daily census of 10 patients.

NEONATAL INTENSIVE CARE UNIT UNIT BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	-	-	-	-	-
Mission Laguna Beach	-	X	-	-	-	-	-
Children’s Hospital at Mission	0.0	X	22	289	3,818	10	47.5%
Saddleback Memorial Medical Center	5.8	X	19	202	2,907	8	41.9%
SUB-TOTAL			41	491	6,725	18	44.9%
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		21	275	3,829	10	50.0%
Children’s Hospital of Orange County	21.0		67	799	14,486	40	59.2%
St. Joseph Hospital - Orange	21.2		-	-	-	-	-
University of California, Irvine Medical Center	22.1		45	393	10,078	28	61.4%
Kaiser Foundation Hospitals - Anaheim	25.8		26	385	7,373	20	77.7%
TOTAL			138	1,577	31,937	87	63.4%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- In FY 2014, there were 41 total neonatal intensive care beds within Mission Hospital and Mission Laguna Beach’s service area.
- Children’s Hospital at Mission provided approximately 54% of the service area’s neonatal intensive care beds and accounted for nearly 59% of the service area’s discharges.

Pediatric Intensive Care

Children’s Hospital at Mission operates eight pediatric intensive care beds at Mission Hospital. These are the only licensed pediatric intensive care beds within the service area. In FY 2014, these 8 pediatric intensive care beds had an average occupancy rate of 22% and an average daily census of 2 patients.

PEDIATRIC INTENSIVE CARE UNIT UNIT BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	-	-	-	-	-
Mission Laguna Beach	-	X	-	-	-	-	-
Children's Hospital at Mission	0.0	X	8	207	643	2	22.0%
Saddleback Memorial Medical Center	5.8	X	-	-	-	-	-
SUB-TOTAL			8	207	643	2	22.0%
Hoag Orthopedic Institute	11.7	-	-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9	-	-	-	-	-	-
Children's Hospital of Orange County	21.0	-	54	950	9,108	25	46.2%
St. Joseph Hospital - Orange	21.2	-	-	-	-	-	-
University of California, Irvine Medical Center	22.1	-	-	-	-	-	-
Kaiser Foundation Hospitals - Anaheim	25.8	-	-	-	-	-	-
TOTAL			54	950	9,108	25	46.2%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- The closest provider of licensed pediatric intensive care beds outside of Mission Hospital and Mission Laguna Beach’s service area is CHOC, which is located 21 miles from Mission Hospital.

Psychiatric Acute Care Capacity Analysis

Mission Laguna Beach is the only provider of licensed psychiatric beds within the service area. In FY 2014, Mission Laguna Beach operated 36 psychiatric beds that were nearly 53% occupied with an average daily census of 19 patients.

PSYCHIATRIC ACUTE CARE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	-	-	-	-	-
Mission Laguna Beach	-	X	36	1,524	6,902	19	52.5%
Children's Hospital at Mission	0.0	X	-	-	-	-	-
Saddleback Memorial Medical Center	5.8	X	-	-	-	-	-
SUB-TOTAL			36	1,524	6,902	19	52.5%
Hoag Orthopedic Institute	11.7	-	-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9	-	-	-	-	-	-
Children's Hospital of Orange County	21.0	-	-	-	-	-	-
St. Joseph Hospital - Orange	21.2	-	37	2,297	10,049	28	74.4%
University of California, Irvine Medical Center	22.1	-	33	1,342	7,958	22	66.1%
Kaiser Foundation Hospitals - Anaheim	25.8	-	-	-	-	-	-
TOTAL			106	5,163	24,909	68	64.4%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- The closest provider of psychiatric beds outside of the service area is St Joseph Hospital of Orange, which is located 21.2 miles away.

Chemical Dependency Capacity Analysis

Mission Laguna Beach was the only provider of chemical dependency acute care beds within the service area. Mission Laguna Beach operated 38 chemical dependency beds that were approximately 30% occupied with an average daily census of 12 patients.

CHEMICAL DEPENDENCY ACUTE CARE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	-	-	-	-	-
Mission Laguna Beach	-	X	38	683	4,213	12	30.4%
Children's Hospital at Mission	0.0	X	-	-	-	-	-
Saddleback Memorial Medical Center	5.8	X	-	-	-	-	-
SUB-TOTAL			38	683	4,213	12	30.4%
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		21	432	2,647	7	34.5%
Children's Hospital of Orange County	21.0		-	-	-	-	-
St. Joseph Hospital - Orange	21.2		-	-	-	-	-
University of California, Irvine Medical Center	22.1		-	-	-	-	-
Kaiser Foundation Hospitals - Anaheim	25.8		-	-	-	-	-
TOTAL			59	1,115	6,860	19	31.9%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- The closest provider of chemical dependency beds outside of the service area is Hoag Memorial Hospital Presbyterian, which is located 20.9 miles away.

Rehabilitation Capacity Analysis

Mission Hospital was the only provider with rehabilitation beds within the service area. Mission Hospital had 22 licensed rehabilitation beds that were approximately 57% occupied with an average daily census of 13 patients.

REHABILITATION ACUTE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Mission Hospital	-	X	22	451	4,585	13	57.1%
Mission Laguna Beach	-	X	-	-	-	-	-
Children's Hospital at Mission	0.0	X	-	-	-	-	-
Saddleback Memorial Medical Center	5.8	X	-	-	-	-	-
SUB-TOTAL			22	451	4,585	13	57.1%
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		-	-	-	-	-
Children's Hospital of Orange County	21.0		-	-	-	-	-
St. Joseph Hospital - Orange	21.2		-	-	-	-	-
University of California, Irvine Medical Center	22.1		14	267	4,071	11	79.7%
Kaiser Foundation Hospitals - Anaheim	25.8		-	-	-	-	-
TOTAL			36	718	8,656	24	65.9%

Source: St. Joseph Health System & OSHPD Disclosure Reports, FY 2014

- The closest provider of rehabilitation beds outside of the service area is University of California, Irvine Medical Center, which is located 22.1 miles away.

Emergency Department Volume at Hospitals in the Service Area

In 2014, Mission Hospital and Mission Laguna Beach had 33 and 12 emergency treatment stations, respectively. In total, there were 86 treatment stations among all service area hospitals. As shown below, Mission Hospital reported 43,440 visits totaled nearly 36% of all visits among the service area hospitals. Comparatively, Mission Laguna Beach reported 13,527 visits, which represented nearly 11% of all service area visits in FY 2014.

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
- Mission Hospital					43,440	980	2,259	23,659	5,053	11,489	23.8%	683
- Children's Hospital at Mission	-	X	Basic	33	13,632	874	1,960	8,989	1,142	667	8.0%	
Mission Hospital & Children's Hospital at Mission ¹		X		33	57,072	1,854	4,219	32,648	6,195	12,156	20.0%	683
Mission Laguna Beach		X	Basic	12	13,527	458	1,422	6,771	1,363	3,513	23.7%	48
Saddleback Memorial Medical Center	5.8	X	Basic	31	35,979	867	7,780	12,767	9,138	5,427	20.8%	308
Saddleback Memorial Medical Center - San Clemente	9.2	X	Basic	10	14,215	711	4,578	5,562	2,544	820	9.5%	159
SUB-TOTAL				86	120,793	3,890	17,999	57,748	19,240	21,916	20.7%	1,881
Hoag Orthopedic Institute	11.7											
Hoag Memorial Hospital Presbyterian	20.9		Basic	56	70,912	387	19,518	33,556	16,883	568	15.8%	54
Children's Hospital of Orange County ²	21.0		Basic	31	69,537	17,601	20,754	17,425	7,123	789	8.4%	2
St. Joseph Hospital - Orange	21.2		Basic	53	77,950	2,048	8,745	39,332	20,330	7,495	12.4%	434
University of California, Irvine Medical Center	22.1		Comprehensive	36	44,380	50	3,032	11,346	13,636	16,316	25.1%	320
Kaiser Foundation Hospitals - Anaheim	25.8		Basic	36	57,057	215	6,232	40,890	8,794	926	11.9%	48
TOTAL				298	440,629	24,191	76,280	200,297	86,006	48,010	15.5%	2,739

Source: OSHPD Alirts Annual Utilization Reports, 2014

(1) Mission Hospital and Children's Hospital at Mission share the 33 ED stations but report visits separately to OSHPD.

