



Effect of the Proposed Change in Control & Governance of Lodi Memorial Hospital on the Availability & Accessibility of Healthcare Services

Prepared for the Office of the California Attorney General

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INTRODUCTION & PURPOSE

MDS Consulting, a VHA business, was retained by the Office of the California Attorney General to prepare a report assessing the potential impact of the proposed Affiliation Agreement between Lodi Memorial Hospital Association, Inc., doing business as Lodi Health¹, a California nonprofit public benefit corporation (Lodi Health), Lodi Memorial Hospital Foundation, Inc., a California nonprofit public benefit corporation (the Foundation²), and Adventist Health System/West, doing business as Adventist Health, a California nonprofit religious corporation (Adventist Health), on the availability and accessibility of healthcare services to the communities served by Lodi Memorial Hospital. Lodi Health owns and operates Lodi Memorial Hospital, a general acute care hospital (the Hospital), that consists of two campuses located in Lodi, California (the East Campus and the West Campus).

The Foundation is independent of and not controlled by Lodi Health, but solicits and accepts donations specifically designated for Lodi Health and its affiliated entities. The Foundation is committed to fulfilling Lodi Health's charitable mission to the surrounding communities.

In addition to operating the Hospital, Lodi Health also provides various outpatient services in the community through wholly-owned and partially-owned subsidiaries, including hospital-based and community-based clinics, a rural health clinic³, home health, an urgent care, and several other healthcare related businesses and facilities.

Lodi Health and the Foundation have requested the California Attorney General's consent to enter into an Affiliation Agreement with Adventist Health, whereby governance and economic control of Lodi Health and its affiliated entities will be transferred to Adventist Health.

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

- A review of the application submitted by Lodi Health and the Foundation to the California Attorney General on January 9, 2015, and supplemental information and documents subsequently provided by Lodi Health and the Hospital;
- A review of press releases and news articles related to this and other hospital transactions;

¹ On March 6, 2013, Lodi Memorial Hospital Association, Inc. filed an amended Fictitious Business Name Statement with the County of San Joaquin to do business as Lodi Health.

² In reference to the Foundation, the Affiliation Agreement names The Lodi Memorial Hospital Foundation in its definition of the "Foundation"; however, Lodi Memorial Hospital Foundation, Inc. is the name under which it was incorporated and is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

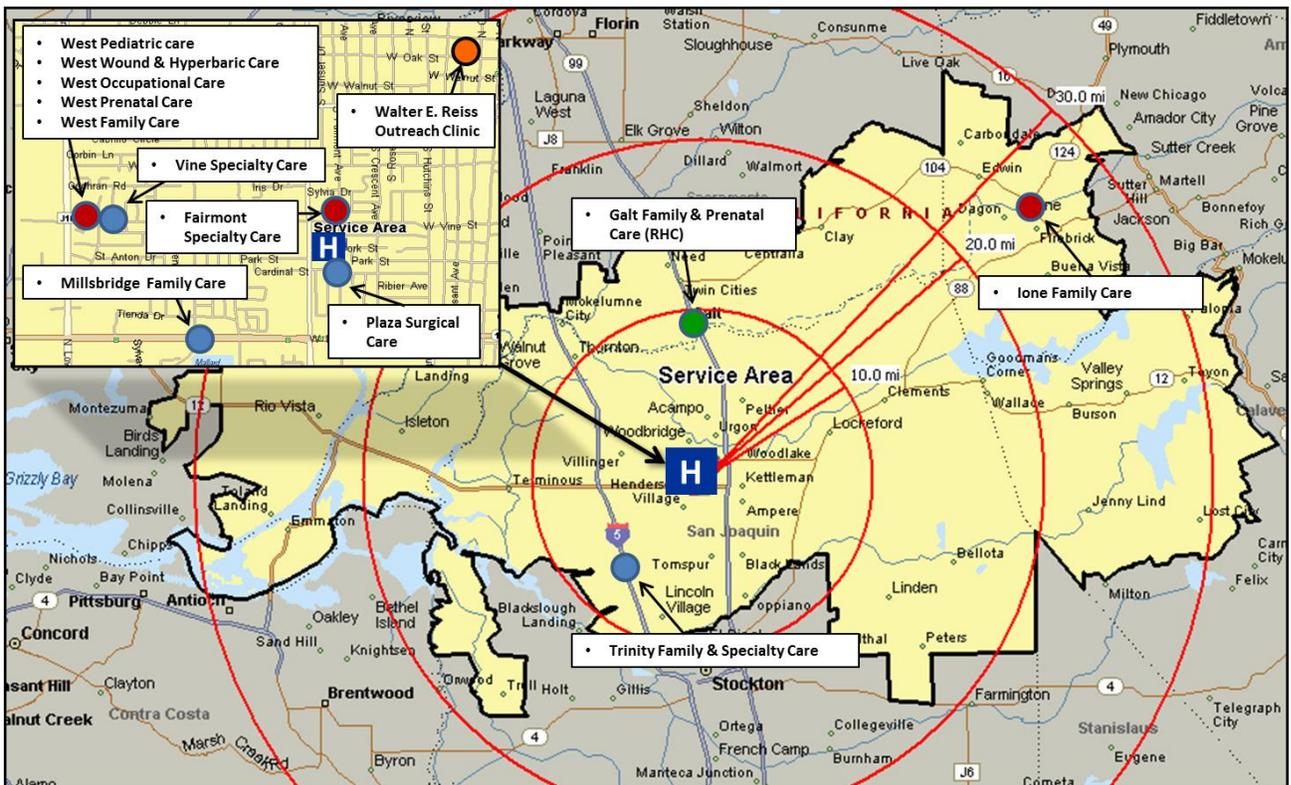
³ A rural health clinic is a federally qualified health clinic located in a rural, medically underserved area certified to receive special Medicare and Medicaid reimbursement.

- Interviews with community representatives, representatives of the Hospital’s medical staff, management, and employees, members of Lodi Health’s Board of Directors (the Board) and the Foundation’s Board of Directors (the Foundation Board), Adventist Health representatives, and others listed in the Appendices;
- An analysis of financial, utilization, and service information provided by Lodi Health, the Hospital’s management, and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding the Hospital’s service area including:
 - Demographic characteristics and trends;
 - Payer mix;
 - Hospital utilization rates and trends;
 - Health status indicators; and
 - Hospital market share.

BACKGROUND & DESCRIPTION OF THE TRANSACTION

Lodi Health

Lodi Health is a private, nonprofit health system based in San Joaquin County that provides healthcare services to the residents of Lodi and its surrounding communities. Lodi Health owns and operates the Hospital, a general acute care facility comprised of the East Campus and West Campus, and also provides nearby primary care, specialty care, urgent care, and surgical services at various clinical medical offices throughout the region.



- H** = The Hospital
- = 1204(a) Clinics
- = Rural Health Clinic
- = 1206(d) Clinics
- = "Free" Clinic for the indigent

Lodi Memorial Hospital Foundation, Inc.

In November 1980, the Foundation, a nonprofit public benefit corporation, was incorporated as a separate entity with the purpose of developing a broad base of community support to promote healthcare in the greater Lodi area. The Foundation was established to accept charitable gifts, organize and conduct fundraising events, and allocate funds to support the advancement of healthcare technology and assist in community healthcare programs.

Lodi Health's Community Clinics Division

Lodi Health founded the "Community Clinics Division" in 2008 to expand primary care operations and provide a group practice model for physicians. Under the Community Clinics Division, Lodi Health operates four 1204(a)⁴ community clinics including Millsbridge Family Care, Plaza Surgical Care, Trinity Family and Specialty Care, and Vine Specialty Care.

Lodi Health owns and operates nine clinics, including four primary care clinics, a prenatal clinic, a pediatric clinic, and a 40,000 square-foot medical office building owned by Lodi Regional Health Systems, Inc., a for-profit subsidiary of Lodi Health. Other primary care clinics include the clinic at Ham Lane, the Lone Clinic, the Galt Clinic, and the West Primary Care Clinic. Lodi Health contracts with physicians and physician organizations for the provision of services at the clinics and leases space for the Lone Clinic. In addition, Lodi Health operates a home health program, an adult day care program, a child care program, and a free clinic for the uninsured.

Lodi Health's wholly-owned and partially-owned subsidiaries include the following for-profit entities:

- Vital Enterprises, Inc. was incorporated in 1984 as a for-profit California corporation that leases and sells medical equipment to patients and families. Vital Enterprises, Inc. leases space from Lodi Health in a building on the East Campus, and Lodi Health provides management services pursuant to a management services agreement between Vital Enterprises, Inc. and Lodi Health;
- Lodi Regional Health Systems, Inc. was incorporated in 1996 as a for-profit California corporation for the purpose of providing practice management services to Lodi Health's clinics and to physicians and physician associations. Lodi Regional Health Systems, Inc. began operations in 2005 and currently provides physician practice management services to physicians located in Lodi Health's service area in return for a negotiated fee;
- Lodi Surgical Ventures, LLC, is a Delaware limited liability company that was formed by Lodi Health and RSH, Inc., a Nevada corporation. Lodi Health owns 61 percent and RSH, Inc. owns 39 percent;
- Artel, LLC, doing business as Lodi Outpatient Surgical Center, is a California limited liability company that operates a surgical center in close proximity to the Hospital. Lodi Surgical Ventures, LLC acquired a 51 percent ownership interest in Artel, LLC;
- Endoscopy Center of Lodi, LLC, is a California limited liability company that provides endoscopy services in office space leased by Lodi Health that is located across the street from the Hospital. Through its interest in Lodi Surgical Ventures, LLC, Lodi Health

⁴ A section 1204(a) community clinic is operated by a tax-exempt nonprofit corporation that is supported and maintained in whole or in part by donations, bequests, gifts, grants, government funds, or contributions.

effectively owns 31 percent of the Endoscopy Center of Lodi, LLC;

- Advanced Imaging Center at Lodi Memorial Hospital, LLC, is a California limited liability company that owns and operates a diagnostic medical imaging center located at the East Campus on property leased from the Lodi Health. Lodi Health has joint ownership with Delta Radiology Medical Group, Inc., a California professional corporation, and holds a majority 51 percent ownership; and
- Trinity Plaza Surgery Center, LLC, is a California limited liability company, in which Lodi Health has 94% ownership, which operates an ambulatory surgery center in the medical office building owned by Lodi Health and its affiliates, located in Stockton. The operating activities were discontinued in March 2013, and subsequently, Trinity Plaza Surgery Center, LLC, sold all of its leasehold improvements and the majority of its equipment and supply inventories to a privately-owned operator of ambulatory surgery centers. Under the terms of the Affiliation Agreement, Lodi Health, along with all other interest holders of Trinity Plaza Surgery Center, LLC, intend to dissolve the entity on or prior to the closing of the transaction.

East Campus Medical Office Building

The East Campus medical office building, located immediately south of the East Campus facility, was built in 1991 and encompasses approximately 42,000 square feet of space. The East Campus medical office building is owned by a private partnership but is located on land owned by Lodi Health and leased to the partnership.

West Campus Medical Office Buildings

The West Campus is connected to a 15,000 square-foot medical office building. Two additional medical office buildings are located on the West Campus.

History & Description of the Hospital

In 1945, members of the Lodi community formed Lodi Health in response to the community's need for a new hospital provider of healthcare services. After extensive fundraising, Lodi Health opened the Hospital in March of 1952. At the time of the Hospital's opening, the Hospital provided obstetrics, surgery, pharmacy, and laboratory services and had 55 licensed patient beds. In 1990, Lodi Health purchased the Doctors Hospital of Lodi, now known as the West Campus, in order to develop its acute rehabilitation and therapy services.

Today, the Hospital provides inpatient and outpatient services with 214 licensed beds and has a medical staff comprised of approximately 330 physicians.

Reasons for the Affiliation

In April 2012, the Board engaged Cain Brothers & Company, LLC (Cain Brothers), a healthcare investment bank and strategic advisory firm, to assist Lodi Health in an examination of its current strategic position and long-term strategic direction and alternatives.

Cain Brothers recommended that a relationship with a well-capitalized health system would provide a better future for Lodi Health to continue operating and delivering high quality healthcare services. In order to accomplish this goal and assess its partnering options, the Board identified the following key affiliation objectives:

- Retain local control over and/or input in key strategic decisions;
- Realize overhead cost savings;
- Improve access to capital to fund medical technology, IT systems, and physician integration;
- Gain ability to make cost-effective IT investments to support clinical integration;
- Improve access to, or alignment with, a comprehensive physician group;
- Maximize access to healthcare services for the greater Lodi community;
- Consider advancing physician and other medical professional training programs, including a physician residency program; and
- Select a health system partner with the financial profile and strategic vision to provide long-term sustainability to Lodi Health.

Transaction Process & Timing

The Board selected Adventist Health as an affiliation partner because it believed Adventist Health's proposal most closely met the affiliation objectives. Further, Adventist Health would be able to provide the tools and resources necessary to ensure a strong, high quality, local healthcare system that is responsive to the needs of the communities served by the Hospital. The Board believed that Adventist Health would be the best affiliation partner to ensure the future sustainability of Lodi Health based upon its similar mission-driven culture and values. The events leading up to this transaction are below in chronological order:

- April 2012 – Lodi Health retains the services of Cain Brothers to conduct a thorough evaluation of Lodi Health's current strategic position and evaluate partnership models that could help Lodi Health and its affiliated entities better fulfill its mission;

- October 2012 – After an in-depth consideration of future strategic options and review of the recommendations provided by Cain Brothers, the Board determines that in the absence of a sustained turnaround in operating performance, it is in the best interest of Lodi Health, and the communities served by the Hospital, to seek a partnership with a well-capitalized health system that would be able to provide a better future for the organization and its healthcare delivery system in Lodi;
- May – September 2013 – A special subcommittee of the Board begins meeting regularly with Cain Brothers to identify potential partnership opportunities to position Lodi Health for long-term success and create affiliation objectives;
- October – November 2013 – Cain Brothers contacts a number of potential partners, including nonprofit, investor-owned, and academic health systems. Ten potential partners, including Adventist Health, sign Non-Disclosure Agreements and receive the Request for Proposal materials;
- December 4, 2013 – Adventist Health presents an "Indication of Interest" to the Board in response to the Request for Proposal;
- December 2013 – Three of the nine additional healthcare organizations who receive Request for Proposal materials submit proposals for a potential affiliation with Lodi Health, consisting of offers from one for-profit health system and two from nonprofit organizations;
- December 2013 – The Board assesses the relative strengths of the initial indications of interest, and narrows the group of potential partners to include only nonprofit health systems, including Adventist Health;
- March 7, 2014 – Cain Brothers sends out requests for a letter of intent to be submitted by each of the remaining three nonprofit bidders;
- April 8, 2014 – Adventist Health submits a letter of intent to the Board;
- April 9, 2014 – The Board receives letters of intent from two remaining potential partners;
- May – August 2014 – The Board, with the assistance of Cain Brothers, reviews the letter of intent and schedules a series of onsite interviews with a team of representatives from each of the bidders;
- August 27, 2014 – Adventist Health and two other potential bidders submit letters of intent to the Board. The Board unanimously votes in favor of and duly authorizes Lodi Health's Chief Executive Officer to execute the Letter of Intent with Adventist Health;

- August 29, 2014 - Lodi Health enters into the Letter of Intent with Adventist Health;
- September 2014 & November 2014 – Town-hall meetings are held for interested persons to ask questions and express any concerns regarding the proposed affiliation;
- September 24, 2014 – The Board passes a Unanimous Written Consent that established a special Negotiating Committee of the Board to work closely with legal counsel and consultants to help prepare the final terms and conditions of the Affiliation Agreement, and directs that the Affiliation Agreement be submitted to the Board for final approval;
- October 13, 2014 – A forum is held for the Lodi Health membership to discuss the Board’s reasoning for pursuing the proposed affiliation with Adventist Health;
- October 31, 2014 – A notice is issued to the Lodi Health members regarding the special membership meeting, on December 15, 2014, to vote on the proposed affiliation with Adventist Health;
- December 11, 2014 – The Board passes a resolution authorizing the execution of the Affiliation Agreement between Lodi Health, the Foundation, and Adventist Health, and authorizes the Chair of the Board to recommend to the current Lodi Health members that it is advisable and in the best interest of Lodi Health to approve the amended Bylaws;
- December 15, 2014 – The Foundation’s Board passes a resolution authorizing the execution of the Affiliation Agreement between Lodi Health, the Foundation, and Adventist Health;
- December 15, 2014 – Votes by the corporate membership indicate majority approval of the Amended and Restated Bylaws, totaling 189 votes in favor of and 14 votes opposed to, thus enabling the affiliation process with Adventist Health to move forward;
- December 31, 2014 – Lodi Health and the Foundation enter into the Affiliation Agreement with Adventist Health;
- January 9, 2015 – “Notice of Submission and Request for Consent” is submitted by Lodi Health and the Foundation to the Office of the California Attorney General.

