Effects of the Proposed Change in Governance and Control of Ownership & Operation of the Daughters of Charity Health System to Prime Healthcare Services, Inc., & Prime Healthcare Foundation, Inc., on the Availability and Accessibility of Healthcare Services to the Communities Served by St. Vincent Medical Center

Prepared for the Office of the
California Attorney General

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INTRODUCTION & PURPOSE

Medical Development Specialists, LLC (MDS), a healthcare planning and policy consulting firm, was retained to prepare reports for the Office of the California Attorney General on the Daughters of Charity Health System, including each of the system's five hospital corporations and their related health facilities. This report evaluates the potential impact of the proposed Definitive Agreement between Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc., on the availability and accessibility of healthcare services to the communities served by St. Vincent Medical Center. St Vincent Medical Center, a nonprofit religious corporation (St. Vincent), operates St. Vincent Medical Center, a general acute care hospital located in Los Angeles, California (the Hospital).

Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation (Ministry), is the sole corporate member of Daughters of Charity Health System, a California nonprofit religious corporation (Daughters). Daughters is the sole corporate member of five California nonprofit religious corporations, including St. Vincent, St. Francis Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center (collectively, the Hospital Corporations).

The Hospital Corporations are licensed to operate five general acute care hospitals including the Hospital, St. Francis Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, which shares a consolidated license with Seton Medical Center Coastside, a skilled nursing facility (collectively, the Health Facilities).

Each of the Hospital Corporations is the sole corporate member of a California nonprofit public benefit corporation that handles its fundraising and grant-making programs: St. Francis Medical Center Foundation, St. Vincent Foundation, Seton Medical Center Foundation, Saint Louise Regional Hospital Foundation, and O'Connor Hospital Foundation (collectively, the Philanthropic Foundations). St. Vincent is the sole corporate member of St. Vincent Foundation.[1]

Ministry and Daughters have requested the California Attorney General's consent to enter into a Definitive Agreement with Prime Healthcare Services, Inc., a Delaware corporation (Prime Inc.), and Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation (Prime Foundation), (collectively, Prime), whereby control and governance of Daughters and its affiliated entities will be transferred to Prime Inc. or Prime Foundation, and in some cases, converted to California for-profit business corporations or California nonprofit public benefit corporations. (Refer to the summary table on the following page.)

[1] In reference to St. Vincent Foundation, the Definitive Agreement names St. Vincent Medical Center Foundation in its inclusive definition of the "Philanthropic Foundations"; however, St. Vincent Foundation is the name under which it was incorporated. In addition, there are proposed plans to merge St. Francis Medical Center Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, and Seton Medical Center Foundation into St. Vincent Foundation.

Daughters is a multi-institutional Catholic health system that is sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West. Upon closing of the proposed transaction and the conversion of Daughters into a for-profit corporation, Daughters of Charity of St. Vincent de Paul, Province of the West, will cease its Catholic Sponsorship of Daughters.

DAUGHTERS' GOVERNANCE STRUCTURE					
Included Corporations in the Definitive Agreement	**Current Corporate Structure**	**Description**		**Proposed Corporate Ownership**	**Post-Transaction Corporate Structure**
Daughters	California nonprofit religious corporation	Sole corporate member of five California nonprofit religious corporations	→	Prime Inc.	For-profit business corporation
O'Connor Hospital	Nonprofit religious corporation	Operates a general acute care hospital, O'Connor Hospital	→	Prime Inc.	For-profit business corporation
Saint Louise Regional Hospital	Nonprofit religious corporation	Operates a general acute care hospital, Saint Louise Regional Hospital, and De Paul Urgent Care Center	→	Prime Inc.	For-profit business corporation
Seton Medical Center	Nonprofit religious corporation	Operates a general acute care hospital, Seton Medical Center	→	Prime Inc.	For-profit business corporation
St. Francis Medical Center	Nonprofit religious corporation	Operates a general acute care hospital, St. Francis Medical Center	→	Prime Inc.	For-profit business corporation
St. Vincent Medical Center	Nonprofit religious corporation	Operates a general acute care hospital, St. Vincent Medical Center	→	Prime Inc.	For-profit business corporation
DCHS Medical Foundation	Nonprofit religious corporation	Group of physicians that provide primary and specialty care	→	Prime Foundation	Nonprofit public benefit corporation
Caritas Business Services	Nonprofit religious corporation	Provides support services for Daughters and hospital corporations	→	Prime Inc.	For-profit business corporation
St. Vincent Dialysis Center, Inc.	Nonprofit public benefit corporation	Speciality clinic licensed for provision of dialysis services	→	Prime Inc.*	For-profit business corporation
Philanthropic Foundations	Nonprofit public benefit corporations	Charitable foundations that support community benefit programs and capital expenditures	→	Prime Foundation	Will remain nonprofit public benefit corporations
St. Vincent De Paul Ethics Corporation	Nonprofit public benefit corporation	Does not hold any assets	→	Prime Foundation	Will remain nonprofit public benefit corporation
Marillac Insurance Company, Ltd.	Caymans entity	Captive insurance company to self-insure for professional and general liability exposures	→	Daughters will remain sole shareholder	Does not require any conversion
De Paul Ventures, LLC	Limited liability company	Created for the purpose of investing in a freestanding surgery center and other healthcare entities	→	Daughters will remain sole member	Does not require any conversion

* Will remain a wholly-owned subsidiary of St. Vincent Medical Center

In its preparation, MDS performed the following:

- A review of the application submitted by Ministry and Daughters to the California Attorney General on October 24, 2014, and supplemental information and documents subsequently provided by Daughters and the Health Facilities, including the Hospital;

- A review of press releases and news articles related to this and other hospital transactions;

- Interviews with community representatives, representatives of the Hospital's medical staff, management, and employees, St. Vincent's Board of Directors (St. Vincent's Board), Daughters' Board of Directors (Daughters' Board), Daughters' representatives, health plan representatives, and others listed in the Appendices;

- An analysis of financial, utilization, and service information provided by Daughters, 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.

Reasons for the Transaction

In December 2012, Daughters entered into an affiliation agreement with Ascension Health Alliance that provided Daughters with an opportunity to share in certain consulting and strategic services provided by Ascension Health Alliance. Further, the agreement also served as a platform for both parties to continue their strategic dialogue surrounding the formation of some type of official partnership or merger.

After comprehensive discussions and due diligence with respect to a potential merger, the parties could not reach a mutual agreement that ensured the long-term viability of Daughters and the Health Facilities.

As stated in Daughters' statement of reasons why Daughters' Board believes the proposed transaction is either necessary or desirable, Daughters' Board provided the following:

- The current structure and sponsorship of Daughters and the Health Facilities are not feasible as a result of the dire financial conditions and cash projections;

- Based upon cash flow projections, Daughters would fall below minimum liquidity thresholds in the first quarter of Fiscal Year (FY) 2015 and would ultimately run out of cash in the third quarter of FY 2015;

- In July and August of 2014, Daughters accessed a short-term financing bridge loan in the amount of $125 million to mitigate the immediate cash needs for an estimated period of time long enough to allow for the transaction to close. The bridge loan of $125 million must be repaid in full, on or before, July 10, 2015, at which time if the full amount is not repaid, Daughters will be at risk of defaulting on both the 2014 and 2005 Revenue Bonds[2]; and

- The lender holds liens on substantially all of Daughters' assets. If there is a default, Daughters' operations, without the protection of a bankruptcy proceeding, could not continue.

[2] The bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A, F, G, and H (2005 Bonds) and Series 2014A, B, and C (2014 Bonds).

Transaction Process and Objectives

The primary objective stated by Daughters for the proposed transaction is to ensure a sustainable future for the Health Facilities and the other related entities. In order to accomplish this goal, in 2013 with the advisor Kaufman Hall, Daughters initiated a process to find potential buyers or partners to purchase O'Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, and Seton Medical Center Coastside. Daughters received several offers.

In February 2014, Daughters widened the process to include soliciting offers for the Hospital, and St. Francis Medical Center, as well as for the entire health system. This 2014 process was supported by Houlihan Lokey, an advisory investment bank with experience in healthcare mergers and acquisitions. Daughters' Board specified the following guiding principles for the change of control:

- Protect the pensions of current employees, retired employees, and their beneficiaries;
- Repay major business partners, such as bondholders and vendors;
- Honor and assume the Collective Bargaining Agreements (CBAs)[3] held by the Hospital Corporations; and
- Obtain commitments to capital investments in the Health Facilities, and commitments to the continued provision of acute care services and indigent care, as well as to the continued participation in the Medi-Cal and Medicare programs, for the communities served by the Health Facilities.

Houlihan Lokey identified and contacted a total of 133 parties. The group of potential bidders included Catholic healthcare organizations, nonprofit strategic buyers, government-related healthcare institutions, for-profit hospital operators, private equity funds, management teams with relevant experience, and investors specializing in healthcare-related real estate. After introductory conversations, 72 parties expressed interest.

Bids were solicited for individual hospitals, groups of hospitals, medical office buildings/facilities, as well as for Daughters' full system. The first round, in March 2014, included 29 bids; 11 bids for the full system, 14 bids for individual (or groups of) hospitals, and four bids for the medical office buildings. The second round, in May 2014, included 15 bids; eight bids for the full system and seven bids for the individual (or groups of) hospitals. As stated in the minutes from Daughters' Board meeting in May 2014, Daughters decided to focus efforts on buyers interested in a full system transaction as they felt there was not a combination of bids for individual (or groups of) hospitals to form a comprehensive solution. In Daughters' application to the Attorney General, the following reasons were cited for focusing efforts on full-system offers:

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

- None of the bidders interested in individual hospitals and/or groups of hospitals were prepared to assume Daughters' pension obligations;

- Attempting to execute multiple transactions could expose Daughters to the risk of transaction failure if all agreements were not executed simultaneously;

- If there was any transaction failure, there would be a withdrawal liability on the Multiemployer Pension Plan[4] of approximately $200 million; and

- A number of bidders for the full system indicated willingness to satisfy all of Daughters' obligations, whereas the aggregate value provided by the individual hospital bids would not satisfy all of Daughters' obligations.

In September 2014, the final round of negotiations commenced and involved four offers for the full health system. [5]

The following table summarizes the submitted bids received by Daughters throughout the three rounds of the bidding process:

SUMMARY OF BIDDING PROCESS				
		Bids for Daughters' Entities:		
		Full System	Individual (or groups of) Hospitals	Medical Office Buildings/ Facilities
First Round March 2014 29 Bids	Catholic Healthcare Organizations	-	2	-
	Nonprofit / Government Related Institutions	1	4	-
	For-Profit Hospital Operator	5	5	-
	Private Equity Fund / Management Team	5	1	-
	Healthcare Related Real Estate Investor*	-	2	4
Total:		**11**	**14**	**4**
Second Round May 2014 15 Bids	Catholic Healthcare Organizations	-	2	-
	Nonprofit / Government Related Institutions	-	2	-
	For-Profit Hospital Operator	4	2	-
	Private Equity Fund / Management Team	4	1	-
	Healthcare Related Real Estate Investor*	-	-	-
Total:		**8**	**7**	**-**
Final Round September 2014 6 Bids	Catholic Healthcare Organizations	-	-	-
	Nonprofit / Government Related Institutions	-	-	-
	For-Profit Hospital Operator	4	-	-
	Private Equity Fund / Management Team	2	-	-
	Healthcare Related Real Estate Investor*	-	-	-
Total:		**6**	**-**	**-**

Source: Daughters

* Includes skilled nursing facilities, real estate investment trusts, and others

[4] Daughters' Multiemployer Pension Plan is a defined benefit pension plan that is subject to the Employee Retirement Income Security Act of 1974 (ERISA), and these benefits are insured by the Pension Benefit Guaranty Corporation in accordance with ERISA. The Multiemployer Pension Plan includes the Stationary Engineers Local 39 Pension Plan and the Retirement Plan for Hospital Employees. The Retirement Plan for Hospital Employees is the pension plan in which the employees of Seton Medical Center, Seton Medical Center Coastside, O'Connor Hospital, Saint Louise Regional Hospital, and Caritas Business Services participate. Its benefit accruals have been frozen with respect to many Daughters' employees.

[5] Two late-stage full-system bidders did not submit final bids. One was unable to raise the necessary capital in order to submit a timely bid, and the other revised its valuation of the transaction and was unable to provide a financially competitive proposal.

Daughters' Board applied eleven criteria to evaluate the final four proposals:

- Post-closing healthcare services: Bidder's commitment and ability to sustain healthcare services in the communities served by the Health Facilities following the close of the transaction;

- Treatment of pension obligations: Bidder's treatment of Daughters' employee pension obligations, the level of future funding assurance provided to the pension beneficiaries, and the financial means of the bidder to fully fund future pension obligations;

- Treatment of CBAs: Bidder's willingness to assume the current CBAs;

- Operational and transactional experience: Bidder's prior experience and success in turning around distressed hospitals and breadth of experience in owning and operating acute care facilities, particularly within California;

- Historical service quality: Evaluation of the bidder's relative performance on quality measures for its California-based operations (if applicable), including relative patient safety, practice of evidence-based care, readmission rates, mortality rates, and patient satisfaction scores in comparison to Daughters, the national average, and the other final bidders;

- Financial wherewithal: Bidder's financial strength, measured in terms of cash and other assets, and its potential access to additional capital for Daughters' cash requirements at closing and post-closing;

- Capital commitment: Bidder's willingness to invest in the Health Facilities following the closing of the transaction;

- Need for bankruptcy: The likelihood of the bidder to require bankruptcy proceedings in order to reduce liabilities as a condition of closing;

- Valuation: Distributable value of the offer, calculated as the sum of the estimated cash consideration paid at closing, plus the face value of the short- and long-term liabilities;

- Closing risk: Potential risk of not being willing or able to close due to financing contingencies, regulatory issues, or other barriers, including a strong consideration of the bidder's potential to fund a meaningful good-faith deposit; and

- Timeline: Bidder's ability to meet the necessary strict timeframe for closing in light of Daughters' deteriorating working capital.