(2) Visit types do not include the 5,845 admitted patients

- Nearly 24% of both Mission Hospital and Mission Laguna Beach's respective 2014 emergency department visits resulted in admission to the hospital; and
- In FY 2014, Mission Hospital went on diversion¹⁷ for 683 hours, and Mission Laguna Beach went on diversion for 48 hours.

¹⁷ 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, Mission Hospital's emergency department was operating at nearly 87% of its 33-bed capacity in 2014. Comparatively, Mission Laguna Beach operated at approximately 56% of its 12-bed capacity.

EMERGENCY DEPARTMENT CAPACITY 2014							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
- Mission Hospital	-	X	Basic	33	43,440	66,000	8,928
- Children's Hospital at Mission					13,632		
Mission Hospital & Children's Hospital at Mission¹		X		33	57,072	66,000	8,928
Mission Laguna Beach	-	X	Basic	12	13,527	24,000	10,473
Saddleback Memorial Medical Center	5.8	X	Basic	31	35,979	62,000	26,021
Saddleback Memorial Medical Center - San Clemente	9.2	X	Basic	10	14,215	20,000	5,785
SUB-TOTAL				86	120,793	172,000	51,207
Hoag Orthopedic Institute	11.7		-	-	-	-	-
Hoag Memorial Hospital Presbyterian	20.9		Basic	56	70,912	112,000	41,088
Children's Hospital of Orange County ²	21.0		Basic	31	69,537	62,000	(7,537)
St. Joseph Hospital - Orange	21.2		Basic	53	77,950	106,000	28,050
University of California, Irvine Medical Center	22.1		Comprehensive	36	44,380	72,000	27,620
Kaiser Foundation Hospitals - Anaheim	25.8		Basic	36	57,057	72,000	14,943
TOTAL				298	440,629	596,000	155,371

Source: OSHPD Airls Annual Utilization Reports, 2014

(1) Mission Hospital and Children's Hospital at Mission share the 33 ED stations but report visits separately to OSHPD.

(2) Visit types do not include the 5,845 admitted patients

- Overall, the service area hospitals' emergency departments were at approximately 70% capacity in 2014.

SUMMARY OF INTERVIEWS

Between December 2015 and February 2016, both in-person and telephone interviews were conducted with representatives of Mission Hospital and Mission Laguna Beach, Children's Hospital of Orange County, Providence Health & Services, and St. Joseph Health System, as well as physicians, hospital employees, and other community representatives. The purpose of these interviews was to gather information from area healthcare professionals and community members regarding any potential impact on healthcare availability and accessibility as a result of the proposed combination. 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 Mission Hospital and Mission Laguna Beach's management team and medical staff cited several reasons why the proposed combination may prove to 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 clinical best practices, data, community benefits and charity care;
- The proposed combination may result in expansion of research studies, population health efforts, and accessibility of services;
- 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 expanded geographic landscape will better allow Providence Health & Services and St. Joseph Health System to respond to the needs of the poor and underserved populations.

Importance of Mission Hospital and Mission Laguna Beach to the Community

According to all who were interviewed, Mission Hospital and Mission Laguna Beach are very important providers to both the local communities and the service area. Mission Hospital is the only regional trauma center in the service area, and it provides care to a service area population of over 600,000. Mission Hospital is also a certified Primary Stroke Center and is the

only hospital in the service area that provides advanced neurological care for stroke patients. Mission Laguna Beach is the sole provider of behavioral health and chemical dependency services in the service area. Mission Hospital and Mission Laguna Beach are market leaders in various services within the service area. Thus, it is important that both hospitals continue to offer these services to the community.

Mission Hospital

Some of the programs and services that were mentioned in the interviews as being especially important at Mission Hospital include the following:

- Emergency services and Level II Trauma Center designation;
- Cardiac services, including designation as a STEMI Receiving Center;
- Stroke services, including certification as a Primary Stroke Center;
- Neuroscience and Spine Institute services;
- Orthopedic services;
- Imaging services;
- Women’s health services, including obstetrics and the Level II Neonatal Intensive Care Unit; and
- Pediatric services;
 - Children’s at Mission Hospital is the only dedicated facility for pediatrics in the service area, the surrounding coastal areas, and North San Diego County.

Mission Laguna Beach

Some of the programs and services that were mentioned in the interviews as being especially important at Mission Laguna Beach include the following:

- Behavioral health and psychiatric services, including designation as a County Lanterman-Petris-Short (LPS) 24-hour facility;
- Chemical dependency services;
- Eating disorder services; and

- Emergency services.

Representatives of local Federally Qualified Health Centers, Orange County, and other community organizations collectively believed that it is important for Mission Hospital and Mission Laguna Beach to retain all of the services that they currently offer. These services include the operation of community clinics, and behavioral health, cardiac, obstetric, emergency, and trauma services.

If Mission Hospital and Mission Laguna Beach do not maintain their current levels of healthcare services, accessibility and availability issues would be created for the underinsured and uninsured residents of the surrounding communities.

Selection of Providence Health & Services for the Proposed Combination

In addition to the reasons set forth in the Health System Combination Agreement, members of Mission Hospital and Mission Laguna Beach's Board of Trustees, management, and medical staff cited a number of reasons why the proposed combination with Providence Health & Services would be beneficial. These reasons include the opportunity to partner with an organization that is committed to the mission of serving the poor and underserved, share clinical best practices, especially in the areas of mental health, palliative care, and neurosciences, and unify the sponsorship of two Catholic organizations with similar cultures, heritage, and values. Many of those interviewed felt that Providence Health & Services and St. Joseph Health System lean heavily towards mission over margin and have complementary strengths.

Many of those interviewed from Mission Hospital and Mission Laguna Beach were supportive of the proposed combination and the selection of Providence Health & Services as a partner. Additionally, almost everyone who was interviewed expressed the potential for sustaining, and even expanding, services to the communities that each system currently serves.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the proposed combination would not impact the access and/or availability of current services. While most believed that the combination would be beneficial, they also believed there could be added bureaucracy and a consolidation or change in administrative processes, neither of which is expected to negatively impact patient care. Many also believed that the combination would create the opportunity to expand existing programs and further regionalize program offerings with the potential to positively impact the patient populations currently served.

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. Almost all who were interviewed believed that a more suitable partner could not have been found for this proposed combination.

Views of National and Regional Health Plan Representatives

The majority of health plan representatives expressed that they had enjoyed strong, long-lasting relationships with both St. Joseph Health System and Providence Health & Services. The views of these representatives can be divided into the following two 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 commercial-focused health plans stated that their relationship with St. Joseph Health System and Providence Health & Services has always been strong. These plans view 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 will impact contract negotiations, they believed they would be able to establish a contractual relationship with Providence St. Joseph Health.

None of the nationally-based commercial payers in Southern California indicated that there have been member complaints regarding access to services, including women's reproductive services, at any of the Providence Health & Services or St. Joseph Health System facilities. They indicated that the proposed combination has the potential to improve physician recruitment efforts for the hospitals and particularly in specialty services. All of those who were interviewed stated they were unaware of any plans to eliminate or change covered services as a result of the proposed combination.

The views of CalOptima, the County Organized Health System plan, were similar and they did not express any concerns surrounding the proposed combination. CalOptima has had strong and longstanding relationships with Mission Hospital and Mission Laguna Beach since a large percentage of their patient populations is comprised of low-income and Medi-Cal eligible individuals. CalOptima viewed the proposed combination positively because of the potential to expand coverage to additional members for the patient populations they serve.

Some national and local health plan representatives cited the benefits of the proposed

combination, including expansion of geographic coverage, greater access, and the opportunity to gain efficiencies and reduce costs. Other national and local health plan representatives expressed hope that the larger size of the organization will increase physician specialty participation in Medi-Cal products due to economies of scale and the ability to offset the lower reimbursement from those plans. All of those interviewed spoke positively of the decision Providence Health & Services and St. Joseph Health System made in coming together to capitalize on their 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. The 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. However, no employees at Mission Hospital or Mission Laguna Beach are represented by CBAs.