Affiliation Agreement

The proposed Affiliation Agreement, dated December 31, 2014, contains the following major provisions:

- Adventist Health shall become the sole corporate member of Lodi Health by replacing the current corporate members of Lodi Health;
 - Lodi Health shall adopt the necessary changes to their organizational documents to allow Adventist Health to assume all governance and economic control over Lodi Health.
- Under the proposed governance structure, Lodi Health shall establish a Local Governing Board of Directors (the Local Governing Board), initially consisting of:
 - Thirteen members selected by the Board from among its current members, including the appointment of the Local Governing Board Chair;
 - One member appointed from the Foundation Board; and
 - Three members appointed by Adventist Health.
- Following the closing, the new Board of Directors (the Legal Board), that is responsible for the actions of Lodi Health and its subsidiaries under California law, shall be comprised of the same members who serve on the Adventist Health Board of Directors:
 - The Legal Board will delegate certain powers and responsibilities to the Local Governing Board, as set forth in the amended and restated organizational documents, as well as the Local Governing Board's bylaws, all of which are to take effect upon the closing of the transaction.
- The proposed transaction does not involve any sale, transfer, or other disposition of any of the assets held by Lodi Health or its affiliates, with the exception of the following:
 - All assets that are owned or controlled by Lodi Health, but used solely and exclusively by the Foundation, such as IT equipment in the leased office space, shall be transferred to the Foundation prior to closing; and
 - Any assets that are used by both Lodi Health and the Foundation shall remain with Lodi Health, and both parties shall establish a written agreement that governs how these assets will be owned and/or used following the closing.

- Following the closing, the Foundation shall:
 - Remain a non-membership nonprofit corporation that is independent of and not controlled by Adventist Health, Lodi Health, or any other person or entity other than the self-perpetuating Foundation Board;
 - Have the ability to enforce certain terms and covenants made by Adventist Health in the Affiliation Agreement;
 - Continue leasing the office space from Lodi Health that is currently being used for the Foundation’s administrative offices; and
 - Continue to dedicate its support to Lodi Health and will remain committed to fulfilling Lodi Health’s charitable mission to the community.
- Lodi Health will adopt Adventist Health’s same policies on charity and indigent care;
- Lodi Health shall dissolve Trinity Plaza Surgery Center, LLC, on or prior to the closing of the transaction;
- Adventist Health has made the following commitments to:
 - Provide appropriate administrative, management, and other support services to Lodi Health as a member of Adventist Health, including the following management services:
 - Financial, information technology, physician alignment, clinical, human resources, population health, operational, regulatory, and strategic services.
 - Maintain medical practices and procedures performed at the Hospital, and not restrict these services based on religious principles. Under the terms of the Affiliation Agreement, Adventist Health may have Lodi Health:
 - Place limitations on the types of foods served at the Hospital and affiliated healthcare facilities; and
 - Adopt policies to encourage the creation of an environment conducive to employees’ and patients’ Sabbath rest.
 - Continue all material clinical services provided at the Hospital and the affiliated healthcare facilities for at least five years following the closing;
 - Operate Lodi Health focusing on quality, patient safety, and patient satisfaction, and maintain the accreditation and participation in the Medicare, Medi-Cal, and TRICARE programs;

- Maintain and continue Lodi Health’s participation in residency training programs, and expand these programs, consistent with Lodi Health’s overall financial circumstances and the quality and viability of the programs, to encourage the recruitment and retention of resident physicians;
- Provide a restricted donation of \$2 million to the Foundation to be used exclusively in support of Lodi Health and its affiliates to further Lodi Health’s mission;
- Maintain the Hospital’s medical staff privileges, who are in good standing as of the closing and will not change the level of support provided to the medical staff, nor change the medical staff’s structure, bylaws, officer selection process, or medical executive council;
- Maintain seismic compliance of the central/east wing and west wing buildings of the Hospital with the federal and state regulations regarding hospital seismic retrofitting, provided that these buildings are still required for patient care;
- Continue the employment of substantially all employees of Lodi Health and its affiliates, who are in good standing as of the closing, with the exception of those employees who will become employees of Adventist Health, which include the following:
 - Chief Executive Officer;
 - Chief Nursing Officer;
 - Chief Financial Officer; and
 - Chief Administrative Officer.
- Implement and install Adventist Health’s system-wide Cerner Millennium electronic medical record system at the Hospital;
- Guarantee or otherwise satisfy lender approval requirements for all of Lodi Health’s existing long-term debt⁵;
 - Lodi Health shall be added as a member to Adventist Health’s Obligated Group⁶ when Adventist Health determines that it is beneficial for Lodi Health to do so;

⁵ As of December 31, 2014, Lodi Health had an outstanding debt totaling approximately \$145.4 million. The majority of this debt relates to the Series 2007 Bonds that are insured by the State of California through its Cal-Mortgage program (2007 Bonds). At the closing of the transaction, Lodi Health is expected to have an amount of debt roughly equal to the year-end balance, with approximately \$136.9 million in debt outstanding.

⁶ Obligated Group consists of Adventist Health System/West and 15 wholly controlled nonprofit corporations, 13 of which own and operate hospital facilities in California, Hawaii, Oregon, and Washington, and two of which operate leased hospital facilities located in Oregon and California. Lodi Health can join the Adventist Health’s Obligated Group when the 2007 Bonds are redeemed and the OSHPD Contract of Insurance is terminated. The bonds are callable on or after December 1, 2017.

- If Adventist Health determines that Lodi Health needs to borrow or obtain additional funds prior to becoming a member under the Obligated Group, Adventist Health shall either:
 - Lend Lodi Health the necessary funds directly;
 - Guarantee Lodi Health’s borrowing funds from a third party lender; or
 - Guarantee the Revenue Bonds in order to resolve the current bond covenant compliance issues.
- The Capital Investment, in the sum of \$98 million, to be paid by Adventist Health over the 13-year term shall be used by Lodi Health to enhance and maintain services, including expenditures used to:
 - Acquire assets to enhance retention and recruitment of the local physicians within the communities served by the Hospital; and
 - Upgrade and modernize the Hospital’s facility, including the intensive care unit, obstetrics unit, and/or surgical services unit.
- Capital expenditures exempt from Adventist Health’s \$98 million Capital Investment that will be in addition to the \$98 million commitment are those expenditures used to:
 - Defray operating expenses that are used for the retention and recruitment of the local physicians within the communities served by the Hospital;
 - Implement Adventist Health’s EMR system, including any costs associated with the EMR software acquisition and training; and
 - Guarantee Lodi Health’s long-term debt.

Use of Net Sale Proceeds

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

PROFILE OF THE HOSPITAL

Overview of the Hospital

The Hospital’s East Campus and West Campus are located approximately 1.2 miles from one another in Lodi, California. The East Campus, a 190 licensed-bed general acute care facility, is located at 975 South Fairmont Avenue. The East Campus has a “basic” Emergency Department⁷ with 28 licensed treatment stations and a Clinical Decision Unit. The Clinical Decision Unit has four observation beds and provides monitoring, diagnostic testing, and assessment of symptoms to determine whether cardiac patients will require inpatient treatment. The Hospital also has a helipad that is frequently used to transfer patients to tertiary care facilities such as University of California, Davis Medical Center. The East Campus has six surgical operating rooms and one cardiac catheterization lab.

The West Campus, located at 800 South Lower Sacramento Road, provides outpatient fitness center and therapy services, including physical, occupational, and speech therapy. The West Campus closed its inpatient services and relocated eight of the acute physical rehabilitation beds to the East Campus in July 2012. The remaining 24 acute physical rehabilitation beds at the West Campus are currently in suspense⁸.

BED DISTRIBUTION 2014		
Bed Type	East Campus	West Campus
General Acute Care	156	-
Intensive Care	10	-
Perinatal	16	-
Rehabilitation	8	24
Total Beds by Campus	190	24
Total Licensed Beds	214	

Source: Hospital License 2014

⁷ 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.

⁸ On January 30, 2015, the Hospital submitted a license change request to the California Department of Public Health for delicensure of the 24 remaining West Campus beds that are currently in suspense. Upon approval, the Hospital will have 190 licensed beds.

Key Statistics

KEY STATISTICS: FY 2011 - 2013			
	2011	2012	2013
Inpatient Discharges	7,139	6,201	6,600
Licensed Beds ¹	214	214	214
Patient Days	34,077	30,271	32,216
Average Daily Census	93	83	88
Occupancy	43.6%	38.6%	41.2%
Average Length of Stay	4.8	4.9	4.9
Emergency Services Visits	31,080	30,902	33,370
Cardiac Catheterization Cases ²	N/A	135	124
Total Live Births	1,097	966	1,038

Physicians on Medical Staff ³	331
Employees (Full-Time Equivalents)	1,105

Sources: OSHPD Disclosure Reports, 2011-2013 & the Hospital

¹ Includes the 24 licensed acute physical rehabilitation beds currently in suspense at the West Campus

² The Hospital reports cardiac catheterization volumes by case rather than procedures (e.g., there can be three procedures on one case)

³ Medical Staff includes those at the Hospital and Lodi Health's affiliated healthcare facilities

- For Fiscal Year (FY) 2013, the Hospital reported a total of 6,600 discharges, 32,216 patient days, and an average daily census of 88 patients (approximately 41% occupancy on the total licensed beds);
- Both inpatient discharges and patient days have decreased since FY 2011 by approximately 8% and 6%, respectively;
- For FY 2013, the Hospital had 33,370 emergency visits;
- In FY 2013, the Hospital reported 124 cardiac catheterization cases; and
- In FY 2013, the Hospital reported 1,038 deliveries.

Programs & Services

The Hospital offers a broad spectrum of medical services, including physical and pulmonary rehabilitation, obstetrics, surgical, and emergency services.

- Acute physical rehabilitation services include: Specialized care for stroke, amputation, brain and spinal cord injury, and neurological disorder patients;
- Dialysis services include: Inpatient dialysis for patients with acute kidney injuries and chronic kidney disease;
- Emergency services include: 24-hour “basic” Emergency Department services at the East Campus, including 28 treatment stations, a Clinical Decision Unit, and a helipad. The Clinical Decision Unit includes four observation beds, patient monitoring, and diagnostic testing to determine whether cardiac patients will require inpatient treatment;
- Maternal child health services include: Prenatal care, childbirth care, and lactation education and counseling. The Hospital’s Maternal Child Department is designated as “Baby-Friendly” by the Baby-Friendly Hospital Initiative, a program that encourages breastfeeding to reduce childhood illness and death;
- Surgery services include: General surgery, orthopedic and joint replacement surgery, gynecological surgery, gallbladder surgery, urological surgery, and bariatric surgery services, including minimally invasive surgery techniques through the assistance of the da Vinci robotic surgical system; and
- Palliative care services include: Specialized medical care for patients with chronic illnesses, including cancer, cardiac disease, kidney disease, Alzheimer’s disease, HIV/AIDS, and pulmonary disease.

In addition to the inpatient services, the Hospital also offers various outpatient services, including the following:

- Adult day care services include: Individual plans of care, including music therapy, supervised exercise, and health monitoring for older and disabled adults who cannot independently care for themselves;
- Cardiac rehabilitation services include: A twelve-week outpatient program that includes supervised exercise, diet modification, stress reduction, smoking cessation, and medication management for patients experiencing complications from heart disease;

- Home health services include: A team of registered nurses, home-health aides, and therapists that provide patient monitoring, injections, pain management, and end-stage care within the comfort of a patient's home;
- Imaging services include: Nuclear medicine, digital ultrasound, digital X-ray, cardiac catheterization, MRI, and CT services;
- Laboratory services include: Clinical laboratory, pathology, and phlebotomy diagnostic testing;
- Nutrition counseling services include: Nutrition education to address medical conditions, including diabetes, cardiac disease, renal disease, wound healing, and pediatric nutrition;
- Pulmonary rehabilitation services include: A six-week outpatient program for patients with chronic obstructive pulmonary disease, such as asthma, emphysema, or bronchitis, including supervised exercise and education;
- Orthopedic and sports medicine services include: Diagnostic and treatment services for various joint disorders;
- Surgical services include: Surgical and medical procedures, including esophageal procedures and colonoscopies;
- Telemedicine services include: Webcam medical consultations for stroke patients in the Emergency Department through a contractual agreement with University of California, Davis Medical Center;
- Therapy services include: Physical, occupational, and speech therapy offered at the West Campus;
- Urgent care services include: Treatment for minor illnesses and injuries that require timely attention, but are not life-threatening; and
- Wound care services include: Debridement, hyperbaric oxygen therapy, tissue substitutes, and platelet growth technologies for patients with chronic, non-healing wounds.

The Hospital provides outpatient services at the following California Health and Safety Code section 1206(d)⁹ clinics:

- Fairmont Specialty Care: Provides cardiology and pulmonary care services at a facility owned by Lodi Health in Lodi;
- Lone Family Care: Provides family medicine services and onsite laboratory draw station services at a space leased by Lodi Health in Lone;
- West Family Care: Provides family medicine services at a facility owned by Lodi Health in Lodi;
- West Pediatric Care: Provides pediatric care services at a facility owned by Lodi Health in Lodi;
- West Prenatal Care: Provides prenatal care services at a facility owned by Lodi Health in Lodi;
- West Occupational Medicine: Provides occupational medicine services at a facility owned by Lodi Health in Lodi; and
- West Wound and Hyperbaric Medicine: Provides wound care services at a facility in Lodi owned by Lodi Health.

The Hospital provides healthcare services at the following Rural Health Clinic:

- Galt Family and Prenatal Care: Provides family medicine services, urological care, prenatal care, laboratory services, and radiography services at a facility in Galt owned by Lodi Health.

The Hospital also provides healthcare services at the following California Health and Safety Code section 1204(a) community clinics:

- Millsbridge Family Care: Provides family medicine and laboratory services at a space leased by Lodi Health in Lodi;
- Plaza Surgical Care: Provides general and vascular surgery services at a facility owned by Lodi Health in Lodi;
- Trinity Family and Specialty Care: Provides family medicine services, urological care, and cardiology care services at a facility in Stockton owned by Lodi Health; and

⁹ A section 1206(d) clinic is exempt from licensure if it is conducted, operated, or maintained as an outpatient department of a hospital.

- Vine Specialty Care: Provides endocrinology, neurological, nutritional counseling, orthopedic surgery, and sports medicine services at a space currently leased by Lodi Health in Lodi.

Accreditations, Certifications, & Awards

The Hospital is accredited by the Joint Commission, effective May 2014 through May 2017. Over the years, the Hospital has been recognized as a provider of quality care, receiving some of the following accolades:

- Ranked within the top 10 percent of rehabilitation hospitals in the nation by Uniform Data System for Medical Rehabilitation;
- Accredited by the Joint Commission for its Home Care Program, effective May 2014 through May 2017;
- Designation as “Baby-Friendly” by the Baby-Friendly Hospital Initiative;
- Accredited by the Joint Commission for its Laboratory Program, effective June 2013 through June 2016;
- Awarded a Five-Star Patient Safety Award for its Emergency Department by Professional Research Consultants;
- Certified by the California Department of Public Health for Radiation Safety; and
- Accredited by the Community Health Accreditation Program for Durable Medical Equipment.

Quality Measures

The Hospital is one of two area hospitals participating in the Centers for Medicare & Medicaid Services’ Bundled Payments for Care Improvement Initiative. Under this initiative, organizations enter into payment arrangements that include financial and performance accountability to provide more coordinated, better quality care at a lower cost to Medicare. The Hospital, which started participating in Model 2 of the initiative during 2013, is responsible for a patient’s 30-day episodic care for total joint hip and knee replacements, including the inpatient hospital stay and post-acute treatment. The initiative rewards hospitals through a risk-sharing model that improves the overall quality and outcomes of care while reducing costs.

The Hospital Value-Based Purchasing Program, established by the Patient Protection and Affordable Care Act 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 multiple measures within four domains: clinical process of care, patient experience, outcome, and efficiency. For FY 2013, Centers for Medicare & Medicaid Services penalized the Hospital by 0.10%. During FY 2014, the Hospital was penalized 0.52%.

The following table reports the Hospital’s quality scores for FY 2014 for certain measures including evidence-based care¹⁰, patient satisfaction, patient willingness to recommend the hospital, and 30-day mortality rates for heart attack, heart failure, pneumonia, and surgical care patients in comparison to the national average.

QUALITY SCORES COMPARISON: FY 2014				
Domain	Measure	Hospital	California Average	National Average
Clinical Process of Care Domain	Evidence-Based Care	96.5%	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	74.0%	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	72.0%	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	13.1%	12.0%	12.3%

Source: The Commonwealth Fund, WhyNotTheBest.org

- For measures of evidence-based care, the Hospital scored lower than the statewide average and national average;
- In FY 2014, approximately 74% of patients were highly satisfied with the Hospital, compared to 71% of patients nationwide and 68% of patients in California;
- For the measure on patients’ willingness to recommend the Hospital to others (72%), the Hospital scored slightly better than both the state (70%) and national average (71%); and
- The Hospital had a slightly higher 30-day mortality rate for heart attack, heart failure, pneumonia, and surgical care patients (13.1%) than the state and national averages during FY 2014 (12.0% and 12.3%, respectively).

The Hospital Readmissions Reduction Program, 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 2015, 223 California hospitals will be penalized at an average of 0.41%. 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.

¹⁰ Applying the current best data-driven clinical expertise and research evidence when making decisions about the care of an individual patient.

In FY 2013 and 2014, the Hospital was penalized at 0.08% and 0.06%, respectively. The following table shows the Hospital’s 30-day readmission rate for heart attack, heart failure, pneumonia, and surgical patients for FY 2014.

30-DAY READMISSION RATES: FY 2014		
Hospital	National Average	California Average
19.6%	19.9%	19.9%

Source: The Commonwealth Fund, WhyNotTheBest.org

- In FY 2014, 19.6% of the Hospital’s heart attack, heart failure, pneumonia, and surgical care patients were readmitted within 30-days, compared to 19.9% nationally and statewide; and
- For FY 2015, the Hospital will be penalized at 0.10%.

Seismic Issues

Using the HAZUS seismic criteria¹¹, the Hospital’s structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as seen in the table below. These classifications require that the Hospital’s structures undergo construction to comply with the California Office of Statewide Health Planning and Development’s seismic safety standards.