After consideration of these eleven criteria, on October 3, 2014, Daughters' Board selected the offer proposed by Prime. Daughters' Board believed Prime's proposal satisfied the selection criteria and that no other proposal demonstrated similar strength. Daughters Board stated Prime was the only candidate that was able to fully fund the employee pensions and who made the

commitment for all of the capital required to close the transaction. Additionally, Daughters Board believed that Prime's offer materially exceeded the other offers, and provided a higher level of assurance, relative to the other bidders, in terms of Prime's balance sheet, experience in operations, depth of existing operations to support the Health Facilities, and access to capital in order to ensure that the assumed liabilities were honored in the long-term.

Timeline of the Transaction

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

- February 2005 – 2005 Bonds are issued in the amount of $364 million to refinance existing debt and fund future capital expenditures[6];
- November 2008 – 2008 Bonds[7] are issued in the amount of $143.7 million to refinance existing debt;
- February 24, 2012 – Daughters executes a memorandum of understanding with Ascension Health Alliance as a precursor to system integration discussions;
- June 20, 2012 – Daughters and Ascension Health Alliance effect an amendment to the memorandum of understanding;
- December 2012 –Daughters and Ascension Health Alliance execute an affiliation agreement;
- March 15, 2013 – Daughters solicits offers for O'Connor Hospital and Saint Louise Regional Hospital, and sends out a request for proposal and confidential descriptive memorandum to 15 potential partners, of which five submit indications of interest;
- August 5, 2013 – Daughters solicits offers for Seton Medical Center and Seton Medical Center Coastside, and sends out a request for proposal and confidential descriptive memorandum to eight organizations, of which three submit indications of interest;
- October 2013 – 2008 Bonds retire[8];
- January 2014 – Daughters indicates that it will remain independent from Ascension Health Alliance and is no longer pursuing a merger;

[6] This amount is gross of an estimated $26 million in the debt service reserved funds that will be used to defease the 2005 Bonds.
[7] The 2008 Bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2008A Bonds that include a debt service reserve fund of $13.7 million.
[8] In October 2013, Daughters of Charity Foundation, an organization separate and independent from Daughters, made a restricted donation of $130 million for the benefit of Daughters by depositing sufficient funds with the bond trustee to redeem the $143.7 million principal amount of the 2008 Bonds.

- January 2014 – Daughters announces the initiation of its process to evaluate strategic alternatives for the entire system;

- February 2014 – Request for Proposal process is initiated by contacting over 133 health systems and other potential buyers who potentially could have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;

- February 2014 – Prime, along with 71 other potential buyers, sign confidentiality agreements and receive a confidential information memorandum summarizing key facts about Daughters and its related entities;

- March 21, 2014 – Daughters receives 29 bids by the first round deadline, including one from Prime;

- May 30, 2014 – Daughters' Board decides to focus efforts on full system bidders, as it had been determined that no combination of proposals to purchase individual facilities would provide an adequate solution to Daughters' pressing financial situation. Daughters' Board decides to proceed to the final round focusing on only full system offers;

- July 30, 2014 – Daughters secures $110 million in short-term "bridge financing" in order to access working capital to continue operations through the sale process (2014 Bonds, Series A & B);

- August 27, 2014 – Daughters secures an additional $15 million under the 2014 Bonds (Series C);

- September 12, 2014 – Daughters receives four final proposals;

- October 3, 2014 – Daughters' Board passes a resolution to authorize the execution of the Definitive Agreement between Daughters, Ministry, and Prime, and recommends the approval of the transaction to Ministry's Board of Directors (Ministry's Board);

- October 9, 2014 – St. Vincent's Board passes a resolution to authorize any necessary or advisable amendments to the articles of incorporation and bylaws of St. Vincent and the St. Vincent Foundation, and recommends approval of the transaction to the Ministry's Board;

- October 9, 2014 – Ministry's Board passes a resolution to authorize the amendment of Daughters' articles of incorporation and bylaws as necessary to effect the transaction and authorizes the execution of the Definitive Agreement between Daughters, Ministry, and Prime;

- October 10, 2014 – Ministry and Daughters enter into the Definitive Agreement with Prime;

- October 23, 2014 – Ministry and Daughters enter into Amendment No. 1 to Definitive

Agreement with Prime; and

- October 24, 2014 – "Notice of Submission and Request for Consent" is submitted by Daughters to the California Attorney General.

Summary of the Definitive Agreement

The proposed Definitive Agreement, originally dated October 10, 2014, and amended on October 23, 2014, contains the following major provisions:

- At closing, to authorize Prime Inc. as the sole corporate member of Daughters, Ministry and Daughters shall approve amended and restated articles of incorporation and bylaws of Daughters, and of each of the Hospital Corporations and Caritas Business Services;

- Daughters and Ministry will transfer the ownership and operation of Daughters, the Hospital Corporations, Caritas Business Services, and St. Vincent Dialysis Center, Inc., to Prime Inc., whereby substituting Prime Inc. will become the sole corporate member of Daughters;

    - Daughters will be converted from a nonprofit religious corporation into a for-profit corporation, and concurrently, the Hospital Corporations and Caritas Business Services will also be converted into for-profit corporations; and

    - St. Vincent Dialysis Center, Inc., will be converted from a nonprofit public benefit corporation into a for-profit corporation and will remain a wholly-owned subsidiary of St. Vincent.

- The ownership and operation of the Philanthropic Foundations, DCHS Medical Foundation, and St. Vincent De Paul Ethics Corporation will be transferred to Prime Foundation, and Prime Foundation will become their sole corporate member upon approval of the entities' amended articles of incorporation and bylaws by Ministry and Daughters:

    - DCHS Medical Foundation will be converted from a nonprofit religious corporation into a nonprofit public benefit corporation;
    - Modification to the name of DCHS Medical Foundation in order to eliminate any reference to Daughters as listed in the defined retained assets; and
    - St. Vincent De Paul Ethics Corporation and the Philanthropic Foundations will remain nonprofit public benefit corporations.

- Prime will acquire substantially all of the assets, with the exception of the following retained assets:

    - Intellectual property;
    - Religious artifacts and donor-restricted assets;
    - Historical records and memorabilia;

- Property located at 25 San Fernando in Daly City, California 94015;
- Property located at 253 South Lake Street in Los Angeles, California 90057;
- Lease agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and Daughters, dated October 1, 2001, for the building located at 26000 Altamont Road in Los Altos Hills, California;
- All furniture, fixtures, and equipment at Daughters' corporate office in Los Altos Hills, other than computer and IT equipment; and
- Accounts receivable that are payable to Daughters by Ministry and any non-affiliated entities, including:
  - GRACE, Inc.[9];
  - Daughters of Charity of St. Vincent de Paul, Province of the West; and
  - Owner of the Meals on Wheels program.

- Prime will assume the liabilities relating to:

  - Pensions;
  - CBAs;
  - Accrued, but unpaid, paid-time off, vacation, sick, and other leaves of absence;
  - Taxes, including transfer taxes, and any unpaid real estate taxes;
  - Government payment program, including any overpayments;
  - Accounts payable;
  - Short-term and long-term debt;
  - Amounts due to government agencies;
  - Accrued liabilities;
  - Incurred, but not yet recorded, liabilities;
  - All of Daughters' paid time-off, retirement benefit plans, and any off-balance sheet pension liabilities, including those arising under:
    - Multiemployer Plans;
    - Defined Benefit Church Plan[10];
    - Defined Contribution Church Plans[11], including the DCHS Medical Foundation Management Bargaining Unit 401(k) Plan, DCHS Medical Foundation 401(k) Plan, Seton CNA Money Purchase Plan, Kennedy Savings Plan, and Seton Coastside Annuity Plan; and
    - Any single-employer defined benefit plan to which the liabilities of Daughters under one or more of the Multiemployer Plans may be transferred as a result of the partition of one or more of the Multiemployer Plans.
  - Contracts, operating and capital leases, real estate leases, agreements, and commitments, including:
    - Physician services agreements;

[9]GRACE, Inc., is a ministry of Ministry Services of the Daughters of Charity of St. Vincent de Paul that provides outreach and social services for low-income families and their children.

[10] A Defined Benefit Church Plan is a single employer non-electing church pension plan exempt from ERISA. The DCHS Retirement Plan, also referred to as the "Church Plan," covers the employees of St. Vincent, St. Francis Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Daughters' system office.

[11] Defined Contribution Church Plans are fully funded available pension plans, in which plan assets are held in trust and invested as directed by individual participants among the investment options under the plans.

        - CBAs; and
        - Any continuing legal obligation to bargain with unions, including any liabilities resulting from these negotiations.
    - Any professional liability claim or similar third-party litigation related to operation of Daughters and its related entities prior to the closing;
    - Any legal violation related to acts or omissions, prior to closing, related to the operation of Daughters and its related entities;
    - Marillac Insurance Company, Ltd.; and
    - Liabilities related to D&O Insurance and the Fiduciary Liability Insurance, including, but not limited to, deductibles, copays, and any other non-covered expense or financial obligation.

- Excluded liabilities include:

    - Those liabilities related to the retained assets.

- At closing, Ministry will retain and control funds from Daughters' available cash in a separate deposit account (or Prime Inc. will deposit the necessary amount if the funds are insufficient), in the amount of $11.5 million, less the amount of severance paid to Daughters' employees who cease employment under Prime Inc., and less the amount of severance pay that would have been owed to Daughters' corporate office employees who sign new employment agreements with Prime Inc.;

- At closing, Prime Inc. shall deliver the cash purchase price amount to Daughters equaling the sum of the liabilities, including the following:

    - Total outstanding principal amount for the 2005 Bonds and 2014 Bonds[12];
    - Accrued paid-time off of any employee who is terminated as of closing;
    - Outstanding amount of any distributions from the nonqualified retirement benefit plans are to be paid to those who are entitled to these benefits[13];
    - Transfer taxes; and
    - Transaction costs upon closing[14].

- The total consideration amount estimated at $843 million to be paid by Prime Inc. for the proposed transaction consists of:

    - Estimated cash consideration in the amount of $394 million; and
    - Assumption of liabilities estimated at $449 million.

[12] The outstanding principal amount of the 2005 Bonds and 2014 Bonds totals $409,475,000, including an estimated total of $284,475,000 for the 2005 Bonds and an estimated total of $125,000,000 for the 2014 Bonds.
[13] The nonqualified retirement benefit plans include: Daughters of Charity Health System 401(a)(17) Retirement Plan, estimated at $2,600,611, and Daughters of Charity Health System 401(a)(17) Supplemental Retirement Plan Account, estimated at $528,726.30.
[14] Assumes no bankruptcy, no labor disruptions, and receipt of Quality Assurance Fees as projected.

- Prime Inc. made the following commitments:

    - For at least five years following the closing, Prime Inc. will maintain charity care policies for the treatment of indigent patients at the Health Facilities similar to the policies currently in effect, or replace these with policies of either similar or greater benefit to the community;
    - Prime Inc. will maintain the Health Facilities as general acute care hospitals, with open emergency departments, subject to physician availability, needs of the community, and financial viability, for at least five years following the closing;
    - Prime Inc. will maintain the existing chapels and provide appropriately staffed and funded pastoral care services at the Health Facilities for a minimum of five years following the closing of the transaction;
    - Prime Inc. will provide $150 million in capital expenditures at the Health Facilities over three years following the closing of the transaction;
    - Prior to closing, Prime Inc. shall make offers of employment, with comparable salaries, wages, job titles, and duties that were in effect prior to closing, to substantially all of the corporate office employees who remain in good standing and employed by Daughters as of the closing date, including the following:
        - All of Daughters' corporate office employees;
        - Executives of Daughters or employees holding executive positions;
        - Chief Executive Officers of the Health Facilities;
        - President and Chief Medical Officer of DCHS Medical Foundation; and
        - Senior Director of Caritas Business Services.
    - Prime Inc. shall continue employment, with comparable salaries, wages, job titles, and duties that were in place prior to closing, for substantially all employees who remain in good standing and employed by Daughters as of the closing date, including the following:
        - Unrepresented employees of the Health Facilities, DCHS Medical Foundation, and Caritas Business Services; and
        - Unionized employees working under CBAs.
    - Prime Inc. agrees to adhere to the severance obligations written in the employment agreements, or in the absence of any such agreement, Prime Inc. shall adhere to Daughters' severance pay obligations for a period of twelve months following the closing date;

- Prime Inc. has made the following commitments regarding the pension liabilities:

    - Will amend the Defined Benefit Church Plan and the Defined Contribution Church Plans as necessary to satisfy the requirements of ERISA and the Internal Revenue Code;
    - Will assume responsibility for all of Daughters' liabilities under the Defined Benefit Church Plan and Defined Contribution Church Plans;
    - Will reasonably cooperate with Daughters to take necessary action to assume Daughters' obligations to the Multiemployer Plans, as required by the CBAs, for substantially the same number of contribution base units for which Daughters had an obligation to contribute immediately prior to closing;

- Will provide funding for the Multiemployer Plans under the requirements of ERISA and the Internal Revenue Code;
- Will assume responsibility for Daughters' portion of the liabilities under the Multiemployer Plans; and
- Will indemnify, defend, and hold harmless Ministry and Daughters from any liability resulting from failure, or alleged failure, by Daughters to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans.

In addition to the Definitive Agreement, Prime Inc. has entered into three Memoranda of Agreements with the California Nurses Association that provide additional protections to the nurses currently employed under existing CBAs with Daughters.

Use of Net Sale Proceeds

There will be no net proceeds from the proposed transaction.

PROFILE OF DAUGHTERS OF CHARITY HEALTH SYSTEM

Daughters of Charity Health System

Daughters is a Catholic, nonprofit regional healthcare system headquartered in Los Altos Hills, California. Daughters is sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West, to support the mission of the Catholic Church through their commitment to serving the sick and poor.

Daughters of Charity, a group of women dedicated to caring for the needs of the poor, was established in France by St. Vincent de Paul and St. Louise de Marillac in 1633. Daughters of Charity continued its mission and opened its first hospital in Los Angeles in 1859. Daughters of Charity expanded its hospitals into San Jose in 1889 and San Francisco in 1893. These establishments were the forerunners of the Hospital, O'Connor Hospital, and Seton Medical Center.