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

- Inadequate registered nurse staffing ratios at some of the St. Joseph Health System hospitals;
- The especially large footprint that will result from the proposed combination;
- Historically, when mergers have occurred, prices to consumer have risen, making healthcare less affordable and accessible;
- The potential for closure of the hospitals, elimination of patient services, and decreases in charity care and community benefit programs;
- The potential for a reduction in employee benefits and layoffs or outsourcing of skilled, experienced employees; and
- The impact of the Ethical and Religious Directives that prohibit healthcare providers from offering a range of beginning of life services may be administered differently from hospital to hospital.

In addition, both in-person and telephone interviews were conducted with members and representatives of the California Nurses Association. Many strong views and opinions were expressed about the difficulties union organizers have encountered when visiting St. Joseph

Health System's non-unionized hospital campuses. St. Joseph Health System is viewed as utilizing various methods to try and prevent the right of employees to organize, including breaking labor laws by not allowing nurses to gather during break time for the purpose of sharing information on the benefits of unionizing.

Several who were interviewed indicated that employees at non-union campuses have expressed concerns about timely meal and rest breaks, stating that nurses are working 12 and 13 hour shifts, and that they are often too intimidated to ask their manager for appropriate meal and rest periods during their shifts. They spoke of a fear of punitive action if they were to ask for the breaks to which they are entitled. These individuals implied that the environment for patients would be unsafe if all employees took appropriate and timely meal and rest breaks, because they would not be staffed according to the required staffing ratios during these periods. These nurses also indicated that their 30-minute lunch breaks are often interrupted.

Some of those interviewed indicated that some employees had concerns about the use of registry, travelers, or other temporary staff. They stated that these individuals are not adequately trained on hospital policies and procedures, and they believed that this may create a patient safety issue. Several who were interviewed spoke about the challenges in recruiting local nurses. Some also suggested that St. Joseph Health System's management may be intentionally understaffing their hospitals in order to improve the system's financial position in preparation for the proposed combination.

Some of those interviewed disagreed with the Bishop's authority to determine what services are offered at a facility that receives public tax dollars. Others 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 Mission Hospital and Mission Laguna Beach to the Community

Mission Hospital and Mission Laguna Beach are important providers of general healthcare services to the residents of their surrounding communities. Mission Hospital and Mission Laguna Beach's provision of emergency and trauma, behavioral health, cardiovascular, and general surgical services are especially important to residents both within the service area and in the broader community. Other key services offered at Mission Hospital and Mission Laguna Beach include the operation of community clinics, as well as oncology, women's health, pediatrics, and obstetrics services.

In addition to the provision of key medical services, Mission Hospital and Mission Laguna Beach have historically provided charity care and community benefit programs to the low-income, uninsured, and under-insured populations residing in their surrounding communities.

Continuation as a General Acute Care Hospital

The Health System Combination Agreement states that Mission Hospital and Mission Laguna Beach will continue to operate as licensed general acute care facilities for a minimum of five years.

Emergency and Trauma Services

Mission Hospital and Mission Laguna Beach are important providers of emergency services to residents of the surrounding communities. In FY 2014, Mission Hospital and Children's Hospital at Mission reported a combined 57,072 visits to their shared 33 emergency treatment stations¹⁸ and operated at a capacity of 87% (based on a standard of 2,000 visits per station, per year). Mission Laguna Beach reported over 13,527 visits to its 12 emergency treatment stations and operated at a capacity of 56%. Mission Hospital's 24-hour "basic" emergency department is designated as a STEMI Receiving Center and is certified as a Primary Stroke Center. In addition, Mission Hospital's emergency department provides comprehensive care for pediatric medical emergencies in collaboration with CHOC.

Emergency departments at other area facilities are very busy, including Saddleback Memorial Medical Center (58% capacity), Hoag Memorial Hospital Presbyterian (63% capacity), St. Joseph Hospital of Orange (74% capacity), University of California, Irvine Medical Center (62% capacity), Children's Hospital of Orange County (112% capacity), and Kaiser Foundation

¹⁸ Mission Hospital and Children's Hospital at Mission share 33 emergency department stations but report emergency department visits separately to OSHPD.

Hospitals-Anaheim (79% capacity). As a result of the ACA and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. In addition, the anticipated closure of Saddleback Memorial Medical Center's San Clemente campus is expected to result in increased emergency department utilization within the service area. In order to ensure access to emergency services within the service area, it is critical that Mission Hospital and Mission Laguna Beach maintain their emergency services. In addition, it is critical that Mission Hospital maintains its designations as a Level II Trauma Center and STEMI Receiving Center, and its certification as a Primary Stroke Center.

Medical/Surgical Services

With 217 licensed medical/surgical beds at Mission Hospital and 75 licensed medical/surgical beds at Mission Laguna Beach, the hospitals had a combined average daily census of 130 patients in FY 2014. Both Mission Hospital and Mission Laguna Beach are necessary and important providers of medical/surgical services.

Intensive Care/Coronary Care Services

In FY 2014, Mission Hospital reported an occupancy rate of approximately 53% on its 63 licensed intensive care/coronary care beds, and Mission Laguna Beach reported an occupancy rate of approximately 12% on its ten licensed intensive care beds. These services are an important resource for supporting emergency services and other medical and surgical services at Mission Hospital and Mission Laguna Beach. In FY 2014, other Orange County service area hospitals were running at a combined occupancy rate of approximately 45% on 281 total licensed intensive care/coronary care beds.

Obstetrics Services

In FY 2014, Mission Hospital reported an occupancy rate of almost 46% on its 43 licensed obstetrics beds, based on an average daily census of 20 patients. With approximately 2,772 live births in FY 2014, Mission Hospital is an important provider of obstetrics services. Furthermore, Mission Hospital was the market share leader in obstetrics in FY 2014, and it was responsible for approximately 50% of all inpatient obstetrics discharges within its service area. A reduction in the type and/or level of obstetrics services or in the number of licensed obstetrics beds provided at Mission Hospital would adversely affect the availability and accessibility of these key services to members of the surrounding communities.

Pediatric Services

CHOC owns and operates Children's Hospital at Mission, which is physically located at Mission Hospital. Children's Hospital at Mission is the only dedicated pediatric healthcare facility for families in the service area. In total, Children's Hospital at Mission maintains licensure for and

staffs 24 pediatric acute care beds. Children’s Hospital at Mission plays a critical role of providing pediatric healthcare services to service area residents. Thus, Mission Hospital’s maintenance of its relationship with CHOC is important to ensure the availability and accessibility of advanced pediatric and neonatal healthcare services within the service area.

Neonatal Intensive Care Services

Through Mission Hospital’s relationship with CHOC, Children’s Hospital at Mission provides 22 licensed Level III neonatal intensive care beds. The only other provider of neonatal intensive care services within the service area is Saddleback Memorial Medical Center, which is licensed for 19 neonatal intensive care beds that operated at an occupancy rate of approximately 42% in FY 2014. In order to ensure the availability and accessibility of neonatal intensive care services within the surrounding communities, it is critical that the affiliation with CHOC is maintained.

Pediatric Intensive Care Services

Children’s Hospital at Mission maintains licensure for and staffs 8 pediatric intensive care beds at Mission Hospital. In FY 2014, Children’s Hospital at Mission provided the only licensed pediatric intensive care beds within Mission Hospital and Mission Laguna Beach’s service area. The closest provider of pediatric intensive care beds outside of the service area is CHOC, which is located 21 miles from Mission Hospital. It is critical that the affiliation with CHOC is maintained, as Children’s Hospital at Mission is an important provider of these services.

Behavioral Health Services

Mission Laguna Beach is an important provider of mental health services to area residents. In FY 2014, Mission Laguna Beach provided the only 36 licensed inpatient psychiatric beds within the service area that operated at an occupancy rate of 53%. Mission Laguna Beach had 40% of the market share for behavioral health in 2014, the highest in the area. St. Joseph Hospital of Orange and University of California, Irvine Medical Center are the only other providers of acute inpatient psychiatric services within 25 miles of Mission Laguna Beach.