HOSPITAL SEISMIC OVERVIEW		
Building	SPC Rating	NPC Rating
East Campus		
Central (Main)/East Wing	SPC-2	NPC-2
West Wing	SPC-2	NPC-2
Central Plant	SPC-4s*	NPC-2
North Wing	SPC-4s*	NPC-2
Emergency Addition	SPC-4s*	NPC-2
New Patient Tower	SPC-5s*	-
New Central Plant	SPC-5s*	-
West Campus		
Main Building and Additions	SPC-2	NPC-2
1983 Emergency Room Addition	SPC-4	NPC-2

Source: OSHPD Seismic Compliance Hospital Performance Ratings, 2015

* S indicates rating as self-reported by the Hospital

- Collectively, the Hospital has three buildings across its two campuses that are rated as SPC-2. These buildings must be seismically retrofitted by January 1, 2030 to continue housing the delivery of acute care services, including medical/surgical, intensive care/coronary care, obstetrics, and rehabilitation services¹²; and
- According to the Affiliation Agreement, Adventist Health has committed to replacing or retrofitting the Central/East Wing and West Wing of the East Campus in accordance with Federal and State regulations regarding hospital seismic retrofitting.

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

¹² The Hospital buildings rated SPC-4 and SPC-5 are in compliance beyond January 1, 2030.

Patient Utilization Trends

The following table shows volume trends at the Hospital for FY 2009 through FY 2013.

SERVICE VOLUMES: FY 2009-2013					
PATIENT DAYS	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Intensive Care	3,031	2,649	2,787	2,686	2,756
Medical/Surgical	26,698	28,072	27,187	23,650	25,784
Obstetrics	2,847	2,401	2,183	1,992	2,100
Physical Rehabilitation Care	2,955	1,801	1,827	1,943	1,576
Sub-Acute Care	4,033	3,609	83	-	-
Skilled Nursing Care	1,802	375	-	-	-
Total	41,366	38,907	34,067	30,271	32,216
DISCHARGES					
Intensive Care	246	193	175	175	165
Medical/Surgical	6,207	6,303	5,698	4,882	5,247
Obstetrics	1,394	1,217	1,116	996	1,059
Physical Rehabilitation Care	191	142	146	148	129
Sub-Acute Care	1	7	4	-	-
Skilled Nursing Care	19	44	-	-	-
Total	8,058	7,906	7,139	6,201	6,600
AVERAGE LENGTH OF STAY					
Intensive Care	12.3	13.7	15.9	15.3	16.7
Medical/Surgical	4.3	4.5	4.8	4.8	4.9
Obstetrics	2.0	2.0	2.0	2.0	2.0
Physical Rehabilitation Care	15.5	12.7	12.5	13.1	12.2
Total	4.4	4.4	4.8	4.9	4.9
AVERAGE DAILY CENSUS					
Intensive Care	8	7	8	7	8
Medical/Surgical	73	77	74	65	71
Obstetrics	8	7	6	5	6
Physical Rehabilitation Care	8	5	5	5	4
Sub-Acute Care	11	10	0.2	-	-
Skilled Nursing Care	5	1	-	-	-
Total	113	107	93	83	88
OTHER SERVICES					
Inpatient Surgeries	2,210	2,176	2,124	1,670	1,635
Outpatient Surgeries	2,201	2,100	2,140	2,329	2,475
Emergency Visits ¹	24,272	28,188	31,080	30,902	33,370
Cardiac Catheterization Cases ²	147	130	N/A	135	124
Obstetric Deliveries	1,286	1,176	1,097	966	1,038

Sources: OSHPD Disclosure Reports, 2009-2013 & the Hospital

¹ OSHPD ALIRTS Utilization Reports

² The Hospital reports cardiac catheterization volumes by case rather than procedures (e.g., there can be three procedures on one case)

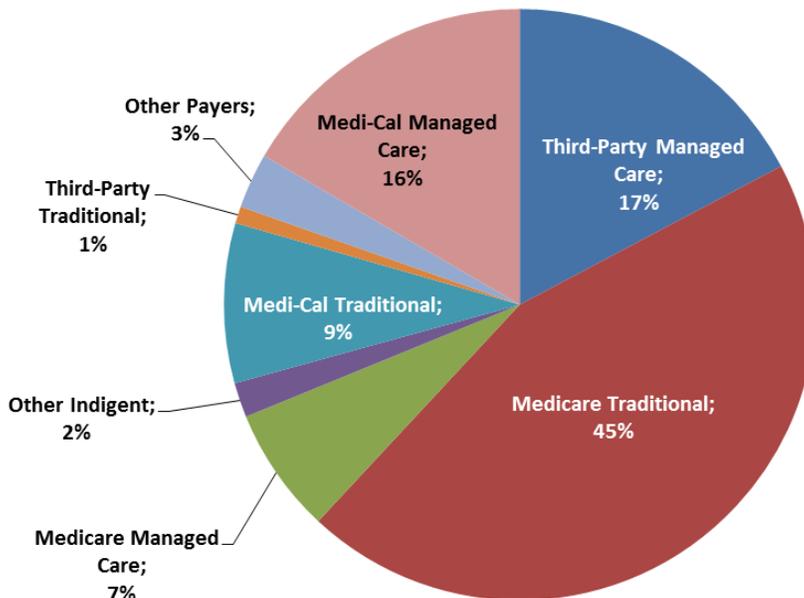
A review of historical utilization trends between FY 2009 and FY 2013 supports the following conclusions:

- Total patient days have decreased by approximately 22% over the five-year period;
- Inpatient discharges have decreased by 18% from 8,058 in FY 2009 to 6,600 in FY 2013;
- As a result of the declining inpatient utilization, a loss of market share, and the cessation of sub-acute and skilled nursing care services, the average daily census has decreased from 113 patients in FY 2009 to 88 patients in FY 2013;
- Between FY 2009 and FY 2013, Emergency Department visits increased by nearly 40% to 33,370 visits;
- Outpatient surgeries increased by approximately 12% from 2,201 in FY 2009 to 2,475 in FY 2013; and
- Obstetric deliveries have decreased 20% from 1,286 in FY 2009 to 1,038 in FY 2013.

Payer Mix

In FY 2013, 52% of the Hospital's inpatient payer mix consisted of Medicare Traditional (45%) and Medicare Managed Care (7%) patients. Approximately 25% of the Hospital's inpatient payer mix consisted of Medi-Cal Managed Care (16%) and Medi-Cal Traditional (9%) patients. Approximately 18% of the Hospital's inpatient payer mix was made up of Third Party Managed Care and Third Party Traditional patients. The remaining 5% of the inpatient discharges consisted of Other Payers* (3%) and Other Indigent (2%) patients.

Hospital Payer Mix: FY 2013



Total Discharges: 6,600

* Other Payers includes self-pay, workers' compensation, other government, and other payers
Source: OSHPD Financial Disclosure Report, FY 2013 (based on inpatient discharges)

The following table illustrates the Hospital's inpatient discharge payer mix compared to San Joaquin County and California for FY 2013. The comparison shows that the Hospital has higher percentages of Medicare Traditional patients and lower percentages of Medi-Cal Traditional and Third-Party Traditional patients relative to other hospitals in California.

PAYER MIX COMPARISON						
	Hospital (2013)		San Joaquin County (2013)		California (2013)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	577	8.7%	5,987	12.7%	444,932	15.0%
Medi-Cal Managed Care	1,096	16.6%	9,078	19.3%	354,720	12.0%
Medi-Cal Total	1,673	25.3%	15,065	32.0%	799,652	27.0%
Medicare Traditional	2,949	44.7%	14,666	31.1%	863,909	29.1%
Medicare Managed Care	455	6.9%	4,088	8.7%	265,857	9.0%
Medicare Total	3,404	51.6%	18,754	39.8%	1,129,766	38.1%
Third-Party Managed Care	1,138	17.2%	7,162	15.2%	657,290	22.2%
Third-Party Managed Care Total	1,138	17.2%	7,162	15.2%	657,290	22.2%
Third-Party Traditional	61	0.9%	2,500	5.3%	127,396	4.3%
Other Payers	199	3.0%	1,249	2.7%	87,399	2.9%
Other Indigent	125	1.9%	1,174	2.5%	50,699	1.7%
County Indigent	0	0.0%	1,199	2.5%	113,812	3.8%
Other Total	385	5.8%	6,122	13.0%	379,306	12.8%
Total	6,600	100%	47,103	100%	2,966,014	100%

Source: OSHPD Disclosure Reports, 2013

Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Approximately 8.8 million Medi-Cal beneficiaries in all 58 counties of California receive their healthcare through six models of managed care: County Organized Health Systems, Geographic Managed Care, Two-Plan Model, Regional Model, Imperial Model, and the San Benito Model.

San Joaquin County has a Two-Plan Model for Medi-Cal Managed Care that offers beneficiaries a "Local Initiative Plan" and "Commercial Plan." In 2013, San Joaquin County had approximately 15,100 Medi-Cal inpatient discharges, of which approximately 60% were covered by Medi-Cal Managed Care. The percentage of San Joaquin County residents with Medi-Cal Managed Care coverage will increase as a result of the Patient Protection and Affordable Care Act and California initiatives to expand managed care.

In San Joaquin County, the Commercial Plan is provided by Health Net Community Solutions, Inc., and the Local Initiative Plan is provided by the Health Plan of San Joaquin. Currently, the Hospital is contracted with both plans to provide healthcare services to patients covered by Medi-Cal managed care. Several Medi-Cal managed care patients living in three adjacent counties (Amador County, Calaveras County, and Sacramento County) travel to San Joaquin County to receive healthcare services at the Hospital. Therefore, the Hospital also maintains a

contract with Anthem Blue Cross Partnership Plan, a Medi-Cal managed care health plan option provided in these nearby counties.

Medical Staff

The Hospital has 331 physicians on the medical staff representing multiple specialties. Hospital medicine, internal medicine, family practice, radiology, and emergency medicine are the five largest specialties, comprising 48% of the physicians on staff.

MEDICAL STAFF PROFILE BY SPECIALTY: 2015			
Specialty	Total	Specialty	Total
Allergy/Immunology	3	Ophthalmology	2
Anesthesia	17	Otolaryngology	6
Cardiology - Interventional	5	Pathology	3
Cardiovascular Disease	15	Pediatric Cardiology	3
Critical Care Medicine	4	Pediatric Critical Care Medicine	1
Dermatology	2	Pediatrics	10
Dermatopathology	1	Physical Medicine and Rehabilitation	2
Emergency Medicine	21	Podiatry	3
Endocrinology, Diabetes, Metabolism	1	Psychiatry	2
Family Practice	30	Pulmonary Disease	6
Gastroenterology	4	Radiation Oncology	2
Geriatric Medicine	4	Radiology	26
Hematology	2	Radiology - Diagnostic	3
Hematology/Oncology	2	Radiology - Therapeutic	1
Hospice/Palliative Care	1	Surgery - Bariatrics	2
Hospital Medicine	42	Surgery - General	9
Infectious Disease	2	Surgery - General, Vascular	1
Internal Medicine	40	Surgery - Oral and Maxillofacial	2
Nephrology	5	Surgery - Orthopedic	9
Neurology	2	Surgery - Plastic	2
Neurology - Child	1	Surgery - Thoracic	2
Neuroradiology	4	Surgical Critical Care	1
Obstetrics/Gynecology	16	Urology	3
Oncology - Medical	6	-	-
Total = 331			

Source: Hospital

Of the Hospital’s medical staff, 139 members are considered “active” users of the Hospital (representing approximately 42% of the medical staff). The 205 “non-active” users of the Hospital include affiliate, ambulatory, consulting, courtesy, provisional, and telemedicine staff.

MEDICAL STAFF PROFILE BY STATUS: 2015	
Status	Total
Active	139
Affiliate	21
Ambulatory	15
Consulting	5
Courtesy	48
Provisional	43
Provisional/Active	10
Telemedicine	63
Total =344	

Source: Hospital

The Hospital’s 1204(a) community clinics have a total of 26 physicians and 11 additional healthcare providers on the medical staff. Family practice represents the largest specialty, comprising 43% of the total medical staff.

COMMUNITY CLINICS AFFILIATED PROVIDERS: 2015			
Specialty	Physicians	Nurse Practitioners and Physician Assistants	Total
Cardiology	1	-	1
Endocrinology	1	-	1
Family Practice	9	7	16
Internal Medicine	5	-	5
Neurology	1	-	1
Pediatrics	4	3	7
Pulmonology	3	1	4
Surgery	2	-	2
Total	26	11	37

Source: Hospital

The Hospital has relationships with two local Independent Physician Associations: Hill Physicians Medical Group and Omni IPA/Medcore Medical Group. Both Independent Physician Associations are based in Stockton and provide a network of physicians that offer healthcare services to the residents of San Joaquin County.

Financial Profile

Between FY 2010 and FY 2013, the Hospital reported negative net income ranging from \$4.9 million to \$7.9 million annually. These losses may be attributed to operating expenses exceeding operating revenue. Additionally, net losses from non-operating activities¹³ have ranged from \$3.4 million to \$7.6 million annually. Between FY 2009 and FY 2013, operating expenses increased 36% while operating revenue increased 24%.

The Hospital's Current Ratio has decreased over the last five years from 2.17 in FY 2009 to 2.09 in FY 2013 (the California average in 2013 was 1.76). The Hospital's average Bad Debt Rate is approximately 3.5%, which is higher than the statewide average of 1.7%.

FINANCIAL AND RATIO ANALYSIS: FY 2009-2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Patient Days	41,366	38,907	34,067	30,271	32,216
Discharges	8,058	7,906	7,139	6,201	6,600
Average Length of Stay	5.1	4.9	4.8	4.9	4.9
Net Patient Revenue	\$130,465,691	\$149,806,649	\$141,901,405	\$155,103,914	\$161,962,235
Other Operating Revenue	\$908,716	\$1,091,913	\$4,178,291	\$3,318,243	\$1,998,366
Total Operating Revenues	\$131,374,407	\$150,898,562	\$146,079,696	\$158,422,157	\$163,960,601
Operating Expenses	\$123,498,233	\$151,320,095	\$149,605,239	\$155,739,468	\$168,414,117
Net from Operations	\$7,876,174	(\$421,533)	(\$3,525,543)	\$2,682,689	(\$4,453,516)
Net Non-Operating Gain/Loss	(\$3,951,605)	(\$4,574,657)	(\$4,336,657)	(\$7,613,478)	(\$3,383,932)
Net Income	\$3,924,569	(\$4,996,190)	(\$7,862,200)	(\$4,930,789)	(\$7,837,448)
California Average 2013					
Current Ratio	1.76	2.17	2.44	2.15	2.09
Days in A/R	59.9	67.1	63.2	70.4	58.6
Bad Debt Rate	1.7%	3.2%	4.0%	4.2%	3.5%
Operating Margin	2.64%	6.00%	-0.28%	-2.41%	-2.72%

Source: OSHPD Disclosure Reports, 2009-2013

Bond Obligations

The Hospital carries long-term debt consisting of Revenue Bonds totaling approximately \$145.4 million. The majority of this debt relates to the 2007 Bonds insured by the State of California through its Cal-Mortgage program.

¹³ Revenue received or recognized for services that are not directly related to the provision of healthcare services. Examples of non-operating revenue include unrestricted contributions, income and gains from investments, and various government assessments, taxes, and appropriations.

Cost of Hospital Services

The Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2013, approximately 51% of the Hospital's total costs were associated with Medicare, 23% with Medi-Cal, 20% with Third Party payers, 4% with Other Payers. The remaining 2% is attributed to Other Indigent.

COST OF SERVICES					
BY PAYER CATEGORY: FY 2009-2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Operating Expenses	\$123,498,233	\$150,898,562	\$149,605,239	\$155,739,468	\$168,414,117
Cost of Services By Payer:					
Medicare	\$59,124,698	\$75,929,872	\$79,239,165	\$82,767,343	\$86,393,930
Medi-Cal	\$31,086,259	\$34,925,653	\$30,409,344	\$31,608,805	\$37,888,604
County Indigent	-	-	-	-	-
Third Party	\$26,611,038	\$30,835,507	\$29,933,098	\$32,419,085	\$33,607,424
Other Indigent	\$2,290,773	\$3,101,737	\$3,917,743	\$4,065,321	\$3,463,531
Other Payers	\$4,385,465	\$6,105,793	\$6,105,888	\$4,878,914	\$7,060,628

Source: OSHPD Disclosure Reports, 2009-2013

Charity Care

According to the Hospital's reports submitted to OSHPD, the Hospital's charity care charges have increased from a low of \$17.0 million in 2009 to a high of approximately \$28.1 million in FY 2012. In FY 2013, the Hospital's charity care charges were approximately \$24.8 million. The five-year average for charity care charges was nearly \$23.7 million.