During the 1980s, Daughters of Charity expanded to include Seton Medical Center Coastside (1980), St. Francis Medical Center (1981), and Saint Louise Regional Hospital (1987). In 1986, the Hospital Corporations joined Daughters of Charity National Health System, based in St. Louis, Missouri. In 1995, the Hospital Corporations left Daughters of Charity National Health System and merged with Catholic Healthcare West. When it withdrew from Catholic Healthcare West, Daughters, as presently constituted, was formed in 2001.

Today, Daughters' Health Facilities and their locations include: the Hospital in Los Angeles, St. Francis Medical Center in Lynwood, O'Connor Hospital in San Jose, Seton Medical Center in Daly City, Seton Medical Center Coastside in Moss Beach, and Saint Louise Regional Hospital in Gilroy. Daughters' corporate offices are located in Los Altos Hills, Redwood Shores, and Pasadena.

DCHS Medical Foundation

In 2011, the DCHS Medical Foundation was incorporated with Daughters as the sole corporate member. Under California Health and Safety Code section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than 10 board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

The DCHS Medical Foundation began operations in April 2012 through the establishment of a professional services agreement with a group of approximately 200 physicians and associates of the San Jose Medical Group. DCHS Medical Foundation includes 144 full-time physicians as follows:

DCHS MEDICAL FOUNDATION: FULL-TIME PHYSICIANS 2014				
	Physician Count by Market			
Specialty	St. Francis Medical Center / St. Vincent Medical Center	O'Connor Hospital / Saint Louise Regional Hospital	Seton Medical Center / Seton Medical Center Coastside	Total
Family Practice	5	32	1	38
Internal Medicine	3	15	1	19
Hospitalist	-	6	10	16
Acute Care	-	12	-	12
Obstetrics & Gynecology	2	7	-	9
Pediatrics	2	4	-	6
General Surgery	2	2	-	4
Ophthalmology	2	2	-	4
Orthopedic Surgery	3	1	-	4
Podiatry	1	3	-	4
Total Top 10 Specialties	**20**	**84**	**12**	**116**
Other	10	18	-	28
Total Physicians	**30**	**102**	**12**	**144**

Source: Daughters

* Excludes Independent Physician Associations

In 2013, DCHS Medical Foundation acquired Northern Cal Advantage Medical Group, a regional Independent Physician Association in Santa Clara County, comprised of approximately 200 physicians and nine additional independent-physician practices.

Presently, DCHS Medical Foundation consists of urgent care centers, physician groups, and approximately 400 primary care and specialty physicians (including San Jose Medical Group and Northern Cal Advantage Medical Group). With more than 100 physicians, Santa Clara County has the largest medical foundation presence within the system. DCHS Medical Foundation's clinics and facilities are located throughout California in the communities served by the Health Facilities.

Caritas Business Services

Daughters operates Caritas Business Services, a nonprofit religious corporation. Caritas Business Services has nearly 140 employees and provides support services to Daughters and the Hospital Corporations including accounting, finance, patient financial services, supply chain management, and purchasing services for the entire health system.

De Paul Ventures, LLC

De Paul Ventures, LLC, is a wholly-owned and operated holding company of Daughters that was formed in August 2010 for the purpose of investing in a freestanding surgery center and other healthcare entities.

In February 2011, De Paul Ventures, LLC, formed De Paul Ventures – San Jose ASC, LLC, a limited liability company. De Paul Ventures – San Jose ASC, LLC, owns a 25% interest as a limited partner in a partnership with Physician Surgery Services, dba Advanced Surgery Center, a freestanding surgery center in San Jose.

In April 2013, De Paul Ventures, LLC, formed De Paul Ventures – San Jose Dialysis, LLC. In May 2013, De Paul Ventures – San Jose Dialysis, LLC, entered into an ownership agreement with Priday Dialysis, LLC, a Delaware ambulatory healthcare center specializing in end-stage renal disease treatment.

Marillac Insurance Company, Ltd.

Daughters is the sole shareholder of Marillac Insurance Company, Ltd., a Caymans entity. Marillac Insurance Company, Ltd., was incorporated in 2003 as a captive insurance company to self-insure the system for professional and general liability exposures.

St. Vincent De Paul Ethics Corporation

St. Francis Medical Center is the sole corporate member of St. Vincent De Paul Ethics Corporation, which does not hold any assets.

Daughters' Inpatient Volume

Over the past five years, the number of inpatient discharges has declined by nearly 20% to approximately 48,000 discharges in FY 2014. While inpatient discharges decreased by 4.4% between FY 2013 and FY 2014, emergency services increased by 4.6% over the same period.

The following table provides inpatient volume trends for FY 2013 and FY 2014:

DAUGHTERS' TOTAL SERVICE VOLUMES: FY 2013 AND 2014														
	St. Francis Medical Center		St. Vincent Medical Center		O'Connor Hospital		Saint Louise Regional Hospital		Seton Medical Center		Seton Medical Center Coastside		Daughters' Total	
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
Licensed Beds	384	384	366	366	358	358	93	93	357	357	121	121	1,679	1,679
Available Beds	382	382	366	366	281	282	93	93	307	294	121	121	1,550	1,538
Discharges	18,957	18,850	9,213	8,244	11,751	10,971	3,021	3,044	7,125	6,755	101	86	50,168	47,950
Patient Days	87,944	87,676	52,946	47,942	52,175	49,663	11,026	10,550	47,479	46,805	38,782	37,382	290,352	280,018
Average Daily Census	241	240	145	131	143	136	30	29	130	128	106	102	795	767
Acute Licensed Beds	314	314	320	320	334	334	72	72	274	274	5	5	1,319	1,319
Acute Available Beds	312	312	253	252	257	258	72	72	224	250	5	5	1,123	1,150
Acute Discharges	16,738	16,329	8,156	7,223	11,725	10,947	3,021	3,044	7,080	6,717	-	-	46,720	44,260
Acute Patient Days	70,073	69,665	38,869	34,634	44,952	41,747	11,026	10,550	33,687	33,039	-	-	198,607	189,635
Acute Average Length of Stay	4.2	4.3	4.8	4.8	3.8	3.8	3.7	3.5	4.8	4.9	-	-	4.3	4.3

Source: Daughters, 2013 Audited & 2014 Unaudited Internal Financials
(1) These figures provided by Daughters differ slightly from OSHPD data reported in subsequent tables, which is cited in the source

Financial Profile

Statement of Operations

DAUGHTERS' STATEMENT OF OPERATIONS: FY 2014 (thousands)												
	St. Francis Medical Center		St. Vincent Medical Center		O'Connor Hospital		Saint Louise Regional Hospital		Seton Medical Center		Daughters' Total (including all other entities)	
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
Net Patient Service Revenue	$440,397	$310,816	$191,904	$178,544	$308,334	$260,822	$93,517	$83,636	$257,931	$233,921	$1,352,711	$1,136,719
Provision and Write-Off of Doubtful Accounts	($68,275)	($12,128)	($1,177)	($5,530)	($23,897)	$11,612	($15,144)	($3,399)	($12,732)	($10,218)	($121,836)	($43,282)
Premium Revenue	$33,019	$40,211	$8,593	$10,176	-	-	-	-	-	-	$65,489	$83,298
Other Revenue	$7,523	$3,726	$5,746	$15,499	$9,131	$1,551	$779	$2,518	$6,241	$18,477	$29,433	$60,619
Contributions	$4,146	$5,618	$1,774	$1,889	$1,582	$1,459	$883	$977	$593	$569	$16,723	$157,695
Total Unrestricted Revenues & Other Support	$416,810	$348,243	$206,840	$200,578	$295,150	$272,220	$80,035	$83,732	$252,033	$242,752	$1,342,520	$1,395,049
Salaries and Benefits	$190,873	$196,608	$100,488	$102,314	$188,899	$189,846	$52,270	$57,514	$159,549	$153,681	$783,586	$805,077
Supplies	$30,277	$32,650	$46,151	$42,855	$40,593	$43,301	$7,351	$7,763	$36,258	$35,819	$170,261	$172,346
Provision for Doubtful Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Purchased Services & Other	$134,659	$116,359	$81,531	$71,596	$71,213	$65,807	$22,875	$21,050	$69,289	$58,137	$393,616	$348,086
Depreciation	$17,796	$19,739	$9,882	$12,443	$14,383	$12,762	$4,338	$5,903	$10,428	$10,392	$60,439	$65,786
Net Interest	$7,026	$5,158	$4,894	$3,379	$5,060	$3,504	$2,771	$1,985	$5,840	$3,725	$25,336	$19,355
Total Expenses	$380,631	$370,514	$242,946	$232,587	$320,148	$315,220	$94,605	$94,215	$381,364	$261,754	$1,433,238	$1,410,650
Operating Income	$36,179	($22,271)	($36,106)	($32,009)	($24,998)	($43,000)	($14,570)	($10,483)	($29,331)	($19,002)	($90,718)	($15,601)
Investment Income	$8,394	$6,676	$994	$674	$2,210	$271	$49	$35	$1,028	$52	$16,252	$16,315
Excess (Deficit) of Revenues Over Expenses	$44,573	($15,595)	($35,112)	($31,335)	($22,788)	($42,729)	($14,521)	($10,448)	($28,303)	($18,950)	($74,466)	$714

Source: Daughters, 2013 Audited & 2014 Internal Unaudited Financials

Daughters' internal unaudited statement of operations for FY 2014 displays the individual performance of the Health Facilities in conjunction with Daughters' system-wide performance. The individual Health Facilities show operating losses, as well as deficits of revenue over expenses. On a system-wide basis, Daughters also reports an operating loss, though this is offset by income from investment activities (unadjusted for a substantial non-recurring item related to the favorable treatment in redeeming the 2008 Bonds).

Net Patient Service Revenue

Net patient service revenue (less provision for bad debts) of $1.1 billion represents a net decrease of $137.4 million (11.2%) as compared to FY 2013. Net patient service revenue during FY 2014 included $45.1 million in revenue from DCHS Medical Foundation, as compared to $33.4 million for FY 2013. Additionally, net patient service revenue for FY 2014 was also impacted by a decrease of $119.9 million in Hospital Qualified Assurance Fee Program[15] revenue.

Operating Expenses

Total operating expenses of $1.41 billion for FY 2014 represent a decrease of 1.6% from FY 2013. A portion of the net decrease may be attributed to the inclusion of $111.1 million in operating expenses from DCHS Medical Foundation, as compared to $75.7 million during FY 2013, as well as a decrease of $64.2 million in Hospital Qualified Assurance Fee Program expenses. Daughters' salaries and benefits amounted to nearly 70% of total expenses. This is significantly higher than the average percentage for all nonprofit general acute care hospitals in California (49% in FY 2013).

Non-Recurring Items

Daughters' statement of operations includes a large non-recurring item related to the favorable accounting treatment of the 2008 Bond Redemption in the amount of $130 million. Inclusion of this item has the effect of overstating operating income. Adjusting for this non-recurring item, FY 2014 shows an operating loss of $146.3 million and a net income loss of $130 million.

Historic Comparison

The table below displays adjusted operating/net income figures for FY 2014, as well as similar figures for FY 2011- FY 2013. Over the past several years, Daughters' operating losses have significantly increased due to changes in declining reimbursement, declining volume, and increasing salary costs. Between FY 2010 to FY 2014, Daughters reported an operating loss of between $49.4 million in 2010 to over $146.3 million in 2014.

In addition, Daughters' days cash on hand has significantly declined due to pressure from the operating losses. Days cash on hand measures the period of time in which the organization is able to meet cash requirements in the absence of outside funding. This ratio may be influenced by a variety of cash flow inflows or outflows, though higher figures generally indicate better liquidity and a safer margin to meet outflow obligations. Based on internal financial projections, Daughters expects to run out of cash by the third quarter of FY 2015 (January-March) without any financial intervention. The following table reports additional trends in operating income, net income, labor costs, and liquidity from 2010 through 2014:

[15] Hospital Qualified Assurance Fee Program: This program uses fees assessed by the state on hospitals to draw down federal matching funds. These provider fees are then issued as supplemental payments to hospitals. These provider fees are an integral element to improving access to healthcare for some of California's most vulnerable residents.

DAUGHTERS' FINANCIAL TRENDS: FY 2010-2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Income[1] (millions)	(49.4)	(44.6)	(61.0)	(90.7)	(146.3)
Net Income (millions)	(18.8)	(4.1)	(59.5)	(74.5)	(130.0)
Labor Costs as a % of Net Patient Service Revenues	65.3%	59.2%	61.9%	63.7%	73.6%
Days Cash on Hand	93	87	70	50	31

Source: Daughters, 2014 Unaudited
(1) 2014 operating income excludes the favorable accounting treatment of the 2008 bond redemption

- Due to a $54 million net provider fees benefit, the operating income improved slightly in FY 2011, before declining in 2012, 2013, and 2014;

- Labor costs as a percentage of net patient service revenues have continued to increase to nearly 74% in 2014 (compared to Standard & Poor's Rating Service Not-For-Profit Healthcare System Median of 57.7%); and

- Liquidity levels are significantly lower than Standard & Poor's Rating Service Not-For-Profit Healthcare System Median of 204.6 days cash on hand.

Cash Position and Debt Obligations

Between FY 2013 and FY 2014, total cash and marketable securities decreased by $82.8 million (31% decrease), and total unrestricted cash and marketable securities decreased by $74.6 million (40% decrease). Over the same time period, unrestricted days cash on hand decreased by 38%, from 50 days in FY 2013 to over 31 days in FY 2014. Daughters' mounting declines in days cash on hand is one indicator of liquidity challenges.

The following table reports the summary of Daughters' outstanding obligations as of FY 2014:

DAUGHTERS' SUMMARY OF OUTSTANDING OBLIGATIONS: FY 2014	
Obligation	Amount (millions)
Total Trade, Employee, and Other Obligations	$185
2005 Bonds	$290
Other Long-Term Debt	$6
Total Short- and Long-Term Debt	**$481**
Total Unfunded Retirement Plan Liabilities	$278
Total Short-Term and Long-Term Obligations	**$759**

Source: Daughters, Unaudited Financials, 2014
(1) Excludes the $125 million 2014 Bonds

In order to address the liquidity shortage and outstanding obligations, Daughters of Charity Foundation[16] made a restricted donation of $130 million for the benefit of Daughters in October 2013. On October 25, 2013, Daughters redeemed the 2008 Bonds, consisting of the $130 million donation and a $13.7 million reserve fund, totaling $143.7 million in redemptions. The effect of the non-recurring donation on the Statement of Operations for FY 2014 is covered in the previous section.