A reduction in the number of licensed acute psychiatric beds available at Mission Laguna Beach, or any reduction in the provision of these services currently provided through Mission Laguna Beach’s emergency department, such as the availability of the Psychiatric Evaluation Team or designation as a County Lanterman-Petris-Short (LPS) 24-hour facility, would cause a disruption in the provision of these services for the community. Psychiatric Emergency Teams are mobile response teams based in and operated by psychiatric hospitals approved by the California Department of Mental Health to provide 5150 evaluations. Team members are licensed mental health clinicians. Section 5150 is a section of the California Welfare and Institutions Code, and in particular, the Lanterman–Petris–Short Act, which authorizes a qualified officer or clinician to involuntarily confine a person suspected to have a mental disorder that makes him or her a danger to him- or herself, a danger to others, and/or gravely disabled.

The closest county LPS designated 24-hour facility is Newport Bay Hospital, an adult psychiatric hospital located 13.5 miles away in Newport Beach. Due to the severe shortage of available psychiatric beds in the service area and in Orange County as a whole, it is critical that Mission Laguna Beach maintains the number of psychiatric beds at current licensure and continues the same type and/or level of these services, in order to ensure access for residents both within the service area and Orange County.

Chemical Dependency Services

Mission Laguna Beach is currently licensed for 38 chemical dependency beds, and it reported an occupancy rate of 30% and an average daily census of 12 patients in FY 2014. As the sole provider of chemical dependency services in Orange County, Mission Laguna Beach is an important provider of these types of services for the residents within the service area and in Orange County.

Rehabilitation Services

Mission Hospital is the sole provider of inpatient rehabilitation services in the service area with 22 licensed rehabilitation beds and an occupancy rate of approximately 57% in FY 2014. The closest provider of rehabilitation services outside of the service area is University of California, Irvine Medical Center, which is located 22 miles from Mission Hospital and operated at approximately 80% of its 14 bed capacity in FY 2014. Mission 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 moral 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 various Dioceses. Mission Hospital and Mission Laguna Beach are both located within the Diocese of Orange.

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, many of 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.

Mission Hospital and Mission Laguna Beach are important providers of a range of women’s reproductive services and provide these services to a large underserved population that has low rates of prenatal care, resulting in an increased number of high risk births. Low rates of prenatal care can increase instances of stillborn delivery, miscarriage, and fetal abnormalities.

Below is a table showing instances where Mission Hospital and Mission Laguna Beach recorded reproductive-related procedures that were in accordance with the Ethical and Religious Directives in 2014.

REPRODUCTIVE HEALTH SERVICES BY DIAGNOSTIC RELATED GROUP			
Diagnostic Related Group	Mission Hospital Regional Medical Center	Providence Health & Services	St. Joseph Health System
778-Threatened Abortion	42	183	239
779-Abortion w/o D&C	12	33	48
777-Ectopic Pregnancy	6	81	49
767-Vaginal Delivery w Sterilization &/or D&C	4	31	69
770-Abortion w D&C, Aspiration Curettage or Hysterectomy	3	61	32
Total 2014 Discharges:	67	389	437

Source: OSHPD 2014

Women’s reproductive services are available at other area providers, including, but not limited to, Planned Parenthood and Saddleback Memorial Medical Center in Laguna Hills.

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

In FY 2014, approximately 11% of Mission Hospital and Mission Laguna Beach’s total operating costs were associated with Medi-Cal patients and 2% were associated with County Indigent patients. Mission Hospital currently participates in the Medicare program and the Medi-Cal managed care program, and has managed care contracts for these types of patients. In FY 2014,

44% of the total costs were associated with Medicare patients and 40% were associated with third party payers.

The Health System Combination Agreement includes a commitment to keep the emergency departments at Mission Hospital and Mission Laguna Beach open for at least five years in order to ensure access to services for Medicare and Medi-Cal patients. In order for Medicare and Medi-Cal patients to access other key services not provided through the emergency departments at Mission Hospital and Mission Laguna Beach, the hospitals must maintain their participation in both programs and maintain their managed care contractual agreements with payers. Providence St. Joseph Health has made a five-year commitment for Mission Hospital to remain certified in the Medicare program and to continue to maintain Medi-Cal contracts on competitive terms that provide the same types and levels of emergency services and non-emergency services that are currently available under the existing Medicare and Medi-Cal contracts.

If Mission Hospital and Mission Laguna Beach 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 could negatively impact the availability or accessibility for these patient populations.

Effects on the Level and Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on Mission Hospital and Mission Laguna Beach for healthcare services. Mission Hospital's average charity care and bad debt as a percentage of gross patient revenue is 2.0% compared to the State of California average of 2.7%. Over the last five years, Mission Hospital has historically provided a significant amount of charity care costs, averaging approximately \$7.4 million per year. 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 Mission Hospital and Mission Laguna Beach.

Effects on Community Benefit Programs

Mission Hospital and Mission Laguna Beach support a significant number of ongoing community benefit programs that serve lower income residents from the surrounding communities. The Health System Combination Agreement includes a commitment for Mission Hospital and Mission Laguna Beach to maintain expenditures for community benefit services based on the average expenditure for the years FY 2011-2014. This equates to a commitment of approximately \$4.9 million per year for Mission Hospital and Mission Laguna Beach. However, the five-year average was approximately \$5.9 million per year.

Community benefit programs at Mission Hospital and Mission Laguna Beach include the community and mental health/depression initiatives, behavioral health services, Camino Health

Center (a designated Federally Qualified Health Center), and the Increasing Access to Health Care program. There are many other community benefit programs that are supported by Mission Hospital and Mission Laguna Beach that according to the Health System Combination Agreement will be maintained for a period of five years.

Effects on City and County Contracts

Mission Hospital and Mission Laguna Beach have a number of contracts with Orange County to provide and support specific services. According to the Health System Combination Agreement, these contracts will be maintained for a period of five years, 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 Mission Hospital and Mission Laguna Beach 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.

Although there has been a concentrated unionization effort in the Southern California region, all who were interviewed expressed the importance of the employee's right to choose and the importance of having factual information in order to make informed decisions.

Almost all who were interviewed indicated that they understood administrative functions may be regionalized and/or centralized over time 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, department or committee chairs/heads, or vice-chairs/heads of Mission Hospital or Mission Laguna Beach's medical staff.

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 remain as independent organizations.

CONCLUSIONS

Potential Conditions for Transaction Approval by the California Attorney General

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

1. For at least ten years from closing, Mission Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from closing, Mission Laguna Beach shall continue to operate as a general acute care hospital;
3. For at least ten years from closing, Mission 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;
 - c. Designation as an Emergency Department Approved for Pediatrics; and
 - d. Designation as a Paramedic Base Station.
4. For at least five years from closing, Mission Laguna Beach shall maintain the following services at current licensure, types, and/or levels of services:
 - a. 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services;
 - b. A minimum of 12 emergency treatment stations;
 - c. Designation as a County LPS 24-Hour Facility, as defined by the California Welfare and Institutions Code, Section 5150, for behavioral health patients under involuntary evaluation; and
 - d. Psychiatric evaluation team services.
5. For at least five years from closing, Mission Hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Cardiology services, including a minimum of 3 catheterization labs and the designation as a STEMI Receiving Center;
 - b. Critical care services, including a minimum of 36 intensive care beds and 27 coronary care beds;
 - c. Neurosciences services, including certification as a Primary Stroke Center;
 - d. Rehabilitation services, including a minimum of 22 physical rehabilitation beds;