CHARITY CARE	
TOTAL CHARGES: FY 2009-2013	
Year	OSHPD Disclosure Reports
2013	\$24,836,705
2012	\$28,075,801
2011	\$27,692,550
2010	\$20,829,059
2009	\$17,026,548
5-Year Average	\$23,692,133

Source: OSHPD Disclosure Reports 2009-2013

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the State of California. The five-year average (FY 2009-2013) of charity care and bad debt, as a percentage of gross patient revenue, was 5.8%. This is higher than the five-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 2009 to FY 2013										
(Millions)										
	2009		2010		2011		2012		2013	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	\$912.2	\$252,629.7	\$1,008.0	\$270,511.0	\$1,049.3	\$288,636.7	\$1,066.4	\$303,278.6	\$1,175.0	\$317,543.8
Charity	\$17.0	\$2,314.3	\$20.8	\$5,587.1	\$27.7	\$6,171.5	\$28.1	\$6,251.0	\$24.8	\$6,209.9
Bad Debt	\$31.3	\$4,333.2	\$39.8	\$4,510.8	\$43.2	\$4,815.5	\$30.4	\$5,007.6	\$39.5	\$5,549.5
Total	\$48.3	\$6,647.5	\$60.6	\$10,097.9	\$70.8	\$10,987.0	\$58.5	\$11,258.6	\$64.4	\$11,759.4
Charity as a % of Gross Rev.	1.9%	0.9%	2.1%	2.1%	2.6%	2.1%	2.6%	2.1%	2.1%	2.0%
Bad Debt as a % of Gross Rev.	3.4%	1.7%	3.9%	1.7%	4.1%	1.7%	2.9%	1.7%	3.4%	1.7%
Total as a % of Gross Rev.	5.3%	2.6%	6.0%	3.7%	6.8%	3.8%	5.5%	3.7%	5.5%	3.7%
Uncompensated Care										
Cost to Charge Ratio	13.4%	25.1%	14.9%	25.0%	13.9%	24.6%	14.3%	24.6%	14.2%	24.4%
Cost of Charity	\$2.3	\$579.8	\$3.1	\$1,396.2	\$3.8	\$1,520.9	\$4.0	\$1,539.1	\$3.5	\$1,514.6
Cost of Bad Debt	\$4.2	\$1,085.7	\$5.9	\$1,127.3	\$6.0	\$1,186.8	\$4.4	\$1,232.9	\$5.6	\$1,353.5
Total	\$6.5	\$1,665.5	\$9.0	\$2,523.5	\$9.8	\$2,707.7	\$8.4	\$2,772.0	\$9.1	\$2,868.1

Source: OSHPD Disclosure Reports, 2009-2013

The table below shows the Hospital’s historical costs for charity care as reported by OSHPD. The Hospital’s charity care costs have fluctuated, increasing from \$2.3 million in FY 2009 to \$4.0 million in FY 2012 before decreasing to \$3.5 million in FY 2013. The average cost of charity care for the last five-year period was approximately \$3.4 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 2013	\$24,836,705	14.2%	\$3,526,812	1.4%
FY 2012	\$28,075,801	14.3%	\$4,014,840	1.7%
FY 2011	\$27,692,550	13.9%	\$3,849,264	1.7%
FY 2010	\$20,829,059	14.9%	\$3,103,530	1.4%
FY 2009	\$17,026,548	13.4%	\$2,281,557	1.1%
5-Year Average	\$23,692,133		\$3,355,201	

Source: OSHPD Disclosure Reports, 2009-2013

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

CHARITY CARE CHARGES BY SERVICE: FY 2010-2014				
	Inpatient	Outpatient	Emergency Room	Total Charges
2013:				
Cost of Charity	\$14,907,575	\$3,182,093	\$6,682,851	\$24,772,519
Visits/Discharges	150	128	919	
2012:				
Cost of Charity	\$19,263,309	\$2,224,594	\$6,559,954	\$28,047,857
Visits/Discharges	171	108	914	
2011:				
Cost of Charity	\$20,745,175	\$1,520,436	\$5,369,828	\$27,635,439
Visits/Discharges	194	105	802	
2010:				
Cost of Charity	\$16,158,003	\$1,481,970	\$3,189,087	\$20,829,059
Visits/Discharges	201	212	488	
2009:				
Cost of Charity	\$21,964,606	\$1,107,697	\$3,107,451	\$26,179,754
Visits/Discharges	266	228	422	

Source: Hospital

Community Benefit Services

The Hospital has historically provided community benefit service, as shown in the table below, with a five-year average cost of approximately \$801,400 per year.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	2009	2010	2011	2012	2013	5-Year Average	Total
Community Health Improvement	\$62,689	\$17,650	\$19,190	\$77,445	\$179,421	\$71,279	\$356,395
Community Benefit Operations	\$297,242	\$458,522	\$290,834	\$416,390	\$526,808	\$397,959	\$1,989,796
Health Professions Education	\$783,551	\$877,082	-	-	-	\$332,127	\$1,660,633
Total	\$1,143,482	\$1,353,254	\$310,024	\$493,835	\$706,229	\$801,365	\$4,006,824

Source: Hospital

(1) Excludes the Hospitalist Program for FY 2009 - 2013

- The Hospital's five-year average cost of community health improvement services is approximately \$71,300 per year. These services include educational classes and the Walter E. Reiss Outreach Clinic;
- The Hospital's five-year average cost of community benefit operations is approximately \$398,000 per year. These services include Covered California enrollment assistance and cash in kind and donations to community groups;

- The Hospital’s five-year average cost of health professions education is approximately \$332,100 per year. These services include the Nursing Residency Program¹⁴; and
- Over the five-year period, the Hospital’s combined total community benefits cost has decreased from approximately \$1.1 million in FY 2009 to \$310,000 in FY 2011 before increasing to \$706,200 in FY 2013.

The Hospital’s cost of community benefit services from FY 2009 to FY 2013 included the following program expenditures over \$10,000.

COST OF COMMUNITY BENEFIT SERVICES: SERVICES OVER \$10,000 IN COST (FY 2010-2014)					
Community Benefit Program	Amount				
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Lodi Health Walter E. Reiss Outreach Clinic	\$43,206	\$5,925	\$8,265	\$33,945	\$77,171
Camp Hutchins	\$342,150	\$6,795	\$13,191	-	-
Health Fairs, Screenings, Community Programs and Staff Volunteerism	\$74,033	\$74,075	\$59,925	\$85,750	\$181,500
Community Sponsorships	\$67,758	\$227,090	\$41,241	\$163,525	\$223,122
Lodi Health Employee Volunteerism	\$41,000	\$49,270	\$85,047	\$88,975	\$76,236
Nursing Residency Program	\$783,551	\$877,082	-	-	-
Mentorship Program	\$42,332	\$30,284	\$35,457	-	-

Source: Hospital

The Hospital’s community benefit services have supported many programs for the community including health fairs and screenings, interpreter services, and community sponsorships.

- Lodi Health Walter E. Reiss Outreach Clinic: Provides free healthcare services for indigent and uninsured patients at a satellite clinic in Lodi;
- Camp Hutchins: Offers a quality enrichment child-care program for school-aged children, including sports, games, and art activities;
- Fitness center services include: Personalized exercise programs, including cardiovascular exercise and strength training for post-rehabilitation patients and patients with cardiac conditions, musculoskeletal injuries, and metabolic disorders;
- Health Fairs, Screenings, Community Programs and Staff Volunteerism: Offers health fairs, community educational forums, staff volunteering in community activities, events, and programs that encourage and help maintain healthy communities;
- Community Sponsorships: Supports and sponsors fundraising events of community-based organizations working on health and quality of life issues;
- Lodi Health Employee Volunteerism: Encourages and supports employee volunteerism;

¹⁴ The Hospital restarted the Nursing Residency Program and Mentorship Program as community benefit programs in February 2015.

- Nursing Residency Program: Offers residencies for newly graduated nurses;
- Mentorship Program: Provides mentorship for Delta College nursing students; and
- Walter E. Reiss Outreach Clinic¹⁵: Provides free episodic care for uninsured individuals at a satellite site that is open approximately ten hours per week at a space currently leased by Lodi Health in Lodi.

¹⁵ The Walter E. Reiss Outreach Clinic is a free satellite clinic under the 1204(a) Millsbridge Family Care community clinic.

PROFILE OF ADVENTIST HEALTH SYSTEM

Adventist Health System/West

Adventist Health is a faith-based nonprofit healthcare system headquartered in Roseville, California founded on Seventh-Day Adventist health values by the Seventh-Day Adventist Church. Adventist Health operates 19 hospitals, over 200 clinics and outpatient centers, 50 rural health clinics, 14 home care agencies, seven hospice agencies, and four joint venture retirement centers. Today, Adventist Health employs more than 28,000 individuals across California, Hawaii, Oregon, and Washington.

In 1866, the first Seventh-Day Adventist healthcare facility opened in Battle Creek, Michigan. In 1973, as a result of the growing complexities of healthcare, the Seventh-Day Adventist Church formed regional healthcare divisions based on the church's infrastructure. The Pacific Northwest Region was known as the Northwest Medical Foundation and the Pacific Region was known as Adventist Health Services. In 1980, the two entities joined to form Adventist Health System/West.

Currently, Adventist Health owns and operates four hospitals outside of California: Adventist Medical Center – Portland and Tillamook Regional Medical Center in Oregon, Castle Medical Center in Hawaii, and Walla Walla General Hospital in Washington.

Within California, Adventist Health owns and operates approximately 2,100 beds at the following 15 facilities:

The Central Valley Network is comprised of Adventist Medical Center – Hanford, Adventist Medical Center – Selma, Adventist Medical Center – Reedley, and Central Valley General Hospital. Together, the facilities operate 297 licensed beds with more than 2,800 employees. The Central Valley Network serves the communities of Kings, Tulare, and Kern, and offers cardiac, emergency, oncology, obstetrics, and surgical services.

Feather River Hospital, established in 1950, operates 100 licensed beds and serves the residents of Paradise and its surrounding communities. It offers oncology, obstetrics, cardiac, emergency, joint replacement, and rehabilitation services.

Frank R. Howard Memorial Hospital, located in Willits, was established in 1928 and currently operates 25 licensed beds. It provides emergency, imaging, intensive care, joint care, physical therapy, and surgical services.

Glendale Adventist Medical Center, founded in 1905 in Glendale, operates 515 licensed beds. Its key services include surgical, oncology, cardiac, orthopedic, rehabilitation, spine care, and women's services.

San Joaquin Community Hospital, located in Bakersfield and serving the communities of Kern County, operates 254 licensed beds and offers burn care, oncology, imaging, radiology, emergency, stroke care, and women’s services.

Simi Valley Hospital, founded in 1965, is licensed for 144 patient beds and services the communities of Simi Valley and Santa Susana. It provides oncology, maternity, cardiac, imaging, emergency, and general surgical services.

Sonora Regional Medical Center, located in Sonora, is a 155 licensed-bed general acute care facility. The medical center serves the communities of Sonora and its surrounding communities. It provides cardiopulmonary, imaging, emergency, joint replacement, orthopedic, skilled nursing, and women’s services.

St. Helena Hospital Napa Valley, located in Napa Valley, operates 151 licensed patient beds and provides bariatric, surgical, behavioral health, joint replacement, radiology, emergency, cardiac, and orthopedic services.

St. Helena Hospital Clear Lake, located north of Napa, is licensed for 25 beds and provides behavioral medicine, oncology, imaging, emergency, cardiac, maternity, and rehabilitation services.

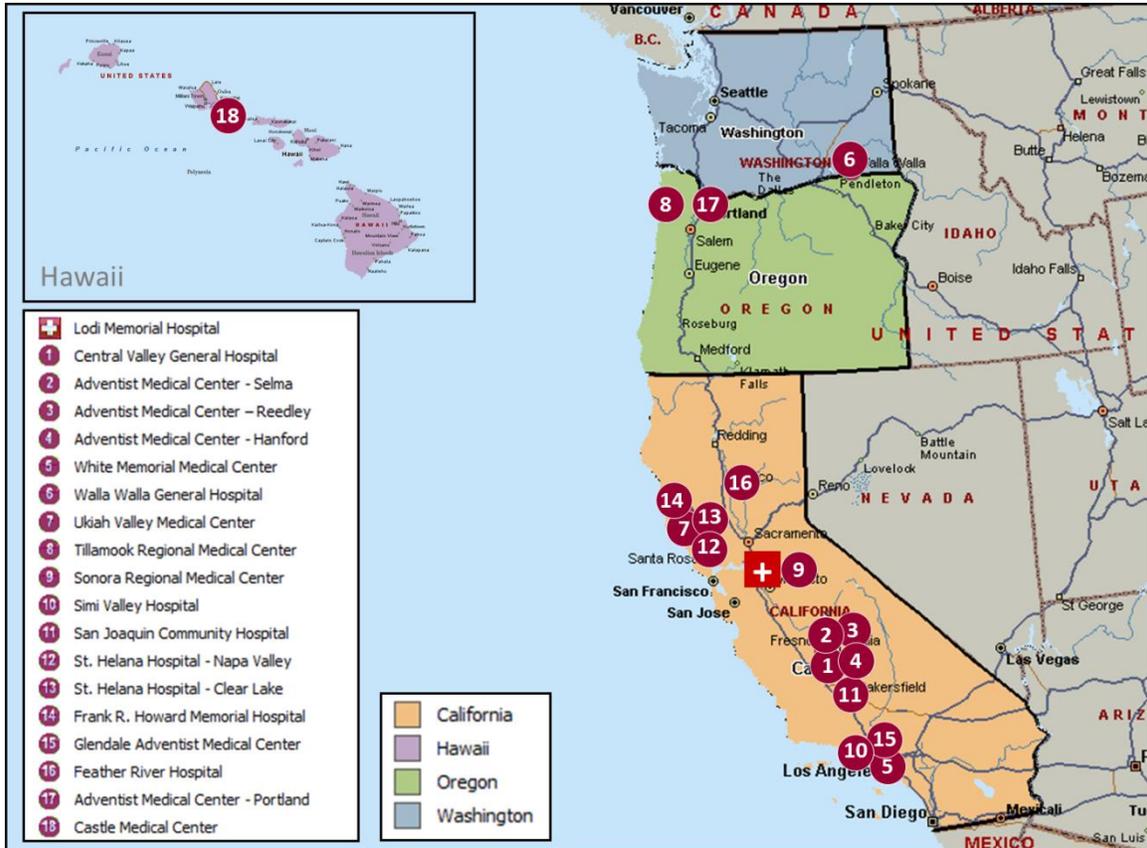
St. Helena Hospital Center for Behavioral Health, located in Vallejo, is a freestanding behavioral health hospital that is licensed for 61 patient beds. It offers mental health programs, including crisis evaluation, inpatient treatment, and outpatient treatment for adults and children.

Ukiah Valley Medical Center, located in Ukiah, is the largest healthcare facility in Mendocino County. It operates 78-licensed beds and provides emergency, trauma, intensive care, neonatal intensive care, cardiac, pediatric, rehabilitation, and women’s services.

White Memorial Medical Center, located in and serving downtown Los Angeles, was established in 1913 by the Seventh-day Adventist Church. The 353 licensed-bed facility offers behavioral health, oncology, diabetes, emergency, cardiac, maternity, and surgical services.

Location of Hospitals Owned by Adventist Health

The following map outlines the locations of Adventist Health’s hospitals in California, Washington, Oregon, and Hawaii.



Key Statistics

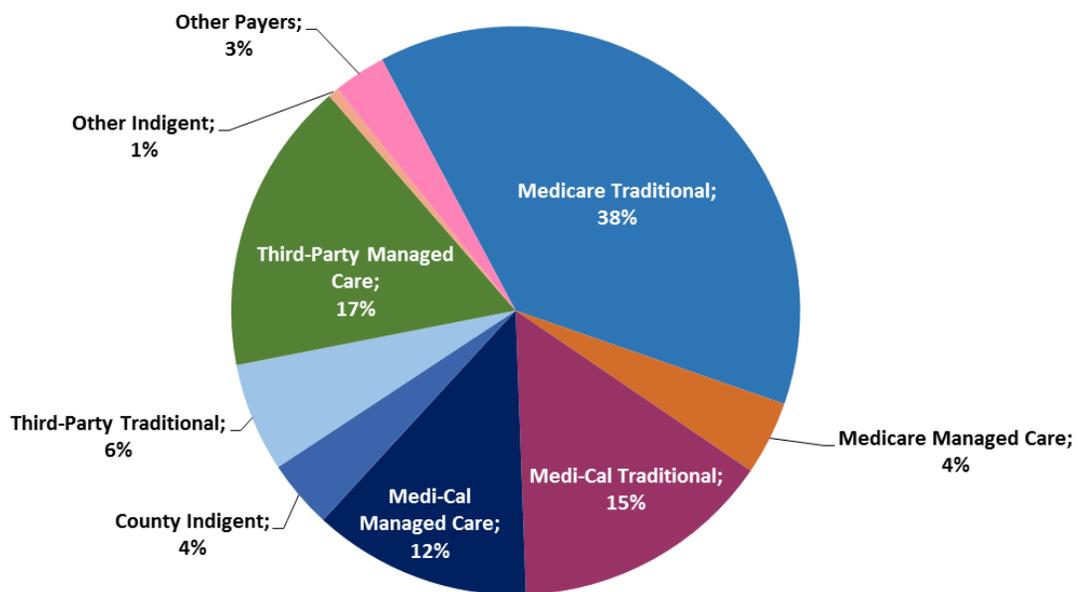
Key statistics for Adventist Health’s California hospitals include the following:

- In FY 2013, Adventist Health operated 2,144 licensed beds in California with an average occupancy rate of 60% and an average daily census of 1,289 patients;
- For FY 2013, Adventist Health had 440,061 emergency visits;
- From FY 2009 to FY 2013, Adventist Health’s inpatient discharges increased by 6%; and
- In FY 2013, Adventist Health reported a net income of nearly \$90 million.

Payer Mix

In FY 2013, Adventist Health's California inpatient payer mix consisted of 42% Medicare patients, including Medicare Traditional (38%) and Medicare Managed Care (4%) patients, and 27% Medi-Cal patients, including Medi-Cal Traditional (15%) and Medi-Cal Managed Care (12%) patients. Third-Party Managed Care (17%), Third-Party Traditional (6%), County Indigent (4%), Other Payers* (3%), and Other Indigent (1%) made up the remaining 31% of inpatient discharges.

Adventist Health Payer Mix: FY 2013



Total Discharges: 103,394

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

Source: OSHPD Disclosure Reports, 2013

Quality & Awards

All 15 of Adventist Health’s California hospitals have received accreditation from The Joint Commission as indicated below.