Additionally, Daughters accessed a $125 million short-term financing bridge loan in August 2014 to provide enough days cash on hand to support hospital operations through the end of FY 2015. The bridge loan consists of the $100 million 2014 Bonds (Series A), the $10 million 2014 Bonds (Series B), and the $15 million 2014 Bonds (Series C). The bridge loan matures on July 10, 2015 and is dependent upon ensuring that the sale of all Daughters' assets is completed in a timely manner.

Credit Rating and Outlook

In April 2014, Standard & Poor's Rating Service downgraded certain bond issuances of Daughters from "BBB-" to "B-." A rating of "B-" represents less-than-investment grade status. An issuers' credit quality is generally reflective of its financial condition and ability to meet ongoing debt service obligations. A downgrade can pose future challenges for an issuer to raise capital in the debt markets as the cost of debt rises because buyers of lower rated bonds require higher rates of return to justify the greater relative risk incurred. Some of the following reasons were cited for Standard & Poor's Rating Service downgrade:

- Escalating operating losses during the past several years;
- Substantial loss from operations through the first half of FY 2014;
- Continued weakening of the balance sheet despite substantial debt refunding as a result of the restricted donation made by Daughters of Charity Foundation in the amount of $130 million in October 2013;
- Eroding unrestricted reserves;
- Lack of a merging and/or acquiring entity (at the time of Standard & Poor's decision);
- Heavy reliance on hospital provider fee benefits and disproportionate share receipts[17] to help offset operating losses; and

[16] Daughters of Charity Foundation engages in the solicitation, receipt, and administration of contributions and their disbursements to and for the benefit of the ministries of Daughters of Charity of St. Vincent de Paul, Province of the West.

[17] Disproportionate Share Hospitals serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid and Medicare Services to cover the costs of providing care to uninsured patients.

- Substantially underfunded pension plans, with a 50% funded status based on projected benefit obligations at June 30, 2013.

At the time of the downgrade, Standard & Poor's Rating Service anticipated further operating losses through the second half of FY 2014. Additional downgrade potential was cited within the one-year outlook period if Daughters' divestiture plans were not finalized. This underscores the belief that the system would continue its operational difficulties on a stand-alone basis without outside intervention. Also there is the concern of continued operating pressures and the view that the balance sheet offers a "very limited cushion" to absorb continued losses.

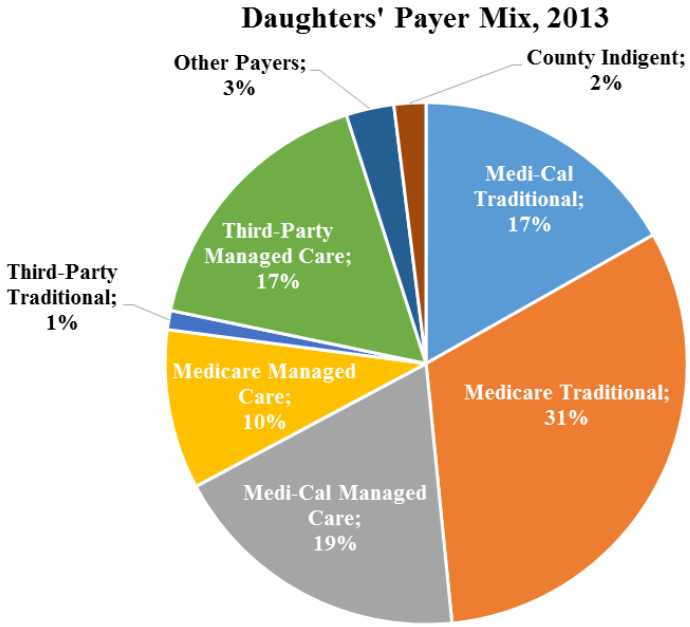
Financial Distress and Divestiture Plans

The declining financial condition of Daughters is documented in both audited and unaudited financial statements, credit rating action, and internal communications. Prior to the credit rating downgrade, internal communications and Daughters' Board meeting minutes in late 2013 reflected a growing concern of system-wide insolvency and the need to secure options.

At a subsequent Daughters Board meeting on December 24th, 2013, a motion was approved selecting Houlihan Lokey as a financial advisor. Its directive was to guide Daughters' Board in entertaining solutions and to include staffing in the contract. An offering process was undertaken for the sale of Daughters' assets and liabilities.

Daughters' Payer Mix

In 2013, approximately 31% of Daughters' inpatient payer mix consisted of Medicare Traditional, 19% consisted of Medi-Cal Managed Care, 17% consisted of Medi-Cal Traditional, and 17% consisted of Third-Party Managed Care. The remaining 16% of Daughters' inpatient discharges consisted of Medicare Managed Care (10%), Other Payers* (3%), County Indigent (2%), and Third-Party Traditional (1%) payers.



Total Discharges: 47,950

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

Source: OSHPD Financial Disclosure Report, FY 2013 (based on inpatient discharges)

Unionized Employees

Daughters has relationships with various unions across the State of California, including a system-wide CBA with Service Employees International Union, United Healthcare Workers West, that covers over 2,800 employees at the Health Facilities for the period of May 1, 2012 through April 30, 2015. In addition, each of the Health Facilities has CBAs with other unions, including California Nurses Association, California Licensed Vocational Nurses Association, United Nurses Associations of California/Union of Health Care Professionals, International Union of Operating Engineers, Local 39, and Engineering Scientists of California, Local 20. In 2013, Daughters reported approximately 7,650 employees, with nearly 74% covered under CBAs.

UNION PARTICIPATION AMONG DAUGHTERS' EMPLOYEES						
Union	St. Francis Medical Center	St. Vincent Medical Center	O'Connor Hospital	Saint Louise Regional Hospital	Seton Medical Center & Seton Medical Center Coastside	Total
Service Employees International Union, Local 250	543	419	496	274	703	2,435
Service Employees International Union, Local 250 Technical	286	-	137	-	-	423
California Nurses Association	-	364	750	269	475	1858
California Licensed Vocational Nurses Association	-	-	27	8	-	35
International Union of Operating Engineers, Local 39	-	-	17	11	22	50
United Nurses Association of California	762	-	-	-	-	762
Engineering Scientists of California, Local 20	-	-	41	17	33	91
Total	**1,591**	**783**	**1,468**	**579**	**1,233**	**5,654**

Source: Daughters

PROFILE OF ST. VINCENT MEDICAL CENTER

St. Vincent

The Hospital was founded by the Daughters of Charity of St. Vincent De Paul as the first hospital in Los Angeles in 1856. In 1971, a new facility was constructed at the Hospital's current location at 2131 West Third Street, Los Angeles, CA 90057. The Hospital has expanded to a 366 licensed bed, regional acute care, tertiary referral facility, specializing in cardiac care, cancer care, total joint and spine care, and multi-organ transplant services. The Hospital serves both local residents and residents from Los Angeles, San Bernardino, Riverside, and Orange Counties. As a provider of healthcare services for a high percentage of elderly patients, many of the Hospital's services and programs are focused on the treatment of various chronic diseases.

St. Vincent Foundation

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

In FY 2014, St. Vincent Foundation raised approximately $2.0 million. This amount includes over $547,000 in donor-unrestricted funds and nearly $1.5 million in donor-restricted funds. During FY 2014, St. Vincent Foundation provided funding for the following:

- Physical, occupational, and speech therapy services to support patient rehabilitation, in the amount of $390,535;
- Building improvements for installation of a new boiler, in the amount of $353,245; and
- Multicultural Health Awareness & Prevention Center for health education and disease prevention services for high-risk ethnic communities in the amount of $209,760.

There are no donor-restricted funds held by either Daughters or any of the Hospital Corporations. Instead, these funds are held by the Philanthropic Foundations, with the exception of St. Vincent.

St. Vincent, as well as St. Vincent Foundation, hold donor-restricted funds.

St. Vincent Dialysis Center, Inc.

St. Vincent is the sole corporate member of the St. Vincent Dialysis Center, located on the Hospital's campus. The St. Vincent Dialysis Center provides dialysis services for kidney disease patients, including hemodialysis and isolated ultrafiltration treatments as part of the Hospital's end-stage renal disease program. During FY 2013, the St. Vincent Dialysis Center provided approximately 19,600 treatments.

Overview of the Hospital

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

BED DISTRIBUTION 2014	
Bed Type	**Number of Beds**
General Acute Care	253
Intensive Care	67
Rehabilitation	19
Total Acute Care Beds	**339**
Skilled Nursing (D/P)	27
Total Beds	**366**

Source: Hospital License 2014

The Hospital's Emergency Department is currently classified as "standby"[18] with eight treatment stations. The Hospital recently completed construction of an overhang and a separate ambulance entrance, and is currently waiting on anticipated approval from OSHPD to obtain designation as an ambulance receiving facility in order to be classified as a "basic" emergency department.[19] As part of this upgrade, the Hospital expects to add eight additional treatment stations. If the Hospital receives approval from OSHPD and achieves "basic" classification, the Emergency Department will include an observational unit and Fast Track services. The Hospital also has 18 surgical operating rooms, four cardiac catheterization labs, and a helipad.

[18] A "standby" emergency department provides emergency medical care in a specially designed part of a hospital that is equipped and maintained at all times to receive patients with urgent medical problems and is capable of providing physician services within a reasonable time.

[19] 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.

Key Statistics

KEY STATISTICS: FY 2011 - 2013			
	2011	2012	2013
Inpatient Discharges	9,160	9,651	9,213
Licensed Beds	366	366	366
Patient Days	49,213	55,403	52,960
Average Daily Census	135	134	145
Occupancy	36.8%	41.4%	39.6%
Average Length of Stay	5.4	5.7	5.7
Emergency Services Visits	11,434	13,782	15,231
Cardiac Catheterization Procedures[1]	1,979	1,898	1,716
Coronary Artery Bypass Graft (CABG) Surgeries[1]	79	82	70
Total Live Births	0	0	0

Physicians on Medical Staff	481
Hospital Employees (Full-Time Equivalents)	1,007

Sources: OSHPD Disclosure Reports, 2011-2013 and Daughters

[1]OSHPD Alirts' Annual Utilization Reports

- Between 2011 and 2013, patient days increased by approximately 7.6%, emergency visits have increased by 33%, and the average daily census has increased by 7%;

- For FY 2013, the Hospital reported a total of 9,213 discharges, 52,960 patient days, and an average daily census of 145 patients (40% occupancy);

- For FY 2013, the Hospital had 15,231 emergency department visits. Approximately 40% of the Hospital's admissions come through the emergency department; and

- The Hospital performed approximately 1,700 cardiac catheterization procedures in FY 2013.

Programs and Services

The Hospital is a provider of specialty and tertiary services with a focus on chronic disease, including oncology, rehabilitation, neurosurgery, nephrology, and multi-organ transplant services. The Hospital does not provide maternal-child health services or obstetrics services. The Hospital's major services include the following:

- Rehabilitation services include: 19 licensed bed, acute inpatient unit that provides care to stroke, burn, spinal cord injury, trauma, joint replacement, and brain injury patients. Outpatient rehabilitation services include spine stabilization, sports injury rehabilitation, self-care training, and occupational, physical, and speech language therapy;

- Cardiovascular services include: Cardiac catheterization procedures, cardiovascular

surgery, including open heart surgery, pacemaker implantation, and treatment for high blood pressure, rapid heart, blocked arteries or veins, and weak valves;

- Emergency services include: 24-hour standby emergency department with eight treatment stations. Currently, the Emergency Department is in the process of achieving classification as a "basic" emergency department;

- Gastroenterology services include: Diagnosis and treatment services for conditions of the liver, pancreas, and gastrointestinal tract. Services also include endoscopy and preventive education;

    - The Asian Pacific Liver Center, located on the Hospital's campus, focuses on preventive education, early detection, and treatment of chronic hepatitis B patients. Since opening in 2007, the Asian Pacific Liver Center has screened over 18,000 high-risk Asian Pacific residents at free screening events held in the community.

- Imaging and laboratory services include: Radiology and pathology;

- Nephrology services include: Inpatient and outpatient dialysis services, kidney and kidney/pancreas transplants, and an end stage renal disease program for patients with chronic kidney disease. Outpatient dialysis services are available at the St. Vincent Dialysis Center;

- Neurosurgery services include: Treatment of skull-base tumors, vascular disease, primary and metastatic tumors, trigeminal neuralgia, stroke, and stenosis;

- Oncology services include: Surgery, brachytherapy, and radiation, infusion, and intensity modulation radiation therapy;

- Skilled nursing services include: 27 licensed bed unit that provides treatment for patients that no longer require acute care, yet require oxygen administration, medication and fluid administration, and physical, speech, and occupational therapy.

The Hospital also operates the following 1206(d)[20] outpatient clinics:

- Cancer Treatment Center provides: Outpatient radiation therapy services;

- Cardiac Care Institute provides: Diagnostic testing, high blood pressure, rapid heart, blocked arteries or veins, and weak valves treatment, electrophysiology studies, angiography, and radiofrequency ablation;

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

- Joint Replacement Institute provides: Total hip replacement, hip resurfacing, knee resurfacing, and shoulder and elbow replacement;

- Multi-Organ Transplant Center provides: Kidney and kidney/pancreas double transplants, and provides organ donation waiting list and process education. The Hospital also operates an office located in Bakersfield that is open one Thursday every month for pre-transplant and post-transplant appointments; and

- Spine Institute treats: Misalignments, bulging discs, herniated discs, pinched nerves, spine scoliosis, spinal tumors, and bone spurs.