- and
- e. Obstetric services, including a minimum of 43 obstetrics beds.
6. For at least five years from closing, Mission Laguna Beach shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Critical care services, including a minimum of 10 intensive care beds;
 - b. Behavioral health services, including a minimum of 36 acute psychiatric beds;
and
 - c. Chemical dependency services, including a minimum of 24 chemical dependency beds.
 7. For at least five years from closing, Mission Hospital shall continue its contractual relationship with Children’s Hospital of Orange County for neonatal intensive care services, pediatric services, and pediatric intensive care services.
 8. For at least five years from closing, Mission Hospital shall maintain the following services as committed to in Exhibit 8.13 of the Health System Combination Agreement:
 - a. Cancer care services;
 - b. Diabetes care services;
 - c. Gastroenterology services;
 - d. Imaging/radiology services;
 - e. Laboratory services;
 - f. Orthopedics services;
 - g. Respiratory care services;
 - h. Surgical services;
 - i. Vascular services; and
 - j. Women’s services.
 9. For at least five years from closing, Mission Laguna Beach shall maintain Women’s Imaging Services at current licensure, types, and/or levels of services.
 10. For at least five years, Mission Hospital and Mission Laguna Beach shall provide at least the same level of cash and in-kind support provided on average over the last three years (\$1,585,710) to Camino Health Center, a Federally Qualified Health Center, at its following locations:
 - a. Medical Clinic located at 30300 Camino Capistrano in San Juan Capistrano;
 - b. Dental Clinic located at 30300 Camino Capistrano in San Juan Capistrano; and
 - c. Mobile Medicine Unit located at 23302 El Toro Road in Lake Forest.
 11. For at least five years from closing, Mission Hospital and Mission Laguna Beach 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 Mission Hospital shall provide an annual amount of Charity Care equal to or greater than \$7,429,627 (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 Mission Hospital and Mission Laguna Beach in connection with the operations and provision of services at Mission Hospital and Mission Laguna Beach. The definition and methodology for calculating “charity care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles-Riverside-Orange County, California;

12. For at least five years from closing, Mission Hospital and Mission Laguna Beach shall continue to expend an average of no less than \$5,907,761 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles-Riverside-Orange County, California. The following community benefit programs and services shall continue to be offered:
 - a. Community mental health/depression initiatives;
 - b. Behavioral health;
 - c. Camino Health Center;
 - d. Increasing Access to Health Care;
 - e. Family Resource Center;
 - f. Senior transportation; and
 - g. Breast Care Center.
13. For at least five years from closing, Mission Hospital and Mission Laguna Beach shall maintain their participation in the Medi-Cal managed care program through a contract with CalOptima or its successor, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries at Mission Hospital and Mission Laguna Beach, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contracts or their successors;
14. For at least five years from closing, Mission Hospital and Mission Laguna Beach shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries at Mission Hospital and Mission Laguna Beach, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;
15. For at least ten years from closing, Mission Hospital and Mission Laguna Beach shall

continue its current Indigent and Trauma Care Agreement with the County of Orange;

16. For at least five years from closing, Mission Hospital and Mission Laguna Beach shall maintain its current contracts with the County of Orange, for services at Mission Hospital and Mission Laguna Beach, including the following:
 - a. Medi-Cal Administrative Services Agreement; and
 - b. Medical Safety Net Agreement.

17. Providence St. Joseph Health, Mission Hospital, and Mission Laguna Beach shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at Mission Hospital and Mission Laguna Beach 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

18. Providence St. Joseph Health, Mission Hospital, and Mission Laguna Beach shall complete any capital projects at Mission Hospital and Mission Laguna Beach as committed to in the Health System Combination Agreement.

APPENDIX

Overview of Hoag Memorial Hospital Presbyterian

St. Joseph Health System operates Hoag Memorial Hospital Presbyterian, a 443 licensed-bed general acute care facility, located at One Hoag Drive in Newport Beach. Hoag Memorial Hospital Presbyterian shares a hospital license with Hoag Hospital, an 84 licensed-bed general acute care hospital, located at 16200 Sand Canyon Avenue in Irvine. Together, the facilities provide 527 licensed beds and offer imaging/radiology, diabetes, palliative, chemical dependency, rehabilitation, respiratory, gastrointestinal, emergency, cardiology, and wound care services.

Hoag Memorial Hospital Presbyterian has an emergency department that is classified as “basic level” with 56 licensed emergency treatment stations. It also has 22 surgical operating rooms and five cardiac catheterization labs. Hoag Hospital Irvine has an emergency department that is classified as “basic level” with 14 licensed emergency treatment stations. It also has three surgical operating rooms and two cardiac catheterization labs.

Previously Issued Conditions

In October 2012, Hoag Memorial Hospital Presbyterian, a California nonprofit public benefit corporation, submitted an application to the California Attorney General to enter into an Affiliation Agreement with St. Joseph Health System to create Covenant Health Network, Inc., a California nonprofit public benefit corporation, that would serve as the co-member of St. Joseph Health System’s Southern California entities and Hoag Memorial Hospital Presbyterian. MDS was retained to prepare a Health Impact Report to describe the potential effects that the proposed affiliation could have on the accessibility and availability of healthcare services provided to the communities served by Hoag Memorial Hospital Presbyterian. The Health Impact Report was completed on December 28, 2012, and is available for review on the California Attorney General’s website. On February 8, 2013, the California Attorney General granted conditional consent to the affiliation.

Today, Hoag Memorial Hospital Presbyterian continues to provide healthcare services to the residents of Newport Beach and Orange County. The California Attorney General placed the following conditions on Hoag Memorial Hospital Presbyterian:

Conditions to Approval of Affiliation Agreement by and between Hoag Memorial Hospital Presbyterian, Covenant Health Network, Inc., St. Joseph Health System, Mission Hospital Regional Medical Center, St. Jude Hospital, St. Joseph Hospital of Orange, and St. Mary Medical Center

I.

These Conditions shall be legally binding on Hoag Memorial Hospital Presbyterian, a California

nonprofit public benefit corporation, Covenant Health Network, Inc., a California nonprofit public benefit corporation, St. Joseph Health System, a California nonprofit public benefit corporation, Mission Hospital Regional Medical Center, a California nonprofit public benefit corporation, St. Jude Hospital, a California nonprofit public benefit corporation, St. Joseph Hospital of Orange, a California nonprofit public benefit corporation, and St. Mary Medical Center, a California nonprofit public benefit corporation, (collectively referred to as the “Affiliated Entities”), any and all current and future owners, managers, lessees, or operators of Hoag Memorial Hospital Presbyterian,¹⁹ and any and all current and future owners of the real property on which Hoag Memorial Hospital Presbyterian is located.

II.

The transaction approved by the Attorney General consists of the Affiliation Agreement dated October 15, 2012 and any other documents referenced therein including, but not limited to, the articles of incorporation and bylaws for each of the Affiliated Entities, Statement of Common Values, Governance Matrix, and Charter for the Hoag Women’s Health Committee. The Affiliated Entities shall fulfill the terms of the transaction. The Affiliated Entities shall notify the Attorney General in writing of any proposed modification of the transaction, including a proposed modification or rescission of any of the terms in the Affiliation Agreement. Such notification shall be provided at least thirty days prior to the effective date of such modification in order to allow the Attorney General to consider whether the proposed modification or rescission affects the factors set forth in Corporations Code section 5923.

III.

For five years from the closing date of the Affiliation Agreement, the Affiliated Entities and all future owners, managers, lessees, or operators of Hoag Memorial Hospital Presbyterian shall be required to provide written notice to the Attorney General and obtain the Attorney General’s approval at least ninety days prior to entering into any agreement or transaction to do any of the following:

- a. Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Hoag Memorial Hospital Presbyterian;
- b. Transfer control, responsibility, management, or governance of Hoag Memorial Hospital Presbyterian. The substitution or addition of a new corporate member or members of the Affiliated Entities that transfers the control of, responsibility for or governance of the Affiliated Entities shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of the Affiliated Entities, or any arrangement, written or oral, that would transfer voting control of the

¹⁹ Throughout this document, the term “Hoag Memorial Hospital Presbyterian” shall mean the general acute care hospital located at 1 Hoag Drive, Newport Beach, CA 92663 (“Newport Beach Hospital”), the general acute care hospital at 16200 Sand Canyon Avenue, Irvine, CA 92618 (“Irvine Hospital”), and any other clinics, laboratories, units, services, or beds included on the license issued to Hoag Memorial Hospital Presbyterian by the California Department of Public Health, effective December 10, 2012, unless otherwise indicated.

members of the governing body of the Affiliated Entities, shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall be operated and maintained as two licensed general acute care hospitals (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services:

- a. Twenty-four hour emergency medical services as currently licensed (minimum of 58 Emergency beds/stations at the Newport Beach Hospital and 14 Emergency beds/stations at the Irvine Hospital) with the same types and levels of services as currently provided²⁰;
- b. Intensive Care services as currently licensed (minimum of 31 beds at the Newport Beach Hospital and 12 beds at the Irvine Hospital) with the same types and levels of services as currently provided;
- c. Coronary Care services as currently licensed (minimum of 12 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided;
- d. Obstetrical services as currently licensed (minimum of 70 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided;
- e. Neonatal Intensive Care services as currently licensed (minimum of 21 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided; and
- f. Chemical Dependency Recovery services as currently licensed (minimum of 21 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided;
- g. Hoag Memorial Hospital Presbyterian shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

V.