ADVENTIST HEALTH CALIFORNIA HOSPITALS: ACCREDITATION	
Hospital	Effective Date
Adventist Medical Center - Hanford*	5/11/2013
Adventist Medical Center - Reedley	8/16/2013
Central Valley General Hospital	4/27/2013
Feather River Hospital	7/20/2013
Frank R. Howard Memorial Hospital	2/13/2013
Glendale Adventist Medical Center	3/9/2013
San Joaquin Community Hospital	8/24/2013
Simi Valley Hospital	7/12/2013
Sonora Regional Medical Center	9/20/2013
St. Helena Hospital Napa Valley	2/8/2014
St. Helena Hospital Clear Lake	4/5/2013
St. Helena Hospital Center for Behavioral Health	3/5/2013
Ukiah Valley Medical Center	4/26/2013
White Memorial Medical Center	6/7/2013

* Includes Adventist Medical Center - Selma

Adventist Health has received several accolades and achievements, some of which include:

- Distinguished as a top provider of home care and hospice services by HomeCare Elite in 2013;
- Rewarded the Breakthroughs Award for White Memorial Medical Center and San Joaquin Community Hospital for achieving 40 percent reduction in hospital-acquired conditions and/or 20 percent reduction in readmissions by Premier, Inc.;
- Feather River Hospital was named in the top 10% in the nation for treatment of stroke and overall pulmonary services during 2014 by Healthgrades; and
- Sonora Regional Medical Center was selected by the National Research Corporation as a recipient of the 2013 Path to Excellence Award for improving the quality of care provided and the overall patient experience.

The following table reports Adventist Health’s California hospitals’ quality scores for FY 2014 on measures of evidence-based care, patient satisfaction, patient willingness to recommend the hospital, and 30-day mortality rates for heart attack, heart failure, pneumonia, and surgical care patients in comparison to national averages.

QUALITY SCORES COMPARISON: FY 2014				
Domain	Measure	Adventist Health	California Average	National Average
Clinical Process of Care Domain	Evidence-Based Care	94.5%	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	68.0%	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	68.8%	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	11.9%	12.0%	12.3%

Source: The Commonwealth Fund, WhyNotTheBest.org

- For measures of evidence-based care, Adventist Health scored lower (94.5%) than California and national averages (98.1% and 98.3%, respectively);
- Adventist Health met the California average for the percentage of patients who were highly satisfied with the Hospital (68%);
- The percentage of patients willing to recommend Adventist Health’s facilities to others (69%) was slightly lower than both the statewide and national averages (70.0% and 71.0%, respectively);
- Adventist Health had a slightly lower 30-day mortality rate (11.9%) for heart failure, heart attack, pneumonia, and surgical care patients than the statewide average of 12.0% and the national average of 12.3%; and
- For FY 2013, Centers for Medicare & Medicaid Services penalized Adventist Health’s California hospitals at a rate of 0.09%. During FY 2014, Centers for Medicare & Medicaid Services penalized Adventist Health’s California hospitals at a rate of 0.1%.

The following graph shows Adventist Health’s California hospitals’ 30-day overall readmission rate for heart attack, heart failure, pneumonia, and surgical patients for FY 2014.

30-DAY READMISSION RATES: FY 2014		
Adventist Health	National Average	California Average
19.6%	19.9%	19.9%

Source: The Commonwealth Fund, WhyNotTheBest.org

- Adventist Health had a slightly lower 30-day readmission rate (19.6%) than the statewide and national average of 19.9%;
- During FY 2013, Adventist Health’s California hospitals were penalized at an average of 0.29% for 30-day readmissions, and during FY 2014, Adventist Health’s California hospitals were penalized at a rate of 0.20%; and
- For FY 2015, Adventist Health’s California hospitals will be penalized at 0.45%.

Profile of Adventist Health's California Hospitals

PROFILE OF ADVENTIST HEALTH'S CALIFORNIA HOSPITALS: FY 2013					
	Central Valley Network ¹	Feather River Hospital	Frank R. Howard Memorial Hospital	Glendale Adventist Medical Center	San Joaquin Community Hospital
Location	Central California	Paradise	Willits	Glendale	Bakersfield
Licensed Beds	297	100	25	515	254
Patient Days	52,410	20,195	5,484	104,263	73,095
Discharges	15,223	5,119	1,478	20,082	18,009
ALOS	2.7	3.9	3.7	5.2	4.1
Average Daily Census	48	55	15	286	200
Occupancy	35.9%	55.3%	60.1%	55.5%	78.8%
ED Visits	123,297	24,113	9,135	48,332	71,594
Inpatient Surgeries	4,015	1,243	776	3,360	4,490
Outpatient Surgeries	7,892	1,533	693	4,082	5,555
Births	4,130	890	0	2,401	2,766
Payer Mix (Based on Discharges):					
Medicare Traditional	19.2%	54.7%	54.3%	38.2%	21.2%
Managed Medicare	1.1%	0.5%	1.9%	6.1%	15.9%
Medi-Cal Traditional	23.7%	19.8%	3.3%	16.4%	7.7%
Managed Medi-Cal	28.0%	1.2%	11.0%	13.2%	12.4%
County Indigent	1.0%	4.7%	8.7%	0.0%	1.7%
Traditional Third-Party	3.8%	17.9%	3.3%	1.7%	18.6%
Managed Third-Party	17.4%	0.0%	14.9%	19.8%	19.0%
Other Indigent	0.4%	0.6%	0.8%	0.9%	0.0%
Other Payers	5.3%	0.7%	1.8%	3.7%	3.3%
Total	100%	100%	100%	100%	100%
Income Statement:					
Gross Patient Revenue	\$1,120,670,009	\$1,009,685,615	\$119,620,272	\$2,006,007,154	\$1,424,731,294
Net Patient Revenue	\$354,947,276	\$170,899,838	\$46,120,651	\$389,356,888	\$324,476,953
Other Operating Revenue	\$415,898	\$2,175,609	\$726,830	\$9,433,610	\$3,200,323
Total Operating Revenue	\$355,453,174	\$173,075,447	\$46,847,841	\$398,790,498	\$327,677,276
Total Operating Expenses	\$342,160,891	\$168,472,717	\$41,865,154	\$393,531,940	\$333,934,806
Net From Operations	\$13,292,283	\$4,602,730	\$4,982,327	\$5,258,558	(\$6,257,530)
Non-Operating Revenue	\$4,869,724	\$11,380,354	\$696,134	\$11,281,790	\$6,603,709
Non-Operating Expenses	\$2,102,026	\$8,335,016	\$0	\$4,242,959	\$2,079,778
Provision for Taxes	\$0	\$0	\$0	\$0	\$0
Net Income	\$16,059,981	\$7,648,068	\$5,678,461	\$12,297,389	(\$1,733,599)
Other Financial:					
Charity Care Charges	\$17,823,854	\$5,105,496	\$1,384,135	\$25,026,528	\$21,159,787
Bad Debt Charges	\$28,629,965	\$6,864,219	\$2,271,779	\$7,977,162	\$19,367,417
Total Uncompensated Care	\$46,453,819	\$11,969,715	\$3,655,914	\$33,003,690	\$40,527,204
Cost to Charge Ratio	30.5%	16.5%	34.4%	19.1%	23.2%
Cost of Charity	\$5,435,331	\$840,885	\$476,015	\$4,791,931	\$4,911,994
Uncompensated Care as % of Chgs.	4.1%	1.2%	3.1%	1.6%	2.8%
State of Calif. Uncompensated Care*	3.5%	3.5%	3.5%	3.5%	3.5%

* Statewide average for hospitals

Source: OSHPD Disclosure Reports, FY 2013

¹ Includes Adventist Medical Center - Hanford (FY 2012), Adventist Medical Center - Selma, Adventist Medical Center - Reedley, and Central Valley General Hospital

² Includes St. Helena Hospital Napa Valley, St. Helena Hospital Clear Lake, and St. Helena Hospital Center for Behavioral Health

**PROFILE OF ADVENTIST HEALTH'S CALIFORNIA HOSPITALS:
FY 2013**

	Simi Valley Hospital	Sonora Regional Medical Center	St. Helena Hospital Region ²	Ukiah Valley Medical Center	White Memorial Medical Center
Location	Simi Valley	Sonora	St. Helena, Vallejo, and Clearlake	Ukiah	Los Angeles
Licensed Beds	144	152	237	67	353
Patient Days	21,851	43,441	48,093	11,668	89,925
Discharges	5,132	4,938	9,123	3,792	20,498
ALOS	4.3	8.8	5.3	3.1	4.4
Average Daily Census	60	119	132	32	246
Occupancy	41.6%	78.3%	55.6%	47.7%	69.8%
ED Visits	30,591	27,605	26,753	25,896	52,745
Inpatient Surgeries	1,250	1,442	2,375	1,187	3,285
Outpatient Surgeries	2,690	4,428	5,125	3,695	4,112
Births	614	536	397	811	4,113
Payer Mix (Based on Discharges):					
Medicare Traditional	38.9%	55.4%	36.6%	41.2%	21.0%
Managed Medicare	5.3%	1.4%	1.0%	1.5%	7.5%
Medi-Cal Traditional	5.6%	13.2%	15.2%	9.5%	34.1%
Managed Medi-Cal	6.8%	1.5%	6.6%	19.6%	23.5%
County Indigent	0.0%	3.8%	11.5%	6.3%	1.5%
Traditional Third-Party	0.2%	3.7%	11.9%	0.6%	0.5%
Managed Third-Party	37.9%	17.3%	13.1%	19.3%	7.9%
Other Indigent	0.0%	0.0%	2.1%	0.0%	1.4%
Other Payers	5.4%	3.7%	1.8%	2.0%	2.6%
Total	100%	100%	100%	100%	100%
Income Statement:					
Gross Patient Revenue	\$466,070,184	\$755,533,405	\$1,063,490,780	\$358,624,728	\$1,853,599,524
Net Patient Revenue	\$112,845,421	\$197,454,217	\$254,012,973	\$111,380,684	\$367,148,512
Other Operating Revenue	\$2,111,758	\$2,835,414	\$8,950,970	\$1,536,304	\$9,951,452
Total Operating Revenue	\$114,957,179	\$200,289,631	\$262,963,943	\$112,916,988	\$377,099,964
Total Operating Expenses	\$117,289,917	\$190,056,986	\$267,101,957	\$107,303,839	\$358,313,072
Net From Operations	(\$2,332,738)	\$10,232,645	(\$4,138,014)	\$5,613,149	\$18,786,892
Non-Operating Revenue	\$1,368,116	\$9,280,409	\$1,661,290	\$3,911,747	\$21,028,324
Non-Operating Expenses	\$108,650	\$5,726,896	\$1,197,038	\$1,338,830	\$7,104,964
Provision for Taxes	\$0	\$0	\$0	\$0	\$0
Net Income	(\$1,073,272)	\$13,786,158	(\$3,673,762)	\$8,186,066	\$32,710,252
Other Financial:					
Charity Care Charges	\$6,170,403	\$6,544,123	\$10,336,657	\$6,040,837	\$64,484,558
Bad Debt Charges	\$6,623,636	\$7,347,087	\$10,920,949	\$6,698,759	\$12,563,860
Total Uncompensated Care	\$12,794,039	\$13,891,210	\$21,257,606	\$12,739,596	\$77,048,418
Cost to Charge Ratio	24.7%	24.8%	24.3%	29.5%	18.8%
Cost of Charity	\$1,524,868	\$1,621,637	\$2,509,113	\$1,781,596	\$12,119,093
Uncompensated Care as % of Chgs.	2.7%	1.8%	2.0%	3.6%	4.2%
State of Calif. Uncompensated Care*	3.5%	3.5%	3.5%	3.5%	3.5%

* Statewide average for hospitals

Source: OSHPD Disclosure Reports, FY 2013

¹ Includes Adventist Medical Center - Hanford (FY 2012), Adventist Medical

² Includes St. Helena Hospital Napa Valley, St. Helena Hospital Clear Lake, and St. Helena Hospital Center for Behavioral Health

- For FY 2013, the combined net patient revenue for Adventist Health’s California hospitals was over \$2.3 billion;
- In FY 2013, the combined net income for Adventist Health’s California hospitals was nearly \$90 million;
- In FY 2013, the total cost of charity care was \$36,733,985, a decrease of approximately 10% since FY 2012; and
- In FY 2013, Adventist Health’s California hospitals had a total of 440,061 emergency department visits.

ANALYSIS OF THE HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 24 ZIP Codes, from which approximately 91% of its discharges originated in FY 2013. Approximately 61% of the Hospital's discharges came from the top three ZIP Codes, located in Lodi and Galt. In FY 2013, the Hospital's market share in the service area was nearly 20% based on inpatient discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: FY 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95240	Lodi	2,499	37.1%	37.1%	4,475	55.8%
95242	Lodi	1,002	14.9%	52.0%	2,131	47.0%
95632	Galt	617	9.2%	61.2%	2,495	24.7%
95220	Acampo	284	4.2%	65.4%	597	47.6%
95258	Woodbridge	228	3.4%	68.8%	447	51.0%
95209	Stockton	210	3.1%	71.9%	3,411	6.2%
95212	Stockton	179	2.7%	74.5%	1,977	9.1%
95210	Stockton	175	2.6%	77.1%	3,907	4.5%
95237	Lockeford	167	2.5%	79.6%	351	47.6%
95219	Stockton	103	1.5%	81.1%	1,882	5.5%
95207	Stockton	97	1.4%	82.6%	4,892	2.0%
95252	Valley Springs	95	1.4%	84.0%	1,153	8.2%
95641	Isleton	89	1.3%	85.3%	245	36.3%
94571	Rio Vista	63	0.9%	86.2%	1,036	6.1%
95690	Walnut Grove	47	0.7%	86.9%	193	24.4%
95241	Lodi	40	0.6%	87.5%	98	40.8%
95686	Thornton	37	0.5%	88.1%	80	46.3%
95227	Clements	36	0.5%	88.6%	99	36.4%
95236	Linden	30	0.4%	89.1%	336	8.9%
95640	Ione	30	0.4%	89.5%	1,071	2.8%
95253	Victor	23	0.3%	89.9%	48	47.9%
95638	Herald	21	0.3%	90.2%	180	11.7%
95254	Wallace	19	0.3%	90.5%	81	23.5%
95225	Burson	9	0.1%	90.6%	89	10.1%
Service Area Sub Total		6,100	90.6%	90.6%	31,274	19.5%
Other ZIPs		634	9.4%	9.4%		
Total		6,734	100%			

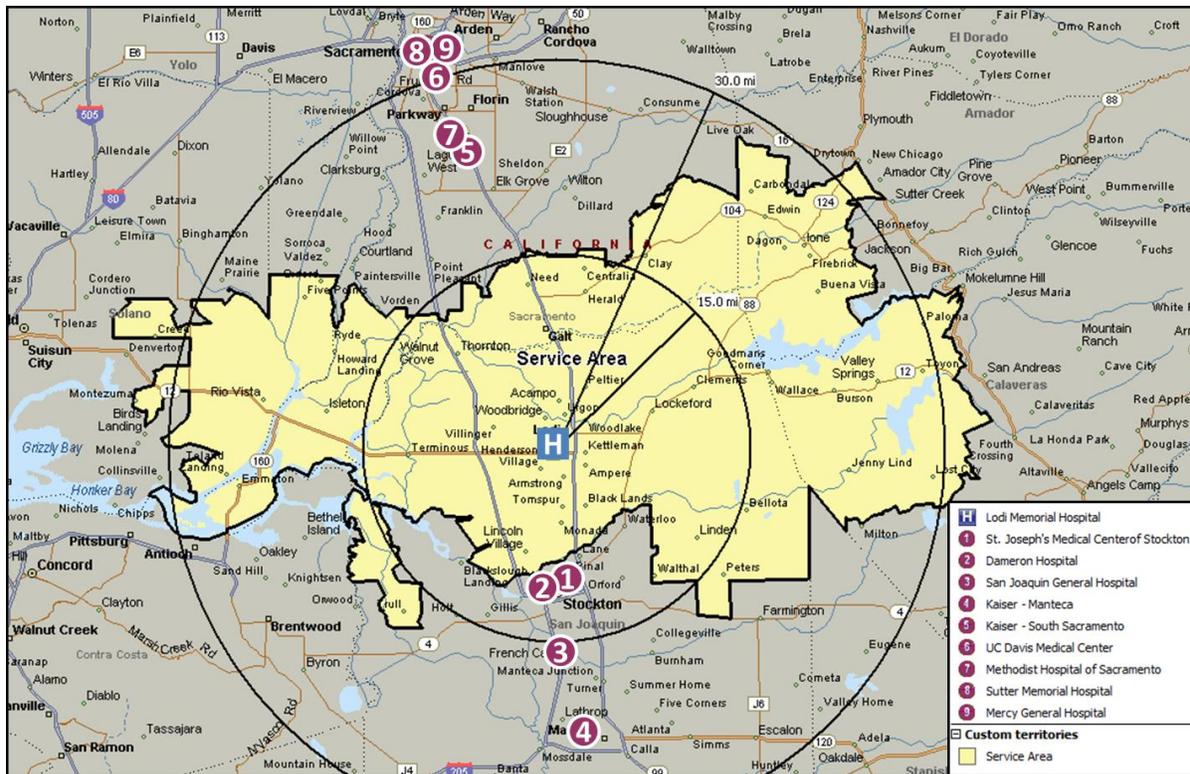
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

The Hospital's service area, with approximately 350,500 residents, includes the communities of Lodi, Galt, Acampo, Woodbridge, Stockton, Lockeford, Valley Springs, Isleton, Rio Vista, Walnut Grove, Thornton, Clements, Linden, Lone, Victor, Herald, Wallace, and Burson.