The Hospital is affiliated with the House Ear Clinic, an outpatient facility that provides pre- and post-operative otology and neurotology services for balance disorders, tinnitus, otosclerosis, congenital atresia, and hearing loss. Neurotologists and neurosurgeons from the House Ear Clinic perform complex ear procedures in a private operating suite at the Hospital's Acoustic Neuroma Center.

Accreditations, Certifications, and Awards

The Hospital is accredited by the Joint Commission, effective November 2012 through November 2015. The Hospital has received other accolades and achievements as follows:

- Recognized by Healthgrades as a Top 50 Hospital Nationwide for 2012 and 2013;

- Given a 2012 Silver Level Award for the Multi-Organ Transplant Center by the U.S. Department of Health and Human Services;

- Named by Becker's Hospital Review as one of the Top 100 Best Orthopedic Programs in the country in 2012;

- Named by U.S. News & World Report as the #5 Best Hospital LA Metropolitan Area in 2011 and 2012;

- Accredited by the Joint Commission for skilled nursing services; and

- Acknowledged by U.S. News & World Report as High Performing in Nephrology, Neurology & Neurosurgery, Orthopedics, and Urology in 2013.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the Patient Protection and Affordable Care Act (ACA) in 2012, encourages hospitals to improve the quality and safety of care. Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on the following three sets of measures: measures of timely and effective care, surveys of patient experience, and 30-day mortality rates for heart attack, heart failure, and pneumonia. For FY 2013, Centers for Medicare & Medicaid Services reduced Medicare payments to the Hospital by 0.08%. During FY 2014, the Hospital was rewarded with a 0.35% Medicare payment bonus.

The Hospital's quality scores for measures of evidence-based care[21], 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 are summarized below:

QUALITY SCORES COMPARISON: FY 2014				
Domain	**Measure**	**Hospital**	**National Average**	**California Average**
Clinical Process of Care Domain	Evidence-Based Care	**98.9%**	98.3%	98.1%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	**69.0%**	71.0%	68.0%
	% of Patients Willing to Recommend the Hospital to Others	**73.0%**	71.0%	70.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	**8.0%**	12.3%	12.0%

Source: Daughters

- For measures of evidence-based care, the Hospital scored slightly higher than the national average (98.9% and 98.3%, respectively);
- For measures of patient satisfaction, 69% of the Hospital's patients were highly satisfied compared to 71% nationwide;
- The percentage of patients willing to recommend the Hospital to others (73%) was slightly higher than the national average of 71%; and
- The Hospital had the lowest 30-day mortality rate (8%) for heart failure, heart attack, pneumonia, and surgical care patients among the Health Facilities. The national average was 12.3% for these same measures.

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

The Hospital Readmissions Reductions Program, implemented in 2012, penalizes hospitals for high numbers of patient readmissions within 30 days due to the following three medical conditions: heart attack, heart failure, and pneumonia. In FY 2015, of California hospitals participating in this program, 223 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.

In FY 2013, the Hospital was not penalized, and in FY 2014, the Hospital was penalized by a 0.07% reduction in reimbursement. The following graph 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
19.4%	19.9%	19.9%

Source: Daughters

- The Hospital had slightly less 30-day readmissions (19.4%) than the national average of 19.9%; and

- For FY 2015, the Hospital will be penalized at a reported estimate of 0.10%.

Seismic Issues

Using the HAZUS seismic criteria[22], 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 structures undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards.

SEISMIC OVERVIEW OF THE HOSPITAL		
Building	**SPC Compliance Status**	**NPC Compliance Status**
1) Main Hospital	**SPC-1**	**NPC-2**
2) Central Plant/Parking Garage	**SPC-1**	**NPC-2**
3) Doheny Wing	**SPC-1**	**NPC-2**
4) Catheterization Lab	**SPC-5s***	**NPC-2**
5) ER Ambulance and Entrance Cover	**SPC-5s***	**-**

Source: Daughters & OSHPD

* 2s, 3s, 4s and 5s indicate SPC rating self-reported by the Hospital, and not verified by OSHPD

- Two of the buildings, the Doheny Wing and the Main Tower, have Voluntary Seismic Improvement projects approved by OSHPD to obtain SPC-2 rating that includes elevator refurbishments to comply with the City of Los Angeles' Elevator Code. Deadlines for completing construction are July 1, 2019 for the Doheny Wing and January 1, 2019 for the Main Tower. For the third building, the Central Plant, retrofit construction was completed in November 2014 and is pending project closure. OSHPD reclassification to SPC2 is expected in January 2015 for the Central Plant. Per Daughters, the anticipated cost for the Doheny Wing retrofit is $4.25 million and for the Main Tower is $5.58 million. The total seismic upgrades to these two buildings will reportedly cost $9.83 million in order to comply with current seismic standards through 2030.

[22] OSHPD uses HAZARDS U.S. (HAZUS), a state-of-the-art methodology, to assess the seismic risk of hospital buildings.

Patient Utilization Trends

The following table shows patient 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**
Medical/Surgical	40,294	38,765	37,613	37,579	35,158
Intensive Care	5,378	4,853	4,131	4,230	3,725
Physical Rehabilitation	3,397	3,478	4,142	5,540	5,434
Skilled Nursing	4,390	4,248	3,327	8,054	8,643
Total	**53,459**	**51,344**	**49,213**	**55,403**	**52,960**
DISCHARGES					
Medical/Surgical	7,638	7,355	7,583	7,705	7,375
Intensive Care	1,019	921	833	867	781
Physical Rehabilitation	294	288	343	454	440
Skilled Nursing	498	563	401	625	617
Total	**9,449**	**9,127**	**9,160**	**9,651**	**9,213**
AVERAGE LENGTH OF STAY					
Medical/Surgical	5.3	5.3	5.0	4.9	4.8
Intensive Care	5.3	5.3	5.0	4.9	4.8
Physical Rehabilitation	11.6	12.1	12.1	12.2	12.4
Skilled Nursing	8.8	7.5	8.3	12.9	14.0
Total	**5.7**	**5.6**	**5.4**	**5.7**	**5.7**
AVERAGE DAILY CENSUS					
Medical/Surgical	110.4	106.2	103.0	102.7	96.3
Intensive Care	14.7	13.3	11.3	11.6	10.2
Physical Rehabilitation	9.3	9.5	11.3	15.1	14.9
Skilled Nursing	12.0	11.6	9.1	22.0	23.7
Total	**146.5**	**140.7**	**134.8**	**151.4**	**145.1**
OTHER SERVICES					
Inpatient Surgeries[1]	2,981	2,930	2,710	2,583	2,351
Outpatient Surgeries[1]	3,821	3,741	3,277	3,086	2,960
Emergency Visits	11,532	12,066	11,434	13,782	15,231
Cardiac Cath Procedures[1]	643	2,096	1,979	1,898	1,716

Sources: OSHPD Disclosure Reports, 2009-2013

[1]OSHPD Alirts Annual Utilization Reports

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

- Total patient days have remained relatively stable. The number of total patient days has decreased by approximately 1% from 53,459 in 2009 to 52,960 in 2013;

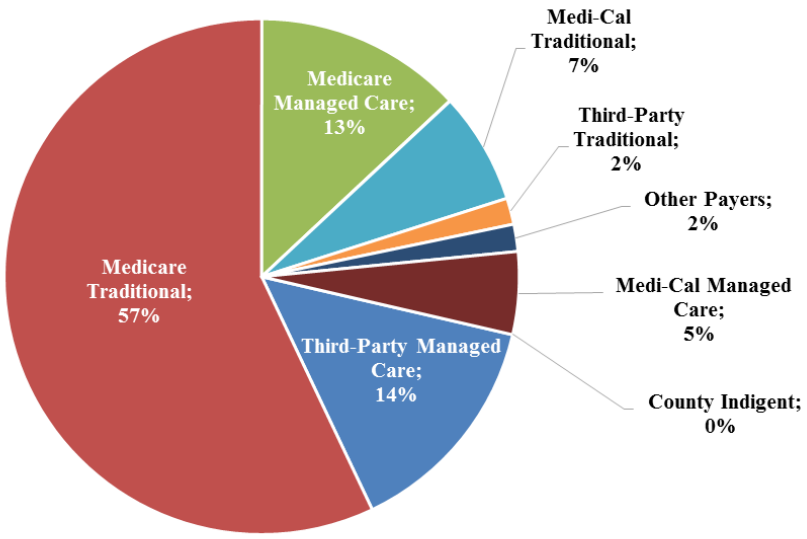
- The average daily census was 145 patients in FY 2013;

- Intensive care discharges decreased by approximately 23%; and
- The number of inpatient rehabilitation discharges increased by approximately 50% between FY 2009 and FY 2013.

Payer Mix

In 2013, Medicare patients accounted for 70% of all inpatient discharges. Approximately 14% were Third-Party Managed Care patients. The remaining 16% of the Hospital's inpatient discharges consisted of Medi-Cal Traditional (7%), Medi-Cal Managed Care (5%), Third-Party Traditional (2%), and Other Payers* (2%). The payer mix for kidney and pancreas transplant patients consists almost entirely of Medicare patients (93%).

Hospital Payer Mix, 2013



Total Discharges: 9,213

* "Other" 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 Los Angeles County and statewide for 2013. The comparison shows that the Hospital has higher percentages of Medicare Traditional and Medicare Managed Care patients and lower percentages of Medi-Cal Traditional, Medi-Cal Managed Care, and Third-Party Traditional patients relative to other hospitals in Los Angeles County and the State of California.

PAYER MIX COMPARISON						
	Hospital (2013)		Los Angeles County (2013)		California (2013)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	646	7.0%	157,005	17.4%	444,932	15.0%
Medi-Cal Managed Care	477	5.2%	117,838	13.1%	354,720	12.0%
Medi-Cal Total	**1,123**	**12.2%**	**274,843**	**30.5%**	**799,652**	**27.0%**
Medicare Traditional	5,258	57.1%	252,268	28.0%	863,909	29.1%
Medicare Managed Care	1,201	13.0%	81,638	9.1%	265,857	9.0%
Medicare Total	**6,459**	**70.1%**	**333,906**	**37.1%**	**1,129,766**	**38.1%**
Third-Party Managed Care	1,320	14.3%	183,670	20.4%	657,290	22.2%
Third-Party Managed Care Total	**1,320**	**14.3%**	**183,670**	**20.4%**	**657,290**	**22.2%**
Third-Party Traditional	152	1.6%	33,081	3.7%	127,396	4.3%
Other Payers	157	1.7%	30,928	3.4%	87,399	2.9%
Other Indigent	2	0.0%	11,480	1.3%	50,699	1.7%
County Indigent	0	0.0%	33,290	3.7%	113,812	3.8%
Other Total	**311**	**3.4%**	**108,779**	**12.1%**	**379,306**	**12.8%**
Total	**9,213**	**100%**	**901,198**	**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 6.6 million Medi-Cal beneficiaries in all 58 counties in California receive their healthcare through six models of managed care, including: County Organized Health Systems, the Two-Plan Model, Geographic Managed Care, the Regional Model, the Imperial Model, and the San Benito Model.

Los Angeles County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a "Local Initiative" and a "commercial plan." In 2013, Los Angeles County had approximately 275,000 inpatient discharges from patients with either Medi-Cal Traditional (57%) or Medi-Cal Managed Care coverage (43%). The percentage of Los Angeles County residents with Medi-Cal Managed Care coverage will increase drastically as a result of the ACA and state initiatives to expand managed care.

LA Care Health Plan is the Local Initiative plan for Los Angeles County. Medi-Cal beneficiaries can choose LA Care Health Plan or one of the contracting partners that include Blue Cross of California, Care 1st, Community Health Plan, and Kaiser Permanente.

The second Medi-Cal plan in Los Angeles County is a private commercial plan provided by Health Net Community Solutions, Inc. in partnership with Molina Healthcare. Currently, the Hospital is contracted with both the Local Initiative and commercial Medi-Cal managed care plans.

Medical Staff

The Hospital has 481 physicians on the medical staff representing various specialties. Of the 481 physicians, 184 are considered "active" (representing approximately 38% of the medical staff). Cardiology, emergency medicine, internal medicine, and nephrology are the four largest specialties, comprising 45% of the active physicians. The 297 "non-active" users of the Hospital include administrative, provisional, courtesy, temporary, and other medical staff.

MEDICAL STAFF PROFILE 2014		
Specialty	**Count**	**% of Total**
Active Physicians		
Cardiology	23	13%
Emergency Medicine	22	12%
Internal Medicine	20	11%
Nephrology	17	9%
Anesthesiology	13	7%
Gastroenterology	13	7%
Orthopedic Surgery	11	6%
General Surgery	9	5%
Urology	9	5%
Family Practice	8	4%
Other	39	21%
Total Active	**184**	**100%**
Non-Active	297	
Total Physicians	**481**	

Source: Daughters

Unionized Employees

The Hospital has 419 employees represented by Service Employees International Union. The Daughters' system-wide CBA with Service Employees International Union, United Healthcare Workers West, for the period of May 1, 2012 through April 30, 2015, covers employees that are members of technical, service, and maintenance bargaining units at the Health Facilities.

The Hospital also has a CBA with California Nurses Association for the period of November 25, 2009 through September 30, 2015. The agreement covers 364 Registered Nurses at the Hospital that are involved in direct patient care.

In total, approximately 67% of the Hospital's employees are covered by CBAs.

EMPLOYEE UNION PARTICIPATION		
Employee Category	**Total Count***	**Full-Time Equivalents**
Union		
Service Employees International Union	419	358
California Nurses Association	364	309
Union Total	**783**	**667**
Non-Union		
Director	33	33
Manager	24	24
Supervisor	28	23
Administration	5	5
Other	293	255
Non-Union Total	**383**	**340**
Total Employees	**1,166**	**1,007**

Source: Daughters

* Includes full-time and part-time employees

Financial Profile

Over the past five years, the Hospital has reported a net loss of between $7.2 million in FY 2009 to over $35 million in FY 2013. Much of the increase in reported losses can be attributed to the small increase in net patient revenue compared to significant increases in operating expenses (over the five year period net patient revenue increased 4% and operating expenses increased by 20%).