For five years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall continue to provide rehabilitation services, laboratory services, primary care services, and outpatient imaging services, as currently licensed and with the same types and levels of services as currently provided, at locations within Orange County. Hoag Memorial

²⁰ The term “currently provided” means types and levels of services provided as of October 1, 2012.

Hospital Presbyterian shall continue to operate and provide the same types and levels of services as currently provided at the Mary and Dick Allen Diabetes Center.

VI.

For ten years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall continue to provide the same types and levels of Women's Health Services (except for direct abortions)²¹ at the Women's Health Institute (also known as the Women's Health Services Program). The Hoag Women's Health Committee, as referenced in section 2.2.1 of the Affiliation Agreement, should oversee and approve the Women's Health Institute's budget independently of Covenant Health Network, Inc. In the event that the St. Joseph Health System's Statement of Common Values is subsequently adopted by Covenant Health Network, Inc., and made applicable to Hoag Memorial Hospital Presbyterian, Hoag Memorial Hospital Presbyterian shall take steps to insure that alternative providers are available and accessible to all women, especially low-income women, for direct abortions in the Hoag Memorial Hospital Presbyterian's service area (45 ZIP codes), as defined on page 45 of the Health Care Impact Report authored by Medical Development Specialists, LLC, dated December 28, 2012, and attached hereto as Exhibit 1, and adopt a Charter for the Hoag Women's Health Committee that shall include these requirements and the definition of direct abortion set forth in footnote 3 hereto.

VII.

For five years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall:

- a. Be certified to participate in the Medi-Cal program.
- b. Enter into CalOptima contracts that will begin no later than July 1, 2013, on the same terms and conditions as other similarly-situated hospitals offering substantially the same services, for Medi-Cal, Healthy Families (or until it transitions to Medi-Cal), One Care (CalOptima's Medicare Advantage Special Needs Plan that includes some Dual Eligibles), and other programs for Dual Eligibles, to provide the same types and levels of emergency and non-emergency services at Hoag Memorial Hospital Presbyterian as required in these Conditions. Once entered into, the CalOptima contracts must be maintained without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause.

²¹ The exception for direct abortions applies if, and only if, the St. Joseph Health System's Statement of Common Values is subsequently adopted by Covenant Health Network, Inc., and made applicable to Hoag Memorial Hospital Presbyterian.

The term "direct abortion" is defined by St. Joseph Health System as the directly intended termination of pregnancy before viability (24-26 weeks gestation). By way of example, miscarriages, ectopic pregnancies, and emergency services for women experiencing complications related to pregnancy termination at outside facilities, are not direct abortions.

- c. Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Hoag Memorial Hospital Presbyterian to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

For five years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall maintain the following contracts and amendments, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contracts are terminated for cause, and shall provide the same services specified therein:

- a. Agreement for Provision of Emergency Preparedness and Response to Disasters and Bioterrorism Services between County of Orange and Hoag Memorial Hospital Presbyterian;
- b. Agreement for Provision of HIV Health Care Services between County of Orange and Hoag Memorial Hospital Presbyterian;
- c. Agreement for Provision of Hospital Services for the Medical Services Initiative Program between County of Orange and Hoag Memorial Hospital Presbyterian, Inc.- Newport Beach and Irvine (or until Orange County Medical Services Initiative Program transitions to CalOptima, whichever occurs earlier); and
- d. Agreement for the Provision of Indigent and Trauma Care between County of Orange and Hoag Memorial Hospital Presbyterian, Inc. - Newport Beach and Irvine.

IX.

For six fiscal years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall provide an annual amount of Charity Care (as defined below) at Hoag Memorial Hospital Presbyterian equal to or greater than \$9,261,000 (the “Minimum Charity Care Amount”). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Hoag Memorial Hospital Presbyterian in connection with the operation and provision of services at Hoag Memorial Hospital Presbyterian. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by the California Office of Statewide Health Planning and Development (“OSHPD”) for annual hospital reporting purposes.²² Hoag Memorial Hospital Presbyterian shall use charity care and collection policies that comply with Federal and California law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Hoag Memorial Hospital Presbyterian shall be decided upon by the Hoag Memorial Hospital Presbyterian Board of Directors.

²² OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, “the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient’s accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account.”

Hoag Memorial Hospital Presbyterian's obligation under this Condition shall be prorated on a daily basis if the closing date of the Affiliation Agreement is a date other than the first day of Hoag Memorial Hospital Presbyterian's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the "12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics). If the actual amount of charity care provided at Hoag Memorial Hospital Presbyterian for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Hoag Memorial Hospital Presbyterian shall pay an amount equal to the deficiency to one or more of the following for direct health care services to residents in Hoag Memorial Hospital Presbyterian's service area (45 ZIP codes), as defined on page 45 of the Health Care Impact Report, dated December 28, 2012, and attached hereto as Exhibit 1: St. Joseph Health System's "Care For the Poor" program, the Hoag Hospital Foundation, or a tax-exempt entity. Such payment shall be made within seven months following the end of such fiscal year.

The 2011 Federal Affordable Care Act may cause a reduction in future needs of charity care. Any such reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h).

X.

For six fiscal years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall provide an annual amount of Community Benefit Services at Hoag Memorial Hospital Presbyterian equal to or greater than \$9,500,000 (inclusive of in-kind services) (the "Minimum Community Benefit Services Amount"). The planning of, and any subsequent changes to, the community benefit services provided at Hoag Memorial Hospital Presbyterian shall be decided upon by the Hoag Memorial Hospital Presbyterian Board of Directors. Hoag Memorial Hospital Presbyterian's obligation under this Condition shall be prorated on a daily basis if the effective date of the Affiliation Agreement is a date other than the first day of Hoag Memorial Hospital Presbyterian's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the "12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Hoag Memorial Hospital Presbyterian for any fiscal year is less than the Minimum Community Benefit Services Amount

(as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Hoag Memorial Hospital Presbyterian shall pay an amount equal to the deficiency to one or more of the following for community benefit services for residents in Hoag Memorial Hospital Presbyterian's service area (45 ZIP codes), as defined on page 45 of the Health Care Impact Report, dated December 28, 2012, and attached hereto as Exhibit 1: St. Joseph Health System's "Care For the Poor" program, the Hoag Hospital Foundation, or a tax-exempt entity. Such payment shall be made within seven months following the end of such fiscal year.

The 2011 Federal Affordable Care Act and the Share Our Selves clinic becoming a Federally Qualified Health Center may cause a reduction in future needs of community benefit services. Any such reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h).

XI.

For six fiscal years from the effective date of the Affiliation Agreement, Covenant Health Network, Inc. shall submit to the Attorney General, no later than seven months after the conclusion of each fiscal year, a report describing in detail the specific steps taken by Covenant Health Network, Inc. to create an integrated community health care system to improve health care delivery and provide greater access to high quality, dependable, affordable and compassionate health care and health-care related services, and the health care status of the community it serves, especially to its most vulnerable members. Such report shall include a summary of all of the following:

- a. Such report should include actions taken to coordinate with the County of Orange Health Care Agency, CalOptima, and other governmental and health care entities;
- b. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to meeting the "Mission Objectives" set forth in 1.2 of the Affiliation Agreement;
- c. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to accomplishing Covenant Health Network Inc.'s primary purpose set forth in section 2.1.3 of the Affiliation Agreement;
- d. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to addressing the five "Moral Imperatives" and the elements in the "Future State" Approach in Exhibit A of the Affiliation Agreement and as discussed below:
 - i. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to alleviating health disparities within the community Covenant Health Network, Inc. serves;
 - ii. Actions taken and resources, including, but not limited to financial support

(capital and operating funds), dedicated to improving the health care status of poor and vulnerable populations within the community Covenant Health Network, Inc. serves, including Orange County Medical Services Initiative patients, Medi-Cal patients, uninsured, children, homeless, and other vulnerable populations;

- iii. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to improving infrastructure gaps in the community Covenant Health Network, Inc. serves, including those related to community clinics (including individual free-standing and non-Affiliated Entities clinics), Federally Qualified Health Centers, medical homes, and other health centers;
- iv. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to implementing a population health management infrastructure and strategy within the community Covenant Health Network, Inc. serves; and
- v. Actions taken and resources, including, but not limited to financial support (capital and operating funds), dedicated to improving stewardship over its healthcare services and activities to reduce operating costs and redundant costs within the community Covenant Health Network, Inc. serves.