The Hospital is the only general acute care facility located within its service area. There are many area hospitals located close to the Hospital's service area, including St. Joseph's Medical Center – Stockton, Dameron Hospital, San Joaquin General Hospital, Kaiser Foundation Hospital – Manteca, Kaiser Foundation Hospital – South Sacramento, University of California, Davis Medical Center, Methodist Hospital of Sacramento, Sutter Memorial Hospital, and Mercy General Hospital. St. Joseph's Medical Center – Stockton is the overall inpatient market share leader for the Hospital's service area.



Demographic Profile

The Hospital's service area population is projected to grow by approximately 4.1% over the next five years. This is similar to the statewide expected growth rate of 4.0%, but slightly lower than the expected growth rate for San Joaquin County (5.0%).

SERVICE AREA POPULATION STATISTICS 2014-2019			
	2014 Estimate	2019 Projection	% Change
Total Population	350,523	364,813	4.1%
Households	115,183	121,073	5.1%
Percentage Female	50.5%	50.4%	-0.2%

Source: Esri

The median age of the population in the Hospital's service area is 35.7 years, slightly higher than the statewide median age of 35.5 years. The percentage of adults over the age of 65 is the fastest growing age cohort, predicted to increase by nearly 16% between 2014 and 2019. The number of women of child-bearing age is expected to make up 20% of the total population over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2014-2019				
	2014 Estimate		2019 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	74,682	21.3%	76,813	21.1%
Age 15-44	138,958	39.6%	144,701	39.7%
Age 45-64	87,377	24.9%	85,992	23.6%
Age 65+	49,506	14.1%	57,307	15.7%
Total	350,523	100%	364,813	100%
Female 15-44	68,715	19.6%	71,321	19.6%
Median Age	35.7		36.0	

Source: Esri

The largest population cohorts in the Hospital's service area are White (55%) and Asian (16%). Approximately 67% of the service area population is of non-Hispanic origin. This is higher than both the San Joaquin County (59%) and the California (61%) non-Hispanic populations.

SERVICE AREA POPULATION RACE/ETHNICITY: 2014-2019		
Race	2014	2019
White	54.8%	52.9%
Black	6.5%	6.4%
American Indian	1.0%	1.0%
Asian	15.6%	16.1%
Pacific Islander	0.5%	0.6%
Other Race	15.3%	16.4%
Two or More Races	6.3%	6.7%
Total	100%	100%
Ethnicity	2014	2019
Hispanic Origin	32.7%	35.4%
Non-Hispanic or Latino Origin	67.3%	64.6%
Total	100%	100%

Source: Esri

The Hospital's service area households have an average income of \$69,289. This is comparable to the county average of \$69,900, but nearly 21% lower than the state average of \$87,251. The percentage of higher-income households (\$150,000+) in the Hospital's service area is projected to grow at a faster rate (32%) than the state (23%), but a lower rate than those for the county (35%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2014-2019						
	2014 Estimate			2019 Estimate		
	Service Area	San Joaquin County	California	Service Area	San Joaquin County	California
\$0 - \$15,000	11.7%	12.8%	11.3%	10.9%	11.9%	9.3%
\$15 - \$24,999	10.0%	9.7%	10.1%	7.4%	7.1%	9.0%
\$25 - \$34,999	10.6%	10.2%	9.3%	8.8%	8.5%	8.4%
\$35 - \$49,999	15.7%	15.8%	12.7%	15.7%	15.7%	11.5%
\$50 - \$74,999	18.1%	17.8%	17.0%	17.9%	17.4%	15.7%
\$75 - \$99,999	12.9%	11.9%	12.2%	14.3%	13.2%	12.8%
\$100 - \$149,999	13.4%	13.5%	14.8%	15.2%	15.0%	17.9%
\$150,000+	7.5%	8.4%	12.5%	9.9%	11.3%	15.4%
Total	100%	100%	100%	100%	100%	100%
Average Household Income	\$69,289	\$69,900	\$87,251	\$78,972	\$80,592	\$100,285

Source: Esri

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that approximately 20% of the population in the Hospital's service area was eligible for Medi-Cal. With the implementation of the Patient Protection and Affordable Care Act and the 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 2.7 million total enrollees in the Medi-Cal program in 2014. By 2015, California's total number of Medi-Cal beneficiaries is expected to increase to approximately 11.5 million individuals. Based on the Hospital's service area income demographics, and the Hospital's payer mix consisting of 25% Medi-Cal patients, many service area residents will qualify for Medi-Cal coverage under the expansion.

Selected Health Indicators

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

- Health indicators in San Joaquin County are inferior to health indicators statewide for low birth weight infants, first trimester prenatal care, and adequate/adequate plus care. Measures for first trimester prenatal care and adequate/adequate plus care are also inferior to the national goals. However, San Joaquin County's measure for low birth weight infants is better than the national goal.

NATALITY STATISTICS: 2014			
Health Status Indicator	San Joaquin County	California	National Goal
Low Birth Weight Infants	7.0%	6.8%	7.8%
First Trimester Prenatal Care	77.0%	83.6%	77.9%
Adequate/Adequate Plus Care	71.8%	79.5%	77.6%

Source: California Department of Public Health, 2014

- The overall age-adjusted mortality rate for San Joaquin County is higher than that of the State of California. Furthermore, San Joaquin County's rates for all of the 18 reported causes are higher than the statewide rate.
- Of the 14 reported national goals based on underlying and contributing cause of death, San Joaquin County only achieved the national goal for motor vehicle traffic crashes.

MORTALITY STATISTICS: 2014				
RATE PER 100,000 POPULATION				
Selected cause	San Joaquin County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	697.0	766.1	641.5	n/a
- All Cancers	154.0	169.9	153.3	160.6
- Colorectal Cancer	13.7	15.0	14.2	14.5
- Lung Cancer	40.5	45.7	34.8	45.5
- Female Breast Cancer	22.0	21.5	20.9	20.6
- Prostate Cancer	15.7	22.3	20.5	21.2
- Diabetes	25.7	28.4	20.4	n/a
- Alzheimer's Disease	37.1	41.8	30.5	n/a
- Coronary Heart Disease	106.5	117.9	106.2	100.8
- Cerebrovascular Disease (Stroke)	39.8	44.8	36.6	33.8
- Influenza/Pneumonia	15.2	17.0	16.1	n/a
- Chronic Lower Respiratory Disease	39.4	45.1	36.2	n/a
- Chronic Liver Disease And Cirrhosis	15.3	15.7	11.5	8.2
- Accidents (Unintentional Injuries)	40.7	41.8	27.3	36.0
- Motor Vehicle Traffic Crashes	10.5	10.7	7.3	12.4
- Suicide	10.3	10.9	10.1	10.2
- Homicide	11.9	12.0	5.2	5.5
- Firearm-Related Deaths	14.1	14.1	7.7	9.2
- Drug-Induced Deaths	18.1	18.4	10.8	11.3

Source: California Department of Public Health, 2014

- Except for AIDS, San Joaquin County has higher morbidity rates for each of the health status indicators than the State of California overall. The rate of incidence of chlamydia and gonorrhea in females between 15 and 44 years of age is much higher than the statewide rates.

MORBIDITY STATISTICS: 2014			
RATE PER 100,000 POPULATION			
Health Status Indicator	San Joaquin County	California	National Goal
AIDS	5.6	8.6	12.4
Chlamydia	532.4	434.5	n/a
Gonorrhea Female 15-44	248.6	139.6	251.9
Gonorrhea Male 15-44	197.5	186.6	194.8
Tuberculosis	6.4	6.1	1.0

Source: California Department of Public Health, 2014

2013 Community Health Needs Assessment

In an effort to understand the communities served by the Hospital, their most critical healthcare needs, and the resources available to meet those needs, the Hospital conducts a Community Health Needs Assessment every three years. The Hospital's most recent 2013 assessment was conducted over a ten-month period through a participatory process, including interviews with various community members. In addition to the primary data collected from conversations with community members, the Hospital also used secondary data, including health outcomes data, socio-demographic data, and behavioral and environmental data, in order to identify the health disparities within the Hospital's service area.

Within the Hospital's service area, the Hospital identified six specific communities of concern, including Lodi, Galt, Lone, Isleton, and two regions of Stockton. Based upon the communities of concern, the study included a summary of socio-demographic characteristics for the communities of concern compared to the national and State of California benchmarks as provided below.

COMMUNITY HEALTH NEEDS ASSESSMENT: COMMUNITIES OF CONCERN										
SOCIO-DEMOGRAPHIC CHARACTERISTICS										
ZIP Code	Community Name	% Household Below Poverty Over 65 Headed	% Families in Poverty w/ Kids	% Families in Poverty Female Headed	% Over 25 on High School Diploma	% Non-White or Hispanic	% Over Age 5 with Limited English	% Unemployed	% No Health Insurance	% Residents Retiring
95207	N. Stockton	9.0%	28.7%	43.5%	22.1%	69.7%	8.9%	13.2%	32.8%	61.0%
95210	N. Stockton	11.6%	26.6%	43.4%	31.3%	86.7%	13.6%	13.9%	28.0%	46.3%
95240	E. Lodi	9.7%	22.1%	36.8%	31.4%	57.7%	12.8%	12.7%	28.3%	50.4%
95632	Galt	10.3%	11.2%	30.2%	22.6%	51.6%	6.4%	13.8%	15.6%	1.9%
95640	Lone	11.2%	12.2%	23.7%	20.6%	38.5%	2.1%	7.4%	14.0%	23.9%
95641	Isleton	6.4%	13.9%	54.3%	23.3%	41.4%	8.2%	16.0%	29.4%	29.8%
-	National	8.7%	15.1%	31.2%	12.9%	-	9.0%	7.9%	16.3%	-
-	State	-	-	-	19.4%	-	-	9.8%	22.0%	-

Source: Hospital 2013 Community Health Needs Assessment

As a result of the above findings, the most important healthcare needs for the communities of concern were identified to be the following, in order of priority:

- Lack of or limited access to mental health services;
- Limited health literacy and health education opportunities;
- Lack of or limited access to culturally appropriate providers;
- Lack of or limited access to primary and preventative services;
- Lack of or limited access to healthy food;
- Lack of or limited access to dental care;
- Lack of or limited access to reliable transportation; and
- Limited access to safe and affordable places to exercise.

Hospital Supply, Demand & Market Share

The Hospital is the only general acute care facility within its service area. During FY 2013, the Hospital ran at an occupancy rate of approximately 41% based on 32,216 patient days. There are five hospitals located within 20 miles of the Hospital with a combined 1,069 licensed beds and an occupancy rate of 47%.

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

AREA HOSPITAL DATA: FY 2013									
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Lodi Memorial Hospital	Lodi Memorial Hospital Association,	Lodi	X	214	6,600	32,216	88	41.2%	-
San Joaquin General Hospital*	San Joaquin County	French Camp	-	196	8,506	36,395	100	50.9%	6.7
Dameron Hospital	Dameron Hospital Association	Stockton	-	202	7,833	30,585	84	41.5%	13.0
St. Joseph's Medical Center - Stockton	Dignity Health	Stockton	-	359	15,232	69,084	189	52.7%	13.0
Kaiser Foundation Hospital -	Kaiser Foundation Hospitals	Manteca	-	239	9,169	33,986	93	39.0%	13.3
Doctors Hospital of Manteca	Tenet Healthcare Corporation	Manteca	-	73	3,534	13,924	38	52.3%	16.3
TOTAL				1,283	50,874	216,190	592	46.2%	

Source: OSHPD Disclosure Reports, 2013

* Unaudited

Hospital Market Share

The table below illustrates market share discharges by individual area hospital from FY 2009 to FY 2013 as reported by OSHPD.

HOSPITAL MARKET SHARE TREND: FY 2009-2013						
Hospital	2009	2010	2011	2012	2013	Trend
St. Joseph's Medical Center - Stockton	24.7%	25.1%	25.0%	25.1%	23.8%	↘
Lodi Memorial Hospital	22.1%	21.8%	20.6%	18.4%	19.5%	↘
Dameron Hospital	15.5%	14.0%	12.9%	12.6%	12.6%	↘
San Joaquin General Hospital	7.7%	7.9%	7.9%	8.0%	7.6%	↔
Kaiser Fnd Hosp-Manteca	3.4%	4.5%	5.0%	4.8%	5.1%	↗
University of California Davis Medical Center	2.8%	2.7%	3.3%	3.5%	3.8%	↗
Kaiser Fnd Hosp - South Sacramento	2.8%	3.1%	3.4%	3.6%	3.7%	↗
Methodist Hospital of Sacramento	1.1%	1.1%	1.2%	1.5%	1.7%	↗
Sutter Amador Hospital	1.2%	1.3%	1.3%	1.4%	1.6%	↗
UCSF Medical Center	1.4%	1.4%	1.5%	1.7%	1.6%	↔
Other Discharges	17.4%	17.1%	17.9%	19.4%	19.0%	↗
Total Percentage	100%	100%	100%	100%	100%	
Total Discharges	34,381	33,983	32,384	31,467	31,274	↘

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The number of inpatient discharges in the area has decreased by approximately 9% between FY 2009 and FY 2013;
- From FY 2009 to FY 2013, the Hospital has consistently ranked second in terms of overall market share based on inpatient discharges (20% in FY 2013);
- Between FY 2009 and FY 2013, the Hospital's overall market share has decreased by nearly 3%;
- From FY 2009 to FY 2013, St. Joseph's Medical Center – Stockton has consistently ranked first based on inpatient discharges from FY 2009 to FY 2013 (25% in FY 2013);
- Five area hospitals, Kaiser Foundation Hospital – Manteca, University of California, Davis Medical Center, Kaiser Foundation Hospital – South Sacramento, Methodist Hospital of Sacramento, and Sutter Amador Hospital, have all increased their market share between FY 2009 and FY 2013; and
- The Kaiser Foundation Hospitals had a combined market share of approximately 9% in FY 2013.

Market Share by Payer Type

The following table illustrates hospital market share by payer type as reported by OSHPD for FY 2013.

HOSPITAL MARKET SHARE BY PAYER TYPE: FY 2013											
Payor Type	Total Discharges	St. Joseph's Medical Center - Stockton	Lodi Memorial Hospital	Dameron Hospital	San Joaquin General Hospital	Kaiser Fdn Hospital - Manteca	University of California, Davis Medical Center	Kaiser Fdn Hospital - Sacramento	Methodist Hospital of Sacramento	All Others	Total
Medicare	12,831	25.7%	24.4%	13.1%	2.2%	4.6%	3.1%	3.9%	1.7%	21.3%	100.0%
Private Coverage	7,939	19.7%	12.4%	13.3%	1.0%	12.2%	3.8%	7.1%	1.6%	28.9%	100.0%
Medi-Cal	7,856	29.4%	20.4%	13.6%	14.7%	0.1%	5.0%	0.7%	1.5%	14.6%	100.0%
All Other	1,439	8.1%	17.4%	3.3%	21.7%	0.5%	5.8%	0.6%	2.9%	39.7%	100.0%
Self Pay	1,209	13.3%	11.1%	6.3%	45.8%	0.6%	1.7%	3.3%	2.1%	15.8%	100.0%
Grand Total	31,274	23.8%	19.5%	12.6%	7.6%	5.1%	3.8%	3.7%	1.7%	22.2%	100.0%

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- For FY 2013, the largest payer types, based on nearly 31,300 inpatient discharges, are Private Coverage at 29% and Medicare at 21%;
- The Hospital is the second highest in market share for Medicare (24%) and Medi-Cal (20%);
- St. Joseph's Medical Center – Stockton is the market share leader for Medicare (26%), Medi-Cal (29%), and Private Coverage (20%); and
- San Joaquin General Hospital is the market share leader for All Other (22%) and Self Pay (46%).

Market Share by Service Line

The following table illustrates area hospital market share by service line for FY 2013 as reported by OSHPD.

HOSPITAL MARKET SHARE BY SERVICE LINE: FY 2013											
Service Line	Total Discharges	St. Joseph's	Lodi	Dameron	San Joaquin	Kaiser Fdn	University of	Kaiser Fdn	Methodist	All	Total
		Medical Center - Stockton	Memorial Hospital	Hospital	General Hospital	Hospital - Manteca	California, Davis Medical Center	Hospital - South Sacramento	Hospital of Sacramento	Others	
General Medicine	10,251	25.4%	28.1%	12.7%	7.2%	3.8%	3.1%	3.2%	1.5%	15.0%	100%
Obstetrics	4,746	27.4%	20.9%	14.7%	12.5%	8.0%	1.2%	4.6%	1.3%	9.4%	100%
Cardiac Services	3,337	28.1%	20.1%	16.3%	4.6%	2.3%	2.8%	2.8%	1.0%	22.0%	100%
General Surgery	2,436	22.3%	14.1%	10.0%	8.4%	5.8%	4.4%	5.7%	2.5%	26.8%	100%
Orthopedics	2,271	11.6%	12.4%	19.8%	5.5%	11.2%	3.7%	5.3%	5.3%	25.1%	100%
Neonatology	1,328	26.3%	13.0%	16.3%	15.0%	9.3%	2.3%	5.9%	1.1%	11.0%	100%
Behavioral Health	1,322	2.6%	4.0%	1.5%	0.5%	0.2%	0.2%	0.5%	0.4%	90.0%	100%
Neurology	1,312	25.7%	16.1%	8.4%	7.0%	2.5%	8.5%	3.5%	2.1%	26.3%	100%
Oncology/Hematology (Medical)	960	29.1%	10.7%	8.6%	7.5%	2.7%	8.8%	1.9%	1.0%	29.7%	100%
Spine	641	25.9%	4.2%	19.8%	2.0%	0.5%	6.4%	1.1%	0.5%	39.6%	100%
Vascular Services	601	37.6%	16.3%	5.7%	5.3%	8.3%	3.8%	1.7%	0.3%	21.0%	100%
Other	458	24.2%	11.6%	3.5%	9.0%	4.4%	18.8%	6.3%	0.0%	22.3%	100%
Urology	424	21.0%	20.8%	6.1%	5.4%	9.2%	4.5%	9.2%	0.0%	23.8%	100%
Gynecology	400	21.8%	8.8%	9.0%	13.0%	6.0%	6.0%	3.3%	3.5%	28.8%	100%
ENT	319	24.1%	10.3%	5.6%	9.4%	4.1%	11.6%	4.4%	0.6%	29.8%	100%
Neurosurgery	241	12.0%	1.7%	0.8%	2.5%	0.8%	19.5%	2.1%	0.0%	60.6%	100%
Rehabilitation	164	0.0%	31.7%	0.0%	0.0%	0.0%	11.0%	0.0%	7.9%	49.4%	100%
<All others>	63	15.9%	11.1%	9.5%	9.5%	6.3%	15.9%	1.6%	1.6%	28.6%	100%
Grand Total	31,274	23.8%	19.5%	12.6%	7.6%	5.1%	3.8%	3.7%	1.7%	22.2%	100%

Note: Excludes normal newborns
Source: OSHPD Patient Discharge Database

- The Hospital is the service line leader in 3 out of 16 services lines: rehabilitation (32%), general medicine (28%), and behavioral health (4%);
- The Hospital also has a notable market share in urology (21%), obstetrics (21%), cardiac services (20%), and neurology (16%);
- St. Joseph's Medical Center – Stockton is the market share leader for 11 of the 16 service lines;
- Dameron Hospital is the market share leader for orthopedics (20%); and
- University of California, Davis Medical Center is the market share leader for neurosurgery (20%).