The Hospital's current assets-to-liabilities ratio has decreased over the last five years from 1.15 in FY 2009 to 0.69 in FY 2013 (the State of California average in 2013 was 1.76). The Hospital's average percentage of bad debt is approximately 0.5%, which is lower 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		53,459	51,344	49,213	55,403	52,960
Discharges		9,449	9,127	9,160	9,651	9,213
ALOS		5.7	5.6	5.4	5.7	5.7
Net Patient Revenue		$192,376,591	$181,225,683	$199,984,033	$222,402,796	$199,320,268
Other Operating Revenue		$3,298,824	$7,799,255	$1,145,036	$2,620,811	$1,871,745
Total Operating Revenues		$195,675,415	$189,024,938	$201,129,069	$225,023,607	$201,192,013
Operating Expenses		$200,647,490	$202,529,682	$226,198,387	$231,833,697	$239,774,086
Net from Operations		($4,972,075)	($13,504,744)	($25,069,318)	($6,810,090)	($38,582,073)
Net Non-Operating Revenue		($2,260,586)	$4,543,170	$4,969,853	$3,593,672	$3,469,002
Net Income		($7,232,661)	($8,961,574)	($20,099,465)	($3,216,418)	($35,113,071)
	California Average 2013					
Current Ratio	1.76	1.15	1.41	0.98	1.06	0.69
Days in A/R	59.9	53.8	49.6	40.7	42.6	44.0
Bad Debt Rate	1.7%	0.3%	0.3%	0.7%	0.9%	0.5%
Operating Margin	2.64%	-3.70%	-3.37%	-12.46%	-4.74%	-19.18%

Source: OSHPD Disclosure Reports, 2009-2013

Capital Expenditures

Between FY 2011 and FY 2013, the Hospital spent approximately $28 million in capital expenditures, including software and infrastructure upgrades, building improvements, and new medical equipment. Capital expenditure needs for FY 2015 and FY 2016 will include additional medical equipment upgrades, building construction and renovation, and transplant services' software installation. These capital expenditures are expected to cost over $19 million.

SUMMARY OF RECENT CAPITAL EXPENDITURES: FY 2011-2013 (in millions)			
	FY 2011	FY 2012	FY 2013
Building, Fixtures, and Leasehold			
Building Fixtures	$0.5	$0.4	$0.3
Building Improvements	-	$1.0	$2.6
Leasehold Improvements	-	-	$0.1
Furniture and Fixtures	$0.2	$0.2	$0.1
Sub-Total	**$0.7**	**$1.6**	**$3.2**
Software and IT			
Software	$0.4	$0.4	$9.9
Computer Equipment	$0.3	$0.3	$0.0
Network Equipment	$0.8	$0.4	$0.3
Telephone Equipment	-	$0.2	-
Sub-Total	**$1.4**	**$1.2**	**$10.3**
Medical Equipment	$3.5	$2.2	$3.9
Total	**$5.6**	**$5.0**	**$17.4**

Source: Daughters

Cost of Hospital Services

The Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2013, approximately 69% of the Hospital's total costs were associated with Medicare, 21% with Third Party payers, and 12% with Medi-Cal. The remaining 0.3% is attributed to Other Payers.

COST OF SERVICES BY PAYER CATEGORY 2009-2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Operating Expenses	$200,647,490	$202,529,682	$226,198,387	$231,833,697	$239,774,086
Cost of Services By Payer:					
Medicare	$117,841,685	$125,489,799	$142,696,193	$148,256,083	$160,378,187
Medi-Cal	$30,927,445	$31,367,767	$32,937,691	$30,475,838	$28,940,494
County Indigent	$0	$0	$0	$0	$0
Third Party	$42,265,335	$44,602,950	$49,091,754	$52,028,214	$49,669,240
Other Indigent	$296,954	$572,253	$258,843	$129,329	$0
Other Payers	$9,316,070	$496,914	$1,213,907	$944,233	$786,165

Source: OSHPD Disclosure Reports, 2009-2013

Charity Care

According to the Hospital's reports submitted to OSHPD, the Hospital's charity care charges have fluctuated from a high of approximately $4.8 million in FY 2011 to a low of $1.2 million in FY 2013. The five-year average for charity care charges was $2.7 million.

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the state. The five-year (FY 2009 - FY 2013) average of charity care and bad debt for the Hospital, as a percentage of gross patient revenue was 0.8%. This is lower than the four-year statewide average of 3.5%. According to OSHPD, "the determination of what is classified as…charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

CHARITY CARE COMPARISON
FY 2009 - FY 2013
(Millions)

	2009		2010		2011		2012		2013	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	$890.6	$252,629.7	$915.9	$270,511.0	$949.7	$288,636.7	$1,112.8	$303,278.6	$1,154.0	$317,543.8
Charity	$2.0	$4,792.3	$3.3	$5,587.1	$4.8	$6,171.5	$2.2	$6,251.0	$1.2	$6,209.9
Bad Debt	$2.3	$4,333.2	$2.3	$4,510.8	$6.8	$4,815.5	$10.3	$5,007.6	$6.0	$5,549.5
Total	**$4.3**	**$9,125.5**	**$5.6**	**$10,097.9**	**$11.7**	**$10,987.0**	**$12.5**	**$11,258.6**	**$7.2**	**$11,759.4**
Charity as a % of Gross Rev.	0.2%	0.9%	0.4%	2.1%	0.5%	2.1%	0.2%	2.1%	0.1%	2.0%
Bad Debt as a % of Gross Rev.	0.3%	1.7%	0.2%	1.7%	0.7%	1.7%	0.9%	1.7%	0.5%	1.7%
Total as a % of Gross Rev.	0.5%	2.6%	0.6%	3.7%	1.2%	3.8%	1.1%	3.7%	0.6%	3.7%
Uncompensated Care										
Cost to Charge Ratio	22.2%	25.1%	21.3%	25.0%	23.7%	24.6%	20.6%	24.6%	20.6%	24.4%
Cost of Charity	$0.5	$579.8	$0.7	$1,396.2	$1.1	$1,520.9	$0.5	$1,539.1	$0.2	$1,514.6
Cost of Bad Debt	$0.5	$1,085.7	$0.5	$1,127.3	$1.6	$1,186.8	$2.1	$1,232.9	$1.2	$1,353.5
Total	**$1.0**	**$1,665.5**	**$1.2**	**$2,523.5**	**$2.8**	**$2,707.7**	**$2.6**	**$2,772.0**	**$1.5**	**$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 using the annual cost-to-charge ratio and multiplying it by the charity care charges. The Hospital's charity care costs increased from over $450,000 in FY 2009 to $1.1 million in FY 2011. The average cost of charity care for the last five-year period was $603,105.

COST OF CHARITY CARE
FY 2009 - FY 2013

Year	Charity Care Charges	Cost-to-Charge Ratio	Cost of Charity Care to the Hospital	% of Total Costs Represented by Charity Care
FY 2013	$1,177,170	20.6%	$242,497	0.1%
FY 2012	$2,221,567	20.6%	$457,643	0.2%
FY 2011	$4,847,180	23.7%	$1,148,782	0.5%
FY 2010	$3,342,159	21.3%	$711,880	0.4%
FY 2009	$2,048,302	22.2%	$454,723	0.2%
5-Year Average	**$2,727,276**		**$603,105**	

Source: OSHPD Disclosure Reports, FY 2009-2013

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

COST OF CHARITY CARE BY SERVICE FY 2010-2014					
		Inpatient	Outpatient	Emergency Room	Total Charges
2014:					
	Cost of Charity Care	$311,842	$34,351	$296,333	$642,526
	Visits/Discharges	7	8	63	
2013:					
	Cost of Charity Care	$590,374	$56,716	$530,081	$1,177,171
	Visits/Discharges	60	20	131	
2012:					
	Cost of Charity Care	$1,063,422	$182,066	$976,079	$2,221,567
	Visits/Discharges	36	44	141	
2011:					
	Cost of Charity Care	$1,266,382	$473,377	$3,107,422	$4,847,181
	Visits/Discharges	131	231	597	
2010:					
	Cost of Charity Care	$1,131,875	$254,813	$1,955,471	$3,342,159
	Visits/Discharges	179	357	864	

Source: Daughters

Because of Medicaid expansion and increased access to healthcare coverage under the ACA, the level of charity care provided to uninsured patients nationwide is expected to decrease as more hospitals are anticipated to encourage patients to enroll in the health insurance marketplace. Additionally, hospitals may reduce charity care as the ACA cuts federal aid to hospitals that treat large numbers of low-income and uninsured patients.

Community Benefit Services

The Hospital has consistently provided a contribution to community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been approximately $1.1 million per year:

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	2010	2011	2012	2013	2014	5-Year Average	Total
Benefits for Persons Living in Poverty	$15,060	$505,924	$535,049	$987,561	$951,748	$599,068	**$2,995,342**
Benefits for the Broader Community	$964,669	$124,922	$405,634	$469,340	$638,700	$520,653	**$2,603,265**
Total	**$979,729**	**$630,846**	**$940,683**	**$1,456,901**	**$1,590,448**	**$1,119,721**	**$5,598,607**

Source: Hospital

- The Hospital's five-year average cost of community benefit services for persons living in poverty is approximately $0.6 million per year. The services for persons living in poverty include traditional charity care, cash and in-kind donations, and community health improvement services;

- The Hospital's five-year average cost of community benefit services to the broader community is approximately $0.5 million per year. These services include cash and in-kind donations and community health improvement services; and

- Between FY 2010 and FY 2014, the Hospital's total community benefits increased by approximately 62% from approximately $1 million in FY 2010 to nearly $1.6 million in FY 2014.

The Hospital's cost of community benefit services with program expenditures greater than $10,000, over the past five fiscal years, included:

COST OF COMMUNITY BENEFIT SERVICES FY 2010-2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Services over $10,000 in cost:					
Asian Pacific Liver Center	$392,639	$401,479	$474,159	$406,460	$453,618
Casa de Amigos	$272,671	$294,388	$291,784	$341,093	$367,013
Community Diabetes Education Program	$122,810	$126,620	$130,644	$134,563	$134,563
Health Benefits Resource Center	$431,750	$428,789	$440,506	$443,126	$646,210
Multicultural Health Awareness and Prevention Center	$347,438	$394,182	$417,977	$511,068	$454,590

Source: Daughters

The Hospital's community benefit services have supported many programs for the community including the Health Benefits Resource Center, Casa de Amigos de San Vicente, Multicultural Health Awareness and Prevention Center, Community Diabetes Education Program, and the Asian Pacific Liver Center.

- Asian Pacific Liver Center: The program educates Asian Pacific Islanders (Korean, Chinese, Vietnamese, Thai, and Cambodian) about hepatitis and liver complications. The program provides screenings and provides Hepatitis B vaccinations for those at risk;

- Casa de Amigos de San Vicente: The after-school program provides children from low-income families living near drug and gang violence with the opportunity to enhance their athletic, academic, and spiritual development. Activities include karate, sports activities, an art and music program, a tutoring program, and a computer lab;

- Community Diabetes Education Program: The program offers free bilingual diabetes education and screening to at-risk children and adults, and assists both pre-diabetic and diabetic patients in the management and control of their chronic disease;

- Health Benefits Resource Center: The program assists low-income individuals and families to submit applications for health coverage benefits and government-sponsored programs. During FY 2013, the program had nearly 6,000 visits, provided nearly 3,400 eligibility screening, and assisted approximately 2,000 individuals in applying for health insurance; and

- Multicultural Health Awareness and Prevention Center: The program refers between 800 and 1,000 low-income and uninsured women annually for clinical breast examinations and radiology screenings, and provides blood pressure, nutritional, and body composition screenings. The program offers services at health fairs and contacts multicultural centers to educate them on cancer, obesity, nutrition, diabetes, and hypertension.

In addition to the Hospital's community benefit services, the following independently owned community programs operate on the Hospital's campus:

- St. Vincent Meals on Wheels: The program prepares and delivers meals to homebound seniors and other vulnerable residents in the Los Angeles area. In FY2013, the program served approximately 1.1 million meals (3,212 meals/day). The program also helps seniors with medications, healthcare referrals, and safe housing placement; and

- Hotel Dieu: The hotel is a ministry of Daughters of Charity of St. Vincent de Paul, Province of the West that provides Section 8 Housing for independent senior living.

PROFILE OF PRIME

Prime Healthcare Services, Inc.

Prime Inc. is a for-profit national healthcare system headquartered in Ontario, California. Today, Prime Inc. and its subsidiaries operate 29 hospitals and one skilled nursing facility in nine states, including California, Pennsylvania, Nevada, Kansas, Rhode Island, Texas, Michigan, Indiana, and New Jersey with more than 30,000 employees and 4,500 patient beds.

Dr. Reddy originally established Desert Valley Medical Group in 1985 and Desert Valley Hospital in 1994. After selling both the medical group and the hospital to PhyCor, Dr. Reddy founded Prime Inc. in 2001 for the purpose of reacquiring Desert Valley Medical Group and Desert Valley Hospital from PhyCor. Since 2001, Prime Inc. has continued to expand its presence by acquiring hospitals across the nation. Prime Inc.'s recent hospital acquisitions include the following:

- August 2014 – Prime Inc. acquires St. Mary's Hospital in Passaic, New Jersey;
- August 2014 – Prime Inc. acquires Monroe Hospital in Bloomington, Indiana;
- July 2014 – Prime Inc. acquires Garden City Hospital in Garden City, Michigan;
- May 2014 – Prime Inc. acquires East Valley Hospital Medical Center in Glendora, California. East Valley Hospital Medical Center reverts back to its original name, Glendora Community Hospital;
- December 2013 – Prime Inc. acquires Landmark Medical Center in Woonsocket, Rhode Island; and
- January 2013 – Prime Inc. acquires controlling interest in Knapp Medical Center, located in Weslaco, Texas.