The Chairman of the Board of Directors of Covenant Health Network, Inc. and the Chief Executive Officer of Covenant Health Network, Inc. shall each certify that the report is true and correct and provide documentation of the review and approval of the report by the Covenant Health Network, Inc. Board of Directors.

XII.

For six fiscal years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall submit to the Attorney General, no later than seven months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Hoag Memorial Hospital Presbyterian and the Chief Executive Officer at Hoag Memorial Hospital Presbyterian shall each certify that the report is true and correct and provide documentation of the review and approval of the report by the Hoag Memorial Hospital Presbyterian Board of Directors.

XIII.

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

XIV.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Supplemental Agreement

On September 25, 2015, St. Joseph Health System's Board of Trustees and Providence Health & Services' Board of Directors separately approved and passed resolutions authorizing the execution of the Supplemental Agreement between St. Joseph Health System, Providence Health & Services, and Hoag Memorial Hospital Presbyterian.

The Supplemental Agreement outlines specific issues regarding Hoag Memorial Hospital Presbyterian's rights with respect to the Health System Combination Agreement, discusses the proposed governance for Providence St. Joseph Health, clarifies and augments certain specific terms in the prior Affiliation Agreement, and affirms Hoag Memorial Hospital Presbyterian's support for the Health System Combination Agreement.

The Supplemental Agreement contains the following major provisions:

- St. Joseph Health System and Providence Health & Services shall:
 - Support and confirm the continued commitments of St. Joseph Health System to Hoag Memorial Hospital Presbyterian as a non-Catholic affiliate pursuant to the Affiliation Agreement.
- Hoag Memorial Hospital Presbyterian shall:
 - Cause the Providence St. Joseph Chief Executive Officer to be appointed to Hoag Memorial Hospital Presbyterian's Board of Directors within 30 days of closing for a period of no less than six years.
- St. Joseph Health System, Providence Health & Services, and Hoag Memorial Hospital Presbyterian shall agree to:
 - Extend the provisions in the Affiliation Agreement that are time limited to June 30, 2016 to a date that is the later of December 31, 2019 or the end of the third full calendar year following closing;
 - Agree that Covenant Health Network's Board of Directors shall be authorized to eliminate the Supermajority vote requirements set forth in Section 2.7 of the Affiliation Agreement at its first board meeting after June 30, 2016;
 - Appoint at least one qualified member from Hoag Memorial Hospital

Presbyterian's Board of Directors to serve as a non-director member of the Finance, Audit and Corporate Responsibility, and Quality Committees of Providence St. Joseph;

- Appoint one current member of Hoag Memorial Hospital Presbyterian's Board of Directors as a Class B member of the Providence St. Joseph Board eligible to serve a maximum of two three year terms;
- Allow one of the three members of Covenant Health Network's Board of Directors who is appointed by the Association of Presbyterian Members and the George Hoag Family Foundation to serve concurrently on Hoag Memorial Hospital Presbyterian's Board of Directors;
- Work in conjunction with the Covenant Health Network Chief Executive Officer and Covenant Health Network's Board of Directors to create and implement a regional governance structure and strategic plan for Southern California that includes:
 - Leadership authorized and accounted for development and implemented of the strategic plan;
 - Physician engagement;
 - Population health strategies;
 - Metrics and performance measures; and
 - Personnel and financial resources.

List of Interviewees

Last Name	First Name	Position	Affiliation
Adamson, MD	Kent	Chief of Staff Elect	Mission Hospital Regional Medical Center
Afable, MD	Rick	EVP, Southern California / President & CEO, St. Joseph Hoag Health	St. Joseph Health System
Bahn	MaryLou	Registered Nurse	California Nurses Association
Beck	Michael	Vice President, Operations	Mission Hospital Regional Medical Center
Birkle	Mary	Interim Director, Emergency and Trauma Services and Nursing Administration	Mission Hospital Regional Medical Center
Butler	Mike	President & Chief Operating Officer	Providence Health & Services
Carrier	Karl	Interim Chief Executive Officer	Providence Health & Services, Southern California
Collins	Cathy	Chief Development Officer	Mission Hospital Regional Medical Center
Cornwall	Christy	Director, Community Services	Mission Hospital Regional Medical Center
Dadjou	Shahab	Chief Strategy Officer	Children's Hospital of Orange County
Drew	Debra	Chief Executive Officer	Camino Health Clinic
Druce	Sharon	Director, Telemetry Services	Mission Hospital Regional Medical Center
Dwinell, MD	Lauren	Incoming Chief of Staff	Mission Hospital Regional Medical Center
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
Ferro-Grant	Wendy	Executive Director, Surgical Services and Neurology and Spine	Mission Hospital Regional Medical Center
Folli	Marcia	Vice President & Chief Nursing Officer, CHOC Children's at Mission	CHOC Children's at Mission
Forrester	Shawn	Vice President, Provider Solutions	Anthem Blue Cross of California
Gray	Sr. Katherine	Chair	St. Joseph Health Ministry
Haubl	Eileen	Chief Financial Officer	Mission Hospital Regional Medical Center
Igram	Rick	Senior Vice President, Network Development & Contracting	St. Joseph Health System
Johnson	Linda	Chief Clinical Officer	Mission Hospital Regional Medical Center
Jurecki	Sr. Nancy	Director, Mission Leadership & Spiritual Care	Providence Health & Services, Southern California
Khurana	Prub (P.K.)	Chief Strategic Services Officer	Providence Health & Services, Southern California
Manemann	Kevin	Chief Executive Officer	St. Joseph Heritage Healthcare
Mast	Dave	Chief Integration Officer, Shared Services	Providence Health & Services, Southern California
McFarland	Kenneth	Chief Executive Officer	Mission Hospital Regional Medical Center
McKinney	Victoria	Executive Director, Medical, Surgical, and Telemetry, and Women and Infants	Mission Hospital Regional Medical Center
McNair	Karen	Registered Nurse	California Nurses Association
Mohr	Steven	Vice President, Finance & Operations	Providence Health & Services, Southern California
Montalvo	Darrin	President, Integrated Services	St. Joseph Health System
Mueller	Cindy	Regional Vice President, Mission Integration	St. Joseph Health System
Murphy	Kevin	Vice President, Theology & Ethics	St. Joseph Health System
Niedzala	Deanne	Executive Director, Critical Care	Mission Hospital Regional Medical Center
Noce	Bill	Chair, Board of Trustees	St. Joseph Health System
Pal	Steven	Board Member	Mission Hospital Regional Medical Center
Papouchian	Arminé	Vice President, Contracting Relations & Analytics	Blue Shield
Pavic-Zabinski	Karen	Regional Director, Ethics	Providence Health & Services, Southern California
Pietig	John	City Manager	City of Laguna Beach
Ponce	Alicia	Regional Director, Network Management	SCAN Health Plan
Posner, MD	Marvin	Chief of Obstetrics & Perinatology	Mission Hospital Regional Medical Center
Proctor	Deborah	President & Chief Executive Officer	St. Joseph Health System
Ritter, MD	Mike	Director, Emergency Department	Mission Hospital Regional Medical Center
Saddiq, MD	Kaliq	Regional Medical Director	St. Joseph Heritage Healthcare
Salloway	Tarek	Chief Operating Officer	Mission Hospital Regional Medical Center
Sanchez	Javier	Chief Network Officer	CalOptima
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
Sieglen	Linda	Chief Medical Officer	Mission Hospital Regional Medical Center
Sloggett-O'Dell	Stephanie	Vice President, Labor & Employee Relations	St. Joseph Health System
Stahl	Pam	Chief Human Resources Officer	Providence Health & Services, Southern California
Stanislaw	Sherry	Senior Vice President & General Manager	SCAN Health Plan
Stuebe	Michelle	Registered Nurse	St. Mary Medical Center
Sweeney	Kerry	Registered Nurse	California Nurses Association
Treanor	Joline	Senior Vice President, Human Resources	St. Joseph Health System
Walker	Annette	Executive Vice President, Strategic Services / Newly Appointed President & CEO	St. Joseph Health System
Other Anonymous Nurses		Registered Nurses	St. Joseph Health System Hospitals