Market Share by ZIP Code

The following table illustrates area hospital market share by ZIP Code for FY 2013 as reported by OSHPD.

HOSPITAL MARKET SHARE BY ZIP CODE: FY 2013												
ZIP Code	Community	Total Discharges	St. Joseph's Medical Center - Stockton	Lodi Memorial Hospital	Dameron Hospital	San Joaquin General Hospital	Kaiser Fdn Hospital - Manteca	University of California, Davis Medical Center	Kaiser Fdn Hospital - South Sacramento	Methodist Hospital of Sacramento	All Others	Total
95207	Stockton	4,892	43.0%	2.0%	22.7%	12.1%	4.8%	1.7%	0.5%	0.2%	13.0%	100%
95240	Lodi	4,475	6.1%	55.8%	4.7%	8.2%	4.0%	5.4%	2.6%	0.6%	12.5%	100%
95210	Stockton	3,907	41.0%	4.5%	21.5%	11.4%	5.5%	2.4%	0.4%	0.3%	13.1%	100%
95209	Stockton	3,411	39.7%	6.2%	21.0%	8.1%	7.5%	2.1%	1.0%	0.3%	14.2%	100%
95632	Galt	2,495	2.1%	24.7%	1.0%	1.6%	0.5%	8.7%	20.5%	13.0%	27.9%	100%
95242	Lodi	2,131	7.1%	47.0%	7.2%	3.3%	5.3%	5.3%	5.3%	1.5%	18.1%	100%
95212	Stockton	1,977	38.3%	9.1%	16.9%	8.4%	9.4%	2.3%	0.8%	0.4%	14.4%	100%
95219	Stockton	1,882	38.9%	5.5%	17.5%	6.5%	9.2%	2.3%	0.7%	0.4%	18.9%	100%
95252	Valley Springs	1,153	12.0%	8.2%	3.5%	0.3%	5.4%	3.8%	0.9%	0.9%	65.0%	100%
95640	Ione	1,071	1.2%	2.8%	0.7%	16.2%	1.2%	4.1%	8.2%	0.2%	65.4%	100%
94571	Rio Vista	1,036	1.0%	6.1%	0.4%	0.0%	0.2%	3.0%	1.1%	0.5%	87.8%	100%
95220	Acampo	597	7.0%	47.6%	5.2%	5.0%	3.7%	5.7%	8.9%	2.5%	14.4%	100%
95258	Woodbridge	447	5.6%	51.0%	5.4%	8.3%	3.6%	5.1%	4.3%	2.2%	14.5%	100%
95237	Lockeford	351	5.4%	47.6%	6.3%	4.3%	8.3%	6.6%	4.0%	1.1%	16.5%	100%
95236	Linden	336	37.2%	8.9%	12.2%	7.4%	14.6%	0.9%	1.8%	0.0%	17.0%	100%
95641	Isleton	245	1.6%	36.3%	1.2%	0.8%	0.8%	5.7%	4.9%	1.6%	46.9%	100%
95690	Walnut Grove	193	0.0%	24.4%	1.0%	1.0%	0.0%	13.5%	16.1%	11.4%	32.6%	100%
95638	Herald	180	1.7%	11.7%	0.0%	0.0%	0.0%	8.9%	31.7%	11.1%	35.0%	100%
95227	Clements	99	2.0%	36.4%	11.1%	4.0%	2.0%	3.0%	5.1%	2.0%	34.3%	100%
95241	Lodi	98	10.2%	40.8%	8.2%	0.0%	11.2%	9.2%	4.1%	0.0%	16.3%	100%
95225	Burson	89	13.5%	10.1%	4.5%	0.0%	2.2%	3.4%	0.0%	0.0%	66.3%	100%
95254	Wallace	81	4.9%	23.5%	6.2%	1.2%	0.0%	2.5%	4.9%	0.0%	56.8%	100%
95686	Thornton	80	13.8%	46.3%	7.5%	12.5%	0.0%	5.0%	5.0%	5.0%	5.0%	100%
95253	Victor	48	10.4%	47.9%	4.2%	8.3%	12.5%	4.2%	0.0%	0.0%	12.5%	100%
Grand Total		31,274	23.8%	19.5%	12.6%	7.6%	5.1%	3.8%	3.7%	1.7%	22.2%	100.0%

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the market share leader in 14 of the 24 ZIP Codes within its service area. In eight of these ZIP Codes, the Hospital had over 40% of the market share in FY 2013. The communities represented by these ZIP Codes include Lodi, Galt, Rio Vista, Acampo, Woodbridge, Lockeford, Isleton, Walnut Grove, Clements, Wallace, Thornton, and Victor;
- St. Joseph's Medical Center – Stockton is the market share leader in eight of the 24 ZIP Codes, located in Stockton, Valley Springs, Linden, and Burson;
- San Joaquin General Hospital is the market share leader in one ZIP Code, located in Ione; and
- Kaiser Foundation Hospital – South Sacramento is the market share leader in one ZIP Code, located in Herald.

Service Availability by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, intensive care, obstetrics, rehabilitation, and emergency services.

Medical/Surgical Capacity Analysis

The Hospital has 156 licensed medical/surgical beds with an overall occupancy rate of 45%.

MEDICAL / SURGICAL BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Lodi Memorial Hospital	-	X	156	5,247	25,784	70.6	45.2%
San Joaquin General Hospital*	6.7	-	96	3,608	13,742	37.6	39.2%
Dameron Hospital	13.0	-	125	5,431	18,752	51.4	41.1%
St. Joseph's Medical Center - Stockton	13.0	-	171	6,082	22,074	60.5	35.4%
Kaiser Foundation Hospital - Manteca*	13.3	-	127	5,950	19,300	52.9	41.6%
Doctors Hospital of Manteca	16.3	-	60	2,581	10,562	28.9	48.2%
TOTAL			735	28,899	110,214	302.0	41.0%

Source: OSHPD Disclosure Reports, 2013

* Unaudited

- The Hospital reported 5,427 inpatient hospital discharges and 25,784 patient days resulting in an occupancy rate of 45% and an average daily census of 71 patients for FY 2013;
- Area hospitals have a total of 735 licensed medical/surgical beds. The Hospital's 156 licensed medical/surgical beds represented approximately 21% of the beds in this category for the area.

Intensive Care/Coronary Care Capacity Analysis

The Hospital has 10 intensive care beds, with an overall occupancy rate of approximately 76% (average daily census of approximately 8 patients).

INTENSIVE CARE UNIT / CORONARY CARE UNIT BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Lodi Memorial Hospital	-	X	10	165	2,756	7.6	75.5%
San Joaquin General Hospital*	6.7	-	16	215	3,750	10.3	64.2%
Dameron Hospital	13.0	-	24	444	4,249	11.6	48.5%
St. Joseph's Medical Center - Stockton	13.0	-	29	360	9252	25.3	87.4%
Kaiser Foundation Hospital - Manteca*	13.3	-	26	644	4,479	12.3	47.2%
Doctors Hospital of Manteca	16.3	-	8	158	1,657	4.5	56.7%
TOTAL			113	1,986	26,143	71.6	63.2%

Source: OSHPD Disclosure Reports, 2013

* Unaudited

- The average daily census for all area hospitals was 72 patients based on 26,143 patient days for FY 2013; and
- The Hospital provided nearly 9% of the area's intensive care/coronary care beds in FY 2013.

Obstetrics Capacity Analysis

As shown below, the Hospital has 16 licensed obstetric beds with an occupancy rate of 36% in FY 2013 (based on an average daily census of 6 patients).

OBSTETRICS BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Lodi Memorial Hospital	-	X	16	1,059	2,100	5.8	35.9%
San Joaquin General Hospital*	6.7	-	26	1,915	5,332	14.6	56.2%
Dameron Hospital	13.0	-	21	1,374	3,609	9.9	47.1%
St. Joseph's Medical Center - Stockton	13.0	-	27	2,558	6,931	19.0	70.3%
Kaiser Foundation Hospital - Manteca*	13.3	-	36	2,406	4,019	11.0	30.6%
Doctors Hospital of Manteca	16.3	-	5	795	1,705	4.7	93.4%
TOTAL			131	10,107	23,696	64.9	49.4%

Source: OSHPD Disclosure Reports, 2013

* Unaudited

(1) San Joaquin General Hospital and Kaiser Foundation Hospital - Manteca have Alternate Birthing Centers

- Area hospitals provide a total of 131 obstetric beds with an aggregate occupancy rate of 49% during FY 2013.

Physical Rehabilitation Capacity Analysis

The Hospital is the only area provider of acute physical rehabilitation services. In FY 2013, the Hospital was licensed for 32 acute physical rehabilitation beds. Twenty-four of the licensed 32 acute physical rehabilitation beds are in suspense at the West Campus and the remaining 8 licensed acute physical rehabilitation beds are in operation at the East Campus. During FY 2013, the Hospital's 8 acute physical rehabilitation beds had an occupancy rate of 54% based on 1,576 patient days and an average daily census of 4 patients.

PHYSICAL REHABILITATION BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Lodi Memorial Hospital	-	X	8	129	1,576	4.3	53.8%
San Joaquin General Hospital*	6.7	-	-	-	-	-	-
Dameron Hospital	13.0	-	-	-	-	-	-
St. Joseph's Medical Center - Stockton	13.0	-	-	-	-	-	-
Kaiser Foundation Hospital - Manteca*	13.3	-	-	-	-	-	-
Doctors Hospital of Manteca	16.3	-	-	-	-	-	-
TOTAL			8	129	1,576	4.3	53.8%

Source: OSHPD Disclosure Reports, 2013

* Unaudited

- University of California, Davis Medical Center and Mercy General Hospital (not shown on the table above), are both located approximately 46 miles from the Hospital and have a combined total of 49 licensed acute physical rehabilitation beds with an aggregate occupancy rate of 63%.

Emergency Department Volume Capacity

In FY 2014, the Hospital had 28 emergency treatment stations. In total, there are currently 113 treatment stations among all area hospitals. The table below shows the visits by severity category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System.¹⁶

EMERGENCY DEPARTMENT VISITS BY CATEGORY: FY 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
Lodi Memorial Hospital	-	X	Basic	28	38,126	1,902	3,754	12,635	10,544	9,291	14.6%	51
San Joaquin General Hospital	6.7	-	Basic	19	35,135	197	11,252	8,598	5,328	9,760	15.5%	0
Dameron Hospital	13.0	-	Basic	13	46,111	966	9,009	17,029	11,831	7,276	9.7%	169
St. Joseph's Medical Center	13.0	-	Basic	32	58,759	11,305	22,628	15,344	7,874	1,608	17.1%	777
Kaiser Foundation Hospital - Manteca	13.3	-	Basic	10	25,442	6,851	4,682	5,141	6,943	1,825	3.5%	14
Doctors Hospital of Manteca	16.3	-	Basic	11	32,073	3,445	3,932	12,477	9,070	3,149	8.1%	7
TOTAL				113	235,646	24,666	55,257	71,224	51,590	32,909	12.3%	1,018

Source: OSHPD Allerts Annual Utilization Reports, 2014

* FY 2013

¹ The Hospital's 28 emergency treatment stations do not include the Clinical Decision Unit observation beds

- The Hospital's Emergency Department was on diversion¹⁷ for 51 hours in FY 2013;
- Nearly 15% of the Hospital's Emergency Department visits resulted in admission; and
- Approximately 12% of the total emergency department visits among area hospitals resulted in an inpatient admission.

¹⁶ The Automated Licensing Information and Report Tracking System contains license and utilization data information of healthcare facilities in California.

¹⁷ A hospital goes on diversion when there are not enough beds or staff available in the emergency room for the hospital to adequately care for patients. When a hospital goes on diversion, it notifies area Emergency Medical Services to transport patients to other hospitals that are not on diversion.

Emergency Department Capacity Analysis

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station to estimate the capacity of an emergency department. Based upon this benchmark, in FY 2014, the Hospital's Emergency Department was operating at 60% of its 28-bed capacity.

EMERGENCY DEPARTMENT CAPACITY: FY 2014							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Lodi Memorial Hospital¹	-	X	Basic	28	33,370	56,000	22,630
San Joaquin General Hospital	6.7	-	Basic	19	35,135	38,000	2,865
Dameron Hospital	13.0	-	Basic	13	46,111	26,000	(20,111)
St. Joseph's Medical Center	13.0	-	Basic	32	58,759	64,000	5,241
Kaiser Foundation Hospital - Manteca	13.3	-	Basic	10	25,442	20,000	(5,442)
Doctors Hospital of Manteca	16.3	-	Basic	11	32,073	22,000	(10,073)
TOTAL				113	230,890	226,000	(4,890)

Source: OSHPD Alerts Annual Utilization Reports, 2013

* FY2013

¹ The Hospital's 28 emergency treatment stations do not include the Clinical Decision Unit observation beds

- Dameron Hospital, located 13 miles from the Hospital, is running at 177% capacity on its 13 Emergency Department stations; and
- Overall, the area hospitals' emergency departments are operating above capacity (102%).

SUMMARY OF INTERVIEWS

In January, February and March of 2015, both in-person and telephone interviews were conducted with representatives of the Hospital and Adventist Health, as well as physicians and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed change in governance and control of the ownership and operations from Lodi Health to Adventist Health. The list of individuals who were interviewed is located in the Appendices of this report. The major findings of these interviews are summarized below.

Reasons for the Proposed Transaction:

Those interviewed cited a number of reasons for the transaction, including the following:

- The Hospital is struggling financially and not able to meet all of the requirements of its bond debt;
- The Hospital would not be sustainable in the long term due to its poor financial condition. The needs of the patients and the community will be best met by finding a suitable health system to assume control and invest in the Hospital;
- Additionally, the Hospital needs to make major capital investments to meet seismic standards necessary to continue in operation after 2030;
- The Hospital has delayed other needed capital investments including information technology;
- As a result of healthcare reform and marketplace changes it would be difficult to sustain the Hospital as an independent, stand alone, non-profit organization;
- The Hospital has been losing physicians to competitive healthcare organizations that offer employment opportunities; and
- The Hospital is increasingly isolated in a highly competitive market.

Importance of the Hospital to the Community

According to all who were interviewed, the Hospital is an important provider of healthcare services to the local community. Interviewees believe that the Hospital is especially important for its provision of emergency and obstetrical services. Some of the other programs and services provided by the Hospital that were also mentioned as important include the following:

- General surgical services and robotic surgery;
- Cardiac services, including diagnostic cardiac catheterization;
- Community clinics and a rural health clinic;
- Acute rehabilitation;
- Orthopedic services, including joint replacement and spine care services;
- Wound care services;
- Home health services;
- Adult day care;
- Child care program; and
- Palliative care.

Selection of Adventist Health for the Proposed Transaction

The Board concluded that the Hospital needed to become affiliated with a health system that has financial strength, clinical expertise, and supportive infrastructure in order to continue and enhance the services that the Hospital provides to the local community. In selecting Adventist Health, the interviewed members of the Hospital's management team and Board indicated the following factors were considered:

- A governance structure that provided for local input and representation;
- Interest and capability to expand the Hospital's services;
- Commitment of financial support and funding of capital improvements;
- Physician alignment platform/medical foundation;

- Ability to bring efficiencies and improve contractual agreements with vendors and insurance companies; and
- Provide support for physician and other medical professional training programs.

All of those interviewed expressed support for the selection of Adventist Health. Many of those interviewed were aware that some of the medical staff, while supporting the need for an affiliation, would prefer the selection of a different health system.

Impact on the Availability & Accessibility of Healthcare Services

All interviewed believed that the affiliation would not have a negative impact on the availability or accessibility of healthcare services. In fact, it was believed that the affiliation with Adventist Health would stabilize the Hospital's services, operations, and finances and therefore preserve access. Additionally, while few specific service commitments were cited by Adventist Health, it was believed that Adventist Health would expand some of the Hospital's services and increase the number of physicians on the medical staff.