In total, Prime Inc., or an affiliated entity, has acquired a total of 14 hospitals outside of California: Monroe Hospital in Indiana, Saint John Hospital and Providence Medical Center in Kansas, Garden City Hospital in Michigan, Saint Mary's Regional Medical Center in Nevada, St. Mary's Hospital in New Jersey, Lower Bucks Hospital and Roxborough Memorial Hospital in Pennsylvania, Landmark Medical Center and Rehabilitation Hospital of Rhode Island in Rhode Island, and Dallas Medical Center, Harlingen Medical Center, Knapp Medical Center, and Pampa Regional Medical Center in Texas. In addition, Prime Inc. operates Providence Place Rehabilitation Center and Providence Medical Group in Kansas, Saint Mary's Medical Group in New Jersey, and Dallas Medical Physician Group in Texas.

Within California, Prime Inc., or an affiliated entity, owns and operates approximately 2,200 beds at 11 for-profit facilities:

Alvarado Hospital Medical Center, founded in 1972, was acquired by Prime Inc. in 2010. The medical center, with 306 licensed beds and more than 800 nurses and 400 physicians, serves the residents of San Diego. The medical center offers critical care, orthopedic, drug rehabilitation, cardiology, oncology, and general surgery services.

Centinela Hospital Medical Center, located in Inglewood, was acquired by Prime Inc. in 2007 serves the residents of Inglewood and its surrounding areas. In 1960, the medical center began construction on a 60 licensed bed addition. Throughout the late 1960s and 1970s, the medical center expanded to include 369 licensed beds. Today, the 369 licensed bed facility includes approximately 1,500 employees and 400 medical staff. The medical center provides orthopedic services, cardiac services, and obstetrics/gynecology services, as well as a "basic" Level II Emergency Department.

Chino Valley Medical Center, established in 1972, serves the communities of Chino, Ontario, and Pomona. Prime Inc. acquired the medical center in 2004. It currently is licensed for 126 beds with approximately 300 physicians and 7,000 admissions per year. Medical services include emergency treatment, intensive care, radiological, laboratory, and pain management services.

Desert Valley Hospital, located in Victorville, was founded by Dr. Reddy in 1994. The hospital is licensed for 148 beds and serves the High Desert communities of San Bernardino County. Medical services at the hospital include cardiology-neurology, imaging, laboratory, critical care, surgery, physical therapy, and Fast Track services at the "basic" emergency department.

Garden Grove Hospital Medical Center, located and servicing Garden Grove, is a 140 licensed bed acute care facility and was acquired by Prime Inc. in 2008. Established in 1982, the medical center has more than 500 employees and over 550 physician affiliates. The medical center provides 24-hour "basic" emergency treatment services, medical/surgical services, intensive care services, maternity services, and diagnostic imaging services.

Glendora Community Hospital, located in Glendora, was founded in 1958. Previously known as the East Valley Hospital Medical Center, the hospital serves the residents of Glendora and surrounding communities. It is currently licensed for 118 beds and was acquired by Prime Inc. in 2014. The hospital offers a variety of medical services including intensive and critical care services, diagnostic imaging, senior mental health, women's health services, and a 24-hour "basic" emergency department.

La Palma Intercommunity Hospital, a 141 licensed bed facility, provides La Palma and surrounding communities with general acute care services. Established in 1972 and purchased by Prime Inc. in 2006, the hospital provides emergency, maternity, behavioral health, imaging, pharmacy, and intensive care services.

Paradise Valley Hospital, located in National City, is a 291 licensed bed acute care hospital that provides obstetrics, rehabilitation, hyperbaric medicine, behavioral health, "basic" emergency

treatment, surgical, and senior health services. Founded in 1904 and acquired by Prime Inc. in 2007, the hospital operates with more than 300 physicians.

San Dimas Community Hospital, located in San Dimas, opened in 1971 and serves the communities of San Dimas, Glendora, La Verne, Covina, West Covina, Azusa, Walnut, Diamond Bar, Pomona, and Claremont. Prime Inc. purchased the hospital in 2008, and currently owns and operates the 13-acre campus with 101 licensed beds. The hospital offers cardiopulmonary services, diagnostic services, gastroenterology services, orthopedic services, rehabilitation services, women's services, and a 24-hour "basic" emergency department.

Shasta Regional Medical Center, a 246 licensed bed acute care facility located in Redding, was established in 1945. Prime Inc. purchased the medical center in 2008. The medical center provides a "basic" emergency department, cardiac catheterization, stroke treatment, and inpatient diabetes services. Outpatient services include cardiac rehabilitation, pulmonary rehabilitation, and wound care treatment.

West Anaheim Medical Center, located in Anaheim, opened in 1964 and serves the communities of Orange County. Prime Inc. purchased the medical center in 2006, and currently owns and operates the 219 licensed bed facility. The medical center offers general medical/surgical services, behavioral health services, cardiovascular services, respiratory services, and pediatric services.

Prime Healthcare Foundation, Inc.

In 2006, Dr. Reddy founded Prime Foundation for the primary stated charitable purpose of providing healthcare services to the communities served by Prime's hospitals and supporting other charitable activities, such as medical education, scholarships, community educational programs, and a public health library.

Prime Inc., or an affiliated entity, has donated six hospitals to Prime Foundation. Two of the hospitals, Knapp Medical Center and Pampa Regional Medical Center, are located in Texas. The remaining four hospitals are located in California: Encino Hospital Medical Center, Huntington Beach Hospital, Montclair Hospital Medical Center, and Sherman Oaks Hospital.

Encino Hospital Medical Center, located in Encino, is licensed for 150 beds and has more than 500 employees and 300 physicians. Prime Inc. purchased it in 2008. The medical center offers gastrointestinal services, imaging services, rehabilitation services, mental health services, respiratory therapy, sub-acute nursing services, inpatient and outpatient surgery services, and a 24-hour "basic" emergency department.

Huntington Beach Hospital, a 102 licensed bed facility with over 300 physicians and 500 employees, was founded in Huntington Beach in 1967. Acquired in 2006, the hospital was donated to Prime Foundation in 2012, and currently operates as a non-profit general acute care facility. The hospital provides emergency, surgical, cardiovascular, wound care, imaging, intensive care, and behavioral health services.

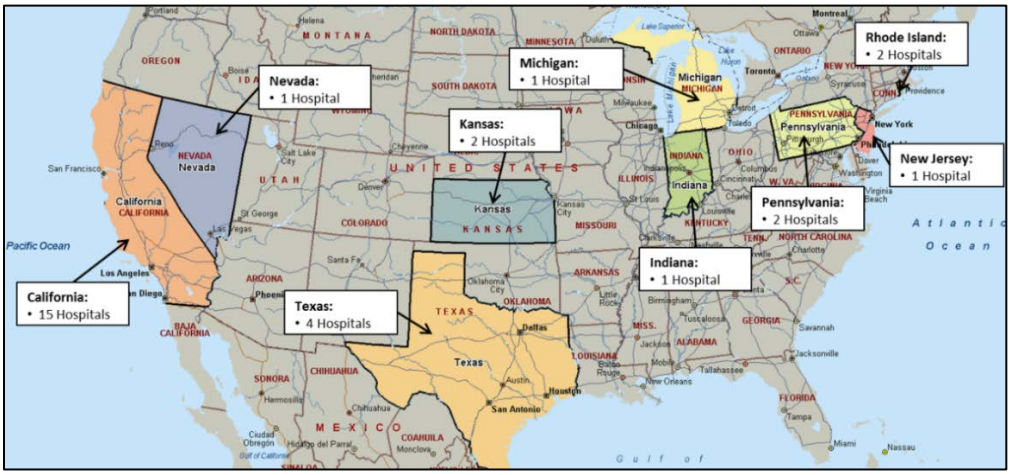
Montclair Hospital Medical Center, acquired by Prime Inc. in 2006, was donated to Prime Foundation in 2010. The 102 licensed bed facility provides healthcare services to the communities of Montclair, Ontario, Claremont, Upland, and Pomona. Healthcare services include general medicine, maternity, rehabilitation, and nutrition services.

Sherman Oaks Hospital, located in Sherman Oaks, opened in 1969 and is staffed by approximately 500 employees and 400 physicians. Prime Inc. purchased the hospital in 2005. The hospital has 153 licensed beds, and offers a 24-hour "basic" emergency department and intensive care, radiology, laboratory, surgery, behavioral health, cardiology, rehabilitation, and sub-acute nursing services.

Location of Hospitals Owned by Prime

The following map identifies the various locations of Prime's fifteen California hospitals:

The following map identifies the location and number of Prime's hospitals by state:



Profile of California Hospitals Owned by Prime

Prime Inc.

CALIFORNIA HOSPITALS OWNED BY PRIME INC.: FY 2013						
	Prime Inc.	Alvardo Hospital Medical Center	Centinela Hospital Medical Center	Chino Valley Medical Center	Desert Valley Hospital	Garden Grove Hospital Medical Center
City	-	San Diego	Inglewood	Chino	Victorville	Garden Grove
Licensed Beds	2,205	306	369	126	148	140
Patient Days	331,607	30,088	71,719	14,397	33,535	22,904
Discharges[1]	78,874	6,702	18,638	5,352	9,279	6,017
ALOS	4.4	4.5	3.8	2.6	3.6	3.8
Average Daily Census	83	82	196	39	92	63
Occupancy	40.0%	26.9%	53.2%	31.3%	62.1%	44.8%
ED Visits	338,896	24,734	66,449	39,737	38,826	26,838
Inpatient Surgeries	11,484	1,783	1,411	808	1,419	1,246
Outpatient Surgeries	6,728	1,111	513	191	562	815
Births	5,699	0	833	0	1,089	1,693
Payer Mix (Based on Discharges):						
Medicare Traditional	40.7%	40.5%	39.8%	26.0%	29.3%	26.3%
Managed Medicare	10.7%	7.3%	9.5%	15.2%	19.7%	9.2%
Medi-Cal Traditional	12.5%	7.1%	8.5%	11.9%	10.9%	23.8%
Managed Medi-Cal	12.9%	11.5%	25.3%	17.0%	18.9%	20.1%
County Indigent	3.7%	9.1%	0.0%	1.1%	4.5%	4.8%
Traditional Third-Party	7.9%	5.6%	7.5%	19.4%	8.7%	5.7%
Managed Third-Party	5.6%	18.4%	0.0%	5.5%	3.6%	0.7%
Other Indigent	0.6%	0.0%	4.7%	0.1%	0.0%	0.0%
Other	5.4%	0.5%	4.7%	3.8%	4.4%	9.5%
Total	100%	100%	100%	100%	100%	100%
Income Statement:						
Gross Patient Revenue	$5,386,567,996	$610,732,778	$1,327,895,579	$360,851,371	$460,079,434	$409,555,371
Net Pt. Revenue	$1,204,560,785	$129,291,325	$267,441,719	$97,671,516	$114,162,114	$100,314,453
Other Operating Revenue	$10,006,849	$853,602	$1,555,451	$461,721	$1,943,188	$509,831
Total Operating Revenue	$1,214,567,634	$130,144,927	$268,997,170	$98,133,237	$116,105,302	$100,824,284
Total Operating Expenses	$1,173,678,690	$152,906,443	$231,641,308	$91,967,579	$110,921,651	$87,800,789
Net From Operations	$40,888,944	($22,761,516)	$37,355,862	$6,165,658	$5,183,651	$13,023,495
Non-operating Revenue	$24,300,810	$2,722,890	$5,790,467	$1,572,971	$1,733,364	$2,711,872
Non-operating Expenses	$9,930,431	$642,403	$4,236,426	$12,982	$2,244,737	$1,485,650
Provision for Taxes	$0	$0	$0	$0	$0	$0
Net Income	$55,259,323	($20,681,029)	$38,909,903	$7,725,647	$4,672,278	$14,249,717
Other Financial:						
Charity Care Charges	$97,091,461	$204,241	$61,781,029	$973,296	$954,960	$4,398,297
Bad Debt Charges	$337,194,028	$17,666,251	$18,669,337	$51,303,936	$36,001,017	$29,751,204
Total Uncompensated Care	$434,285,489	$17,870,492	$80,450,366	$52,277,232	$36,955,977	$34,149,501
Cost to Charge Ratio	21.6%	24.9%	17.3%	25.4%	23.7%	21.3%
Cost of Charity	$20,974,877	$50,849	$10,704,864	$246,812	$226,200	$937,435
Uncompensated Care as % of Chgs.	8.1%	2.9%	6.1%	14.5%	8.0%	8.3%
State of Calif. Uncompensated Care[2]	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