Hospital License

License: 060000146
Effective: 12/01/2015
Expires: 11/30/2016
Licensed Capacity: 523

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

Mission Hospital Regional Medical Center

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

Mission Hospital Regional Medical Center

Mission Hospital Laguna Beach

Mission Hospital Regional Medical Center
27700 Medical Center Rd
Mission Viejo, CA 92691-6426

Bed Classifications/Services

- 345 General Acute Care
- 43 Perinatal
- 36 Intensive Care
- 27 Coronary Care
- 22 Rehabilitation
- 217 Unspecified General Acute Care

Other Approved Services

- Basic Emergency Medical
- Cardiovascular Surgery
- Nuclear Medicine
- Outpatient Service - Outpatient Clinic
- Outpatient Service - Outpatient Clinic - Chemical Dependency at 27800 Medical Center Rd., Suite 108, Mission Viejo
- Outpatient Service - Outpatient Clinic - Endoscopy Center at 27871 Medical Center Rd., Suite 200, Mission Viejo
- Outpatient Service - Outpatient Clinic - Imaging Services at 27871 Medical Center Rd., Suite #110, Mission Viejo
- Outpatient Service - Outpatient Clinic - Occupational Therapy at 26732 Crown Valley Pkwy., Mission Viejo
- Outpatient Service - Outpatient Clinic - Perinatal Diagnostic/Treatment at 27800 Medical Center Road, Suite 100, Mission Viejo
- Outpatient Service - Outpatient Clinic - Physical Therapy at 26732 Crown Valley Pkwy., Mission Viejo

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Orange County District Office, 681 S Parker St, Ste 200, Orange, CA 92868, (714) 567-2906

POST IN A PROMINENT PLACE

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

License: 060000146
Effective: 12/01/2015
Expires: 11/30/2016
Licensed Capacity: 523

Mission Hospital Regional Medical Center (Continued)
27700 Medical Center Rd
Mission Viejo, CA 92691-6426

Other Approved Services (cont'd)

Outpatient Service - Outpatient Clinic -
Physical Therapy at 27882 Forbes Rd.,
Suite 110, Laguna Niguel
Outpatient Service - Outpatient Clinic -
Women's Wellness Center at 26732 Crown
Valley Pkwy., Suite 171, Mission Viejo
Pediatric Clinic
Radiation Therapy
Respiratory Care Services
Social Services
Speech Pathology

Approved Other Certifiable Parts

Prospective Payment System - Psychiatric Unit
Mission Hospital Laguna Beach
31872 Coast Hwy
Laguna Beach, CA 92651-6773

Prospective Payment System - Rehabilitation Unit
Mission Hospital Regional Medical Center
27700 Medical Center Rd
Mission Viejo, CA 92691-6426

Mission Hospital Laguna Beach
31872 Coast Hwy
Laguna Beach, CA 92651-6773

Bed Classifications/Services

142 General Acute Care
38 Chemical Dependency Recovery
19 Perinatal
10 Intensive Care
75 Unspecified General Acute Care
36 Acute Psychiatric (D/P)

Other Approved Services

Basic Emergency Medical
Mobile Unit - MRI
Nuclear Medicine
Outpatient Service - Outpatient Clinic -
Behavioral Health Unit at 31862 Coast
Highway, Suite 100, Laguna Beach
Physical Therapy
Respiratory Care Services
Social Services

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
Orange County District Office, 681 S Parker St, Ste 200, Orange, CA 92868, (714) 567-2906

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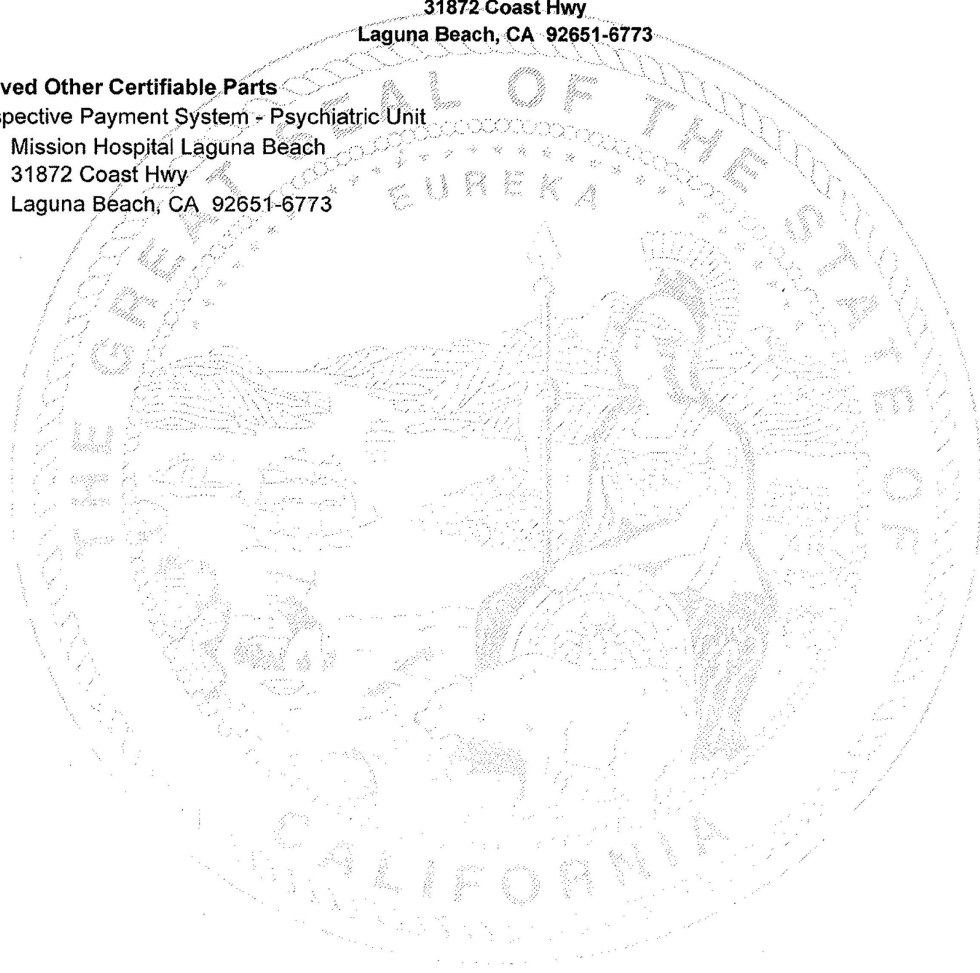
State of California
Department of Public Health
License Addendum

License: 060000146
Effective: 12/01/2015
Expires: 11/30/2016
Licensed Capacity: 523

Mission Hospital Laguna Beach (Continued)
31872 Coast Hwy
Laguna Beach, CA 92651-6773

Approved Other Certifiable Parts

Prospective Payment System - Psychiatric Unit
Mission Hospital Laguna Beach
31872 Coast Hwy
Laguna Beach, CA 92651-6773



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

Karen L. Smith, MD, MPH

Director and State Public Health Officer

A handwritten signature in black ink that reads "Hang Nguyen".

Hang Nguyen, RN, MSN, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
Orange County District Office, 681 S Parker St, Ste 200, Orange, CA 92868, (714) 567-2906

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