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

Continuation as a General Acute Care Hospital

None of the parties to the transaction expect that there will be any reductions in the availability or accessibility of healthcare services. It is expected that as a result of the transaction, the Hospital will continue to operate as a nonprofit hospital in much the same manner as in the past. Adventist Health has made a commitment in the Affiliation Agreement to ensure that Lodi Health continues to provide all material clinical services upon closing for at least five years.

Emergency Services

In FY 2014, the Hospital reported over 33,000 emergency department visits to its 28 emergency treatment stations, operating at 60% capacity (based on a standard of 2,000 visits per station, per year). As a result of the Patient Protection and Affordable Care Act and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. Because of this and the growing shortage of primary care physicians, emergency department utilization is expected to increase within the service area. Keeping the Hospital's Emergency Department is critical to providing emergency services within the Hospital's service area.

Medical/Surgical Services

With 156 licensed medical/surgical beds, an occupancy rate of 45%, and an average daily census of approximately 71 patients, the Hospital is an important provider of medical/surgical services. While the occupancy rate for medical/surgical services at the Hospital (42%) indicates available capacity, the Hospital's service area is expected to grow at a modest rate of 4% between 2014 and 2019. Additionally, if Adventist Health expands services and increases the number of physicians on the medical staff the occupancy of medical/surgical beds may increase.

Intensive Care Services

With a high occupancy rate of 75% on the 10 licensed intensive care beds, the Hospital is an important provider of intensive care services for the local community. These services are an important resource for supporting the Emergency Department and other surgical and medical services. Without the intensive care beds at the Hospital, area availability of intensive care services would be negatively impacted. Any reduction in these beds would have an adverse effect on the availability of these healthcare services in the community.

Obstetrics Services

The Hospital has an occupancy rate of 36% on its 16 licensed obstetrical beds, with an average daily census of 6 patients. With over 1,000 deliveries in FY 2013, the Hospital is an important provider of obstetrics services for service area residents. The Hospital is the second largest provider of obstetrical services within the service area with approximately 20% market share. A reduction in the number of obstetrical beds could have an adverse effect on the availability of these healthcare services in the community.

Rehabilitation Services

Despite a low occupancy rate of 14% on its 8 rehabilitation beds, and an average daily census of four patients, the Hospital is an important provider of rehabilitation services in the service area. The closest area hospital providing rehabilitation services is located over 45 miles away at University of California, Davis Medical Center. The Hospital is also the largest provider of rehabilitation services in the service area with 32% market share. Any significant reduction in the number of licensed rehabilitation beds at the Hospital could negatively affect the provision of these services for the community.

Reproductive Health Services

The Hospital is an important provider of a range of healthcare services for women including over 1,000 obstetrical deliveries per year. Neither the Hospital nor Adventist Health has any restrictions on providing reproductive healthcare services. The table below shows other inpatient reproductive healthcare related procedures that the Hospital provided in FY 2013.

REPRODUCTIVE SERVICES BY DIAGNOSTIC RELATED GROUP: FY 2013		
MS-DRG and Description	Hospital	Adventist Health California Hospitals
770: Abortion w/ D&C, Aspiration Curettage or Hysterectomy	2	80
778: Threatened Abortion	6	131
779: Abortion w/o D&C	4	71
777: Ectopic Pregnancy	5	71
767: Vaginal Delivery W Sterilization &/OR D&C	55	268
Total:	72	621

Source: OSHPD Patient Discharge Database

The Hospital has also provided sterilizations and abortions on an outpatient basis.

Under the terms of the Affiliation Agreement, Adventist Health shall not place any restrictions on medical procedures or practices performed at the Hospital. The proposed change in governance of the Hospital to Adventist Health should have no impact on reproductive services provided at the Hospital.

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

Approximately 77% of the Hospital's inpatients are reimbursed through Medicare (52%) and Medi-Cal (25%). San Joaquin County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a "Local Initiative Plan" and a "Commercial Plan." The San Joaquin County Commercial Plan is provided by Health Net Community Solutions, Inc., and the Local Initiative Plan is provided by Health Plan of San Joaquin. Currently, the Hospital is contracted with both plans to provide services for Medi-Cal managed care patients.

The Hospital also maintains a contract with Anthem Blue Cross Partnership Plan, a Medi-Cal managed care health plan option in three nearby counties: Amador County, Calaveras County, and Sacramento County. Many residents of the neighboring Amador County, Calaveras County, and Sacramento County travel to the Hospital to receive healthcare services.

The percentage of San Joaquin County residents with Medi-Cal managed care coverage will increase as a result of the Patient Protection and Affordable Care Act and California initiatives to expand managed care. As a provider of care for Medi-Cal managed care and indigent San Joaquin County residents, it is important to maintain the Hospital's contracts with Health Plan of San Joaquin, Health Net Community Solutions, Inc., and Anthem Blue Cross Partnership Plan.

Adventist Health has made a commitment in the Affiliation Agreement to maintain participation in the Medical and Medi-Cal programs in order to ensure quality of care and access of services to these groups of patients.

Effects on the Level & Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on the Hospital for healthcare services. The Hospital has historically provided a significant amount of charity care, averaging approximately \$3.35 million per year over the last five years (on a cost basis). Upon the closing, the Hospital will adopt Adventist Health's policies on charity and indigent care.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging approximately \$801,365 per year over the last five years (on a cost basis). Under the terms of the Affiliation Agreement, Adventist Health will ensure that the Hospital reasonably continues to participate in organizing and supporting community benefit programs, including cooperation with organizations that sponsor healthcare initiatives to address the needs of the community and to improve the health status of at-risk populations in Lodi.

Effects on Staffing & Employee Rights

None of the Hospital's employees are covered by collective bargaining agreements. Under the terms of Affiliation Agreement, the Lodi Health employees will either remain employees of Lodi Health or shall become employees of Adventist Health or an outsourced service provider. It is anticipated that Adventist Health will recruit new medical staff and expand services at the Hospital. As a result, it is likely that the number of employees will increase.

Effects on Medical Staff

Under the Affiliation Agreement, the medical staff that remains in good standing as of the closing will maintain medical staff privileges at the Hospital. It is anticipated that Adventist Health will recruit new medical staff to facilitate the provision of clinical services, and therefore, it is likely that the number of medical staff will increase.

Alternatives

Because the affiliation is driven by strategic and financial concerns, if the proposed transaction were not approved, it is likely that the Hospital would seek another healthcare system or purchaser.

CONCLUSIONS & RECOMMENDATIONS

The proposed change in control and governance of Lodi Health is likely to improve the availability and accessibility of healthcare services in the communities served by the Hospital. It is anticipated that access for Medi-Cal, uninsured patients, and other classes of patients will either improve or remain unchanged.

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 five years from the closing date of the transaction, the Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from the closing date of the transaction, the Hospital shall maintain 24-hour emergency medical services at a minimum of 28 treatment stations with the same types and/or levels of services;
3. For at least five years from the closing date of the transaction, the Hospital shall maintain the following programs and services at current licensure, types, and/or levels of services:
 - a. Acute rehabilitation services, including a minimum of 8 rehabilitation beds;
 - b. Adult day care services;
 - c. Cardiac services, including the cardiac catheterization lab;
 - d. Critical care services, including a minimum of 10 intensive care beds;
 - e. Obstetric services, including a minimum of 16 obstetrics beds;
 - f. Urgent care services; and
 - g. Women's reproductive health services.
4. For at least five years, the Hospital shall retain the following 1206(d) clinics with the same number of physician and mid-level provider full-time equivalents with similar physician alignment structures in the same location or a location within 5 miles of their current location:
 - a. Lone Family Care, located at 305 Preston Avenue in Lone;
 - b. West Family Care, located at 2415 West Vine Street, Suite 105, in Lodi;
 - c. West Pediatric Care, located at 2415 West Vine Street, Suite 100, in Lodi;
 - d. West Prenatal Care, located at 2415 West Vine Street, Suite 103, in Lodi; and
 - e. West Wound and Hyperbaric Care, located at 2415 West Vine Street, Suite 106, in Lodi.

5. For at least five years, the Hospital shall retain the following 1204(a) clinics with the same number of physician and mid-level provider full-time equivalents with similar physician alignment structures in the same location or a location within 5 miles of their current location:
 - a. Millsbridge Family Care, located at 1901 West Kettleman Lane, Suite 200, in Lodi;
 - b. Plaza Surgical Care, located at 999 South Fairmont Avenue, Suite 100, in Lodi;
 - c. Trinity Family and Specialty Care, located at 10200 Trinity Parkway, Suite 102, in Stockton; and
 - d. Vine Specialty Care, located at 1235 West Vine Street, Suite 22, in Lodi.
6. For at least five years, the Hospital shall retain Galt Family and Prenatal Care, a rural health clinic, located at 387 Civic Drive in Galt, with the same number of physician and mid-level provider full-time equivalents in the same location or a location within 5 miles of its current location.
7. For at least five years from the closing date of the transaction, the Hospital shall maintain a charity care policy that is no less favorable than the Hospital's current charity care policy and in compliance with California and Federal law, and the Hospital shall provide an annual amount of Charity Care equal to or greater than \$3,355,201 (the "Minimum Charity Care Amount"). For purposes herein, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by the Hospital in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California;
8. For at least five years from the closing date of the transaction, the Hospital shall continue to expend an average of no less than \$801,365 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California. The following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services that are currently being provided:
 - a. Camp Hutchins;
 - b. Fitness Center;
 - c. Nursing Residency Program;
 - d. Mentorship Program; and
 - e. Walter E. Reiss Outreach Clinic.

9. For at least five years from the closing date of the transaction, the Hospital shall maintain the following:
 - a. General Surgery Resident Rotation Program Agreement between Lodi Memorial Hospital and San Joaquin General Hospital;
 - b. Agreement for Provision of EMS System and Equipment between San Joaquin County and San Joaquin County Area Hospitals;
 - c. Letter of Agreement between San Joaquin County Public Health Services and Lodi Memorial Hospital;
 - d. Healthcare Coalition Participant Agreement between Lodi Memorial Hospital and San Joaquin Operational Area Healthcare Coalition Governance;
 - e. Lease Agreement between the City of Lodi and Lodi Memorial Hospital Association, Inc., for the operation of Camp Hutchins at Hutchins Street Square;
 - f. Lease Agreement between the City of Lodi and Lodi Memorial Hospital Association, Inc., for the operation of the Adult Day Care Program at Hutchins Street Square; and
 - g. Office Space Lease Agreement between the County of San Joaquin and Lodi Memorial Hospital Community Health Clinics for the operation of the medical office building located at 300 Oak Street, Lodi, California.

10. For at least five years from the closing date of the transaction, the Hospital shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following:
 - a. Health Plan of San Joaquin;
 - b. Health Net Community Solutions; and
 - c. Anthem Blue Cross Partnership Plan.

11. For at least five years from the closing date of the transaction, the Hospital shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;

12. Adventist Health shall implement the Cerner Millennium electronic medical record system at the Hospital and pay the costs for the implementation of the system as required in section 3.4 of the Affiliation Agreement;

13. Adventist Health shall make the \$2 million contribution to the Foundation as required in section 3.1 of the Affiliation Agreement; and

14. Adventist Health shall make the \$98 million “Capital Investment” as required in section 3.2 of the Affiliation Agreement.

APPENDICES

List of Interviewees

LIST OF INTERVIEWEES			
Last Name	First Name	Position	Affiliation
Beehler	Robert	Vice President, Market Development, Mergers & Acquisitions	Adventist Health
Bruch	Dan	Administrator	San Joaquin County Emergency Medical Services
Cole	Karen	Director, Contracts Management	Lodi Memorial Hospital
Crabtree	Steve	Chair, Board of Directors	Lodi Memorial Hospital
Deak	Terry	Chief Financial Officer	Lodi Memorial Hospital
Escobar	Linda	Director, Therapy Services	Lodi Memorial Hospital
Farron	Carol	Director, Community Development	Lodi Memorial Hospital
Harrington	Joe	Chief Executive Officer	Lodi Memorial Hospital
LaViola, MD	Steven	Cardiologist	Lodi Memorial Hospital
Lindsey	Mike	Director, Outpatient Services	Lodi Memorial Hospital
McLoughlin, MD	Travers	Chief of Staff	Lodi Memorial Hospital
Moreno	Debbie	Chief Nursing Officer	Lodi Memorial Hospital
Phelps	Dan	Vice Chair, Board of Directors	Lodi Memorial Hospital
Reiner	Scott	President and CEO	Adventist Health
Salinas, MD	Xavier	Medical Director, Emergency Department	Lodi Memorial Hospital
Sanders	Becky	Director, ED, ICU, PTU, CDU	Lodi Memorial Hospital
Schneider	Pam	Medical Practice Administrator	Lodi Memorial Hospital
Sey	Mark	Chief Administrative Officer	Lodi Memorial Hospital
Snider	Randy	Chair, Foundation Board	Lodi Memorial Hospital Foundation
Stump	Valerie	Director, Maternal/Child Services	Lodi Memorial Hospital
Szczepaniak	Margaret	Assistant County Director	San Joaquin County

Hospital License

License: 03000056
Effective: 05/01/2014
Expires: 04/30/2015
Licensed Capacity: 214

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

Lodi Memorial Hospital Association, Inc.

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

LODI MEMORIAL HOSPITAL (1RH)

975 S Fairmont Ave
Lodi, CA 95240-5118

LODI MEMORIAL HOSPITAL-WEST

800 S Lower Sacramento Rd
Lodi, CA 95242-3635

Bed Classifications/Services

190 General Acute Care
16 Perinatal
10 Intensive Care
8 Rehabilitation
156 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical
Cardiac Catheterization Laboratory Services
Nuclear Medicine
Occupational Therapy
Outpatient Clinics - Family Practice at Primary Care Family Clinic, 2415 West Vine Street, Suite 105, Lodi
Outpatient Clinics - Family Practice at Primed Clinic, 305 Preston Avenue, Lodi
Outpatient Clinics - Obstetrics at Primary Care Clinic/Obstetrics, 2415 West Vine Street, Suite 103, Lodi
Outpatient Clinics - Pediatrics at Primary Care Pediatric Clinic, 2415 West Vine Street, Suite 100 & 101 & 102, Lodi
Outpatient Clinics - Urgent Care at Ham Lane Urgent-Care Clinic, 1235 West Vine Street, Suite 20, Lodi
Outpatient Services - Laboratory at Laboratory Drawing Station/MOB, 999 South Fairmont Avenue, Suite 50, Lodi
Outpatient Services - Pulmonary at Ham Lane Pulmonary Clinic, 845 South Fairmont Avenue, Suite 8, Lodi

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 030000056
Effective: 05/01/2014
Expires: 04/30/2015
Licensed Capacity: 214

LODI MEMORIAL HOSPITAL (1RH) (Continued)
975 S Fairmont Ave
Lodi, CA 95240-5118

Other Approved Services (cont'd)

Outpatient Services - Wound Care at Wound
Treatment Center, 2415 West Vine Street,
Suite 106, Lodi
Physical Therapy
Radiation Therapy
Respiratory Care Services
Social Services

Approved Other Certifiable Parts

Rural Health Clinic

GALT MEDICAL SERVICES

387 Civic Dr
Galt, CA 95632-2059

LODI MEMORIAL HOSPITAL WEST

800 S Lower Sacramento Rd
Lodi, CA 95242-3635

Bed Classifications/Services

24 General Acute Care
24 Rehabilitation

Other Approved Services

Occupational Therapy
Physical Therapy
Respiratory Care Services
Social Services
Speech Pathology

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
24 General Acute Care beds suspended from 07/17/2012 to 07/16/2014 at 800 S Lower Sacramento Rd.
CONSOLIDATED

Ron Chapman, MD, MPH

Director & State Health Officer

Heather Riley, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and
Certification, Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

POST IN A PROMINENT PLACE

Community Clinic Licenses

License: 550002052
Effective: 09/18/2014
Expires: 09/17/2015

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

Lodi Memorial Hospital Association, Inc.

to operate and maintain the following **Community Clinic**

LODI MEMORIAL SURGICAL GROUP

999 S Fairmont Ave
Suite 100
Lodi, CA 95240-5100

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH

Director & State Health Officer



Heather Riley, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

POST IN A PROMINENT PLACE

License: 550001052
Effective: 05/07/2014
Expires: 05/06/2015

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

Lodi Memorial Hospital Association, Inc.

to operate and maintain the following Community Clinic

LODI MEMORIAL COMMUNITY CLINIC - MILLSBRIDGE

1901 W Kettleman Ln
Suite 200
Lodi, CA 95242-4320



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
Effective 2/22/10 add satellite clinic: Walter E. Reiss Outreach Clinic,
300 W. Oak Street, Lodi, CA 95240.

Ron Chapman, MD, MPH

Director & State Health Officer

A handwritten signature in black ink, appearing to read "Heather Riley".

Heather Riley, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

POST IN A PROMINENT PLACE

License: 55000841
Effective: 01/01/2015
Expires: 12/31/2015

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

Lodi Memorial Hospital Association, Inc.

to operate and maintain the following **Community Clinic**

LODI MEMORIAL COMMUNITY CLINIC - TRINITY

10200 Trinity Pkwy
Ste 102
Stockton, CA 95219-7287

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer


Heather Riley, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

POST IN A PROMINENT PLACE

License: 550001051
Effective: 05/07/2014
Expires: 05/06/2015

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

Lodi Memorial Hospital Association, Inc.

to operate and maintain the following Community Clinic

LODI MEMORIAL COMMUNITY CLINIC - VINE
1235 W Vine St
Suite 22
Lodi, CA 95240-5109



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH

Director & State Health Officer

Heather Riley, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

POST IN A PROMINENT PLACE