[1] Excludes normal new borns

[2] Statew ide average for hospitals

Source: OSHPD Disclosure Reports FY 2013

CALIFORNIA HOSPITALS OWNED BY PRIME INC.: FY 2013							
	Prime Inc.	Glendora Community Hospital	La Palma Intercommunity Hospital	Paradise Valley Hospital	San Dimas Community Hospital	Shasta Regional Medical Center	West Anaheim Medical Center
City	-	Glendora	La Palma	National City	San Dimas	Redding	Anaheim
Licensed Beds	2,205	118	141	291	101	246	219
Patient Days	331,607	10,331	18,050	56,499	13,836	28,329	31,919
Discharges[1]	78,874	1,559	3,614	10,615	4,073	7,124	5,901
ALOS	4.4	6.6	5.0	5.3	3.4	4.0	5.5
Average Daily Census	83	28	49	155	38	78	87
Occupancy	40.0%	24.0%	35.1%	53.2%	37.5%	31.6%	39.9%
ED Visits	338,896	4,344	15,219	33,747	15,343	42,152	31,507
Inpatient Surgeries	11,484	284	391	476	973	1,726	967
Outpatient Surgeries	6,728	92	262	817	954	1,232	179
Births	5,699	191	403	1,080	410	0	0
Payer Mix (Based on Discharges):							
Medicare Traditional	40.7%	67.9%	47.6%	37.9%	29.7%	61.3%	41.5%
Managed Medicare	10.7%	2.8%	11.1%	5.1%	19.0%	2.7%	16.5%
Medi-Cal Traditional	12.5%	15.5%	15.9%	23.8%	5.1%	10.0%	5.4%
Managed Medi-Cal	12.9%	4.5%	8.7%	7.8%	6.7%	9.7%	11.6%
County Indigent	3.7%	0.6%	2.7%	7.8%	2.1%	0.0%	8.3%
Traditional Third-Party	7.9%	0.1%	9.4%	4.2%	7.8%	8.4%	9.6%
Managed Third-Party	5.6%	1.5%	1.4%	0.0%	25.5%	4.1%	0.9%
Other Indigent	0.6%	0.0%	0.0%	1.7%	0.0%	0.2%	0.0%
Other	5.4%	7.1%	3.1%	11.7%	4.2%	3.6%	6.3%
Total	100%	100%	100%	100%	100%	100%	100%
Income Statement:							
Gross Patient Revenue	$5,386,567,996	$66,720,923	$205,097,623	$484,672,693	$258,080,668	$798,835,700	$404,045,856
Net Pt. Revenue	$1,204,560,785	$18,644,403	$56,986,522	$137,032,609	$61,453,891	$134,359,527	$87,202,706
Other Operating Revenue	$10,006,849	$1,890,589	$253,421	$592,170	$439,988	$956,968	$549,920
Total Operating Revenue	$1,214,567,634	$20,534,992	$57,239,943	$137,624,779	$61,893,879	$135,316,495	$87,752,626
Total Operating Expenses	$1,173,678,690	$23,212,297	$52,880,927	$141,149,059	$57,663,794	$128,464,583	$95,070,260
Net From Operations	$40,888,944	($2,677,305)	$4,359,016	($3,524,280)	$4,230,085	$6,851,912	($7,317,634)
Non-operating Revenue	$24,300,810	$0	$1,313,339	$3,298,197	$1,821,798	$1,706,937	$1,628,975
Non-operating Expenses	$9,930,431	$0	$0	$757,124	$475,526	$15,583	$60,000
Provision for Taxes	$0	$0	$0	$0	$0	$0	$0
Net Income	$55,259,323	($2,677,305)	$5,672,355	($983,207)	$5,576,357	$8,543,266	($5,748,659)
Other Financial:							
Charity Care Charges	$97,091,461	$87,258	$1,660,782	$14,259,586	$1,642,068	$8,085,309	$3,044,635
Bad Debt Charges	$337,194,028	$2,175,317	$13,863,316	$15,692,625	$58,373,009	$39,551,319	$54,146,697
Total Uncompensated Care	$434,285,489	$2,262,575	$15,524,098	$29,952,211	$60,015,077	$47,636,628	$57,191,332
Cost to Charge Ratio	21.6%	32.0%	25.7%	29.0%	22.2%	16.0%	23.4%
Cost of Charity	$20,974,877	$27,885	$426,152	$4,135,333	$364,093	$1,290,551	$712,246
Uncompensated Care as % of Chgs.	8.1%	3.4%	7.6%	6.2%	23.3%	6.0%	14.2%
State of Calif. Uncompensated Care[2]	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

[1] Excludes normal new borns

[2] Statew ide average for hospitals

Source: OSHPD Disclosure Reports FY 2013

Prime Foundation

CALIFORNIA HOSPITALS OWNED BY PRIME FOUNDATION: FY 2013					
	Prime Foundation	Encino Hospital Medical Center	Huntington Beach Hospital	Montclair Hospital Medical Center	Sherman Oaks Hospital
City	-	Encino	Huntington Beach	Montclair	Sherman Oaks
Licensed Beds	507	150	102	102	153
Patient Days	79,537	21,554	19,401	11,598	26,984
Discharges[1]	15,459	2,193	3,681	4,034	5,551
ALOS	23	9.8	5.3	2.9	4.9
Average Daily Census	218	59	53	32	74
Occupancy	2	39.4%	52.1%	31.2%	48.3%
ED Visits	67,779	8,306	17,390	20,964	21,119
Inpatient Surgeries	1,916	282	301	816	517
Outpatient Surgeries	1,096	198	121	432	345
Births	769	0	0	769	0
Payer Mix (Based on Discharges):					
Medicare Traditional	50.7%	72.9%	46.7%	21.1%	61.9%
Managed Medicare	8.0%	4.1%	12.3%	8.9%	6.6%
Medi-Cal Traditional	9.8%	1.8%	4.9%	26.9%	5.4%
Managed Medi-Cal	13.2%	6.5%	9.2%	26.8%	10.1%
County Indigent	2.8%	0.0%	9.5%	1.8%	0.0%
Traditional Third-Party	10.0%	10.6%	11.1%	7.1%	11.0%
Managed Third-Party	0.3%	0.0%	0.8%	0.2%	0.0%
Other Indigent	0.1%	0.0%	0.0%	0.0%	0.2%
Other	5.4%	4.1%	5.6%	7.2%	4.8%
Total	100%	100%	100%	100%	100%
Income Statement:					
Gross Patient Revenue	$857,788,170	$189,495,977	$212,387,808	$158,633,654	$297,270,731
Net Pt. Revenue	$227,598,823	$49,638,807	$55,192,622	$46,741,400	$76,025,994
Other Operating Revenue	$1,025,322	$192,860	$312,649	$249,288	$270,525
Total Operating Revenue	$228,624,145	$49,831,667	$55,505,271	$46,990,688	$76,296,519
Total Operating Expenses	$229,602,782	$53,569,715	$54,646,950	$49,291,194	$72,094,923
Net From Operations	($978,637)	($3,738,048)	$858,321	($2,300,506)	$4,201,596
Non-operating Revenue	$4,079,401	$670,815	$1,199,472	$968,783	$1,240,331
Non-operating Expenses	$257,635	$0	$271,366	$12,360	($26,091)
Provision for Taxes	$0	$0	$0	$0	$0
Net Income	$2,843,125	($3,067,233)	$1,786,427	($1,344,083)	$5,468,014
Other Financial:					
Charity Care Charges	$7,235,861	$862,638	$2,901,928	$276,772	$3,194,523
Bad Debt Charges	$91,168,065	$18,008,998	$22,926,813	$18,462,644	$31,769,610
Total Uncompensated Care	$98,403,926	$18,871,636	$25,828,741	$18,739,416	$34,964,133
Cost to Charge Ratio	26.6%	28.2%	25.6%	30.9%	24.2%
Cost of Charity	$1,928,162	$242,986	$742,388	$85,565	$771,837
Uncompensated Care as % of Chgs.	11.5%	10.0%	12.2%	11.8%	11.8%
State of Calif. Uncompensated Care[2]	3.5%	3.5%	3.5%	3.5%	3.5%

[1] Excludes normal new borns

[2] Statewide average for hospitals

Source: OSHPD Disclosure Reports FY 2013

Key Statistics

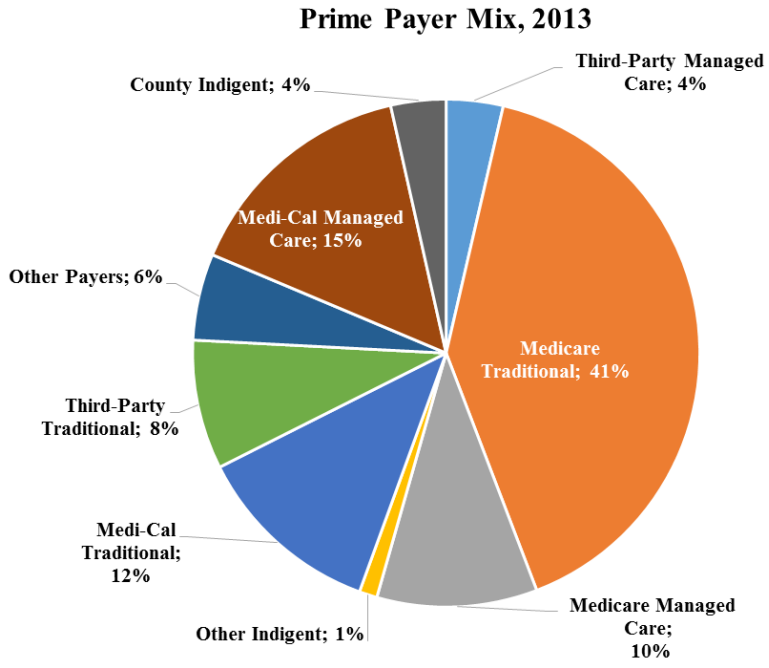
Key statistics for Prime's California hospitals include the following:

- In FY 2013, Centinela Hospital Medical Center was Prime's top performing hospital, reporting $38.9 million in net income. However, six of Prime's hospitals reported a net loss in FY 2013, with the most substantial loss reported at Alvarado Hospital Medical Center ($20.7 million); and

- In FY 2013, Prime operated 2,712 licensed beds with an average occupancy rate of 42% and an average daily census of 1,126 patients.

Payer Mix

In 2013, Prime's California inpatient payer mix consisted of predominantly Medicare Traditional (41%), Medi-Cal Managed Care (15%), Medi-Cal Traditional (12%), and Medicare Managed Care (10%). The remaining 23% of the Hospital's inpatient discharges is made up of Third-Party Traditional (8%), Other Payers* (6%), Indigent (5%), and Third-Party Managed Care (4%).



Total Discharges: 94,333
* "Other" includes self-pay, workers' compensation, other government, and other payers
Source: OSHPD Disclosure Reports, 2013

Quality & Awards

All of Prime's California hospitals have received accreditation as indicated below:

Hospital	Hospital Accreditation	Effective Date
Alvarado Hospital Medical Center	The Joint Commission	6/7/2014
Centinela Hospital Medical Center	The Joint Commission	12/8/2011
Chino Valley Medical Center	Healthcare Facilities Accreditation Program	current
Desert Valley Hospital	Healthcare Facilities Accreditation Program	current
Encino Hospital Medical Center	The Joint Commission	7/25/2014
Garden Grove Hospital Medical Center	The Joint Commission	12/3/2011
Glendora Community Hospital	Healthcare Facilities Accreditation Program	current
Huntington Beach Hospital	The Joint Commission	9/9/2011
La Palma Intercommunity Hospital	The Joint Commission	4/19/2014
Montclair Hospital Medical Center	The Joint Commission	12/10/2011
Paradise Valley Hospital	The Joint Commission	6/1/2013
San Dimas Community Hospital	The Joint Commission	11/2/2011
Shasta Regional Medical Center	The Joint Commission	10/15/2011
Sherman Oaks Hospital	Healthcare Facilities Accreditation Program	current
West Anaheim Medical Center	The Joint Commission	9/1/2011

Source: The Joint Commission Accreditation Program and Health Facilities Accreditation Program

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

- *Healthcare IT News*' "Best Hospital IT Departments" ranked Prime's information technology department fifth in the "Super Hospital" category;

- Centers of Medicare and Medicaid Services' Hospital Value-Based Purchasing Program named Centinela Hospital Medical Center as one of the top 25 hospitals nationwide based on value-based purchasing scores; and

- The Joint Commission recognized 11 of Prime's hospitals as Top Performers on Key Quality Measures. The hospitals in California include: Centinela Hospital Medical Center, Encino Hospital Medical Center, Garden Grove Hospital Medical Center, Huntington Beach Hospital, La Palma Intercommunity Hospital, Paradise Valley Hospital, San Dimas Community Hospital, and Shasta Regional Medical Center; in Kansas: Saint John Hospital; in Pennsylvania: Roxborough Memorial Hospital; and in Texas: Harlingen Medical Center.

The following table reports Prime's FY 2014 quality scores for 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 the national average:

QUALITY SCORES COMPARISON: FY 2014				
Domain	**Measure**	**Prime Average**	**California Average**	**National Average**
Clinical Process of Care Domain	Evidence-Based Care	**98.8%**	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	**61.0%**	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	**62.0%**	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	**10.4%**	12.0%	12.3%

Source: Daughters

- For measures of evidence-based care, Prime scored higher than the national average (98.8% and 98.3%, respectively);

- Prime scored 10% lower than the national average for the percentage of patients who were highly satisfied with the Hospital;

- The percentage of patients willing to recommend Prime's facilities to others (62%) was 9% lower than the national average of 71%; and

- Prime had a lower 30-day mortality rate (10.4%) for heart failure, heart attack, pneumonia, and surgical care patients than the national average of 12.3%.

The Hospital Readmissions Reduction Program, implemented in 2012, penalizes hospitals for high patient readmissions within 30 days of discharge. Hospital readmissions following treatment for heart attack, heart failure, and pneumonia are considered to be indicative of poor quality. In FY 2015, 223 California hospitals will be penalized by reducing federal reimbursement 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.

The following graph shows Prime's 30-day readmission rate for heart attack, heart failure, pneumonia, and surgical patients for FY 2014:

30-DAY READMISSION RATES: FY 2014		
Prime Average	**California Average**	**National Average**
20.6%	19.9%	19.9%

Source: Daughters

- Prime had slightly higher 30-day readmissions (20.6%) than the national average of 19.9%;

- For FY 2015, Prime Inc.'s hospitals will be penalized at an average reported estimate of 0.27%: Alvarado Hospital Medical Center (0.05%), Centinela Hospital Medical Center

Palma Intercommunity Hospital (0.20%), Paradise Valley Hospital (0.05%), San Dimas Community Hospital (0.46%), Shasta Regional Medical Center (0.65%), and West Anaheim Medical Center (0.29%);

- For FY 2015, Prime Foundation's hospitals will be penalized at an average reported estimate of 0.36%: Encino Hospital Medical Center (0.35%), Huntington Beach Hospital (0.38%), Montclair Hospital Medical Center (0.20%), and Sherman Oaks Hospital (0.49%); and

- Prime's combined hospitals will be penalized at an average reported estimate of 0.30% for FY 2015.

Dr. Prem Reddy Family Foundation

The Dr. Prem Reddy Family Foundation, located in Victorville, is a nonprofit 501(c)(3) charitable organization established in 1986 for the purpose of providing and supporting healthcare education for residents of Southern California and the High Desert communities.

It supports community educational programs, diabetes educational programs, AARP 55 Drive Alive Program, and Lamaze classes for expectant mothers:

- Educational scholarships include: support for students pursuing careers in healthcare, including the Academic Excellence Endowed Scholarship for California State University, San Bernardino, the Western University of Health Sciences, Chaffey Community College, and the Weekend Nursing Program at Victor Valley College;

- Public Health Library includes: books, journals, magazines, videos, and Internet for access to health-related topics. The library, located in Victorville, provides resources for college students, and offers tours for pre-school through high school groups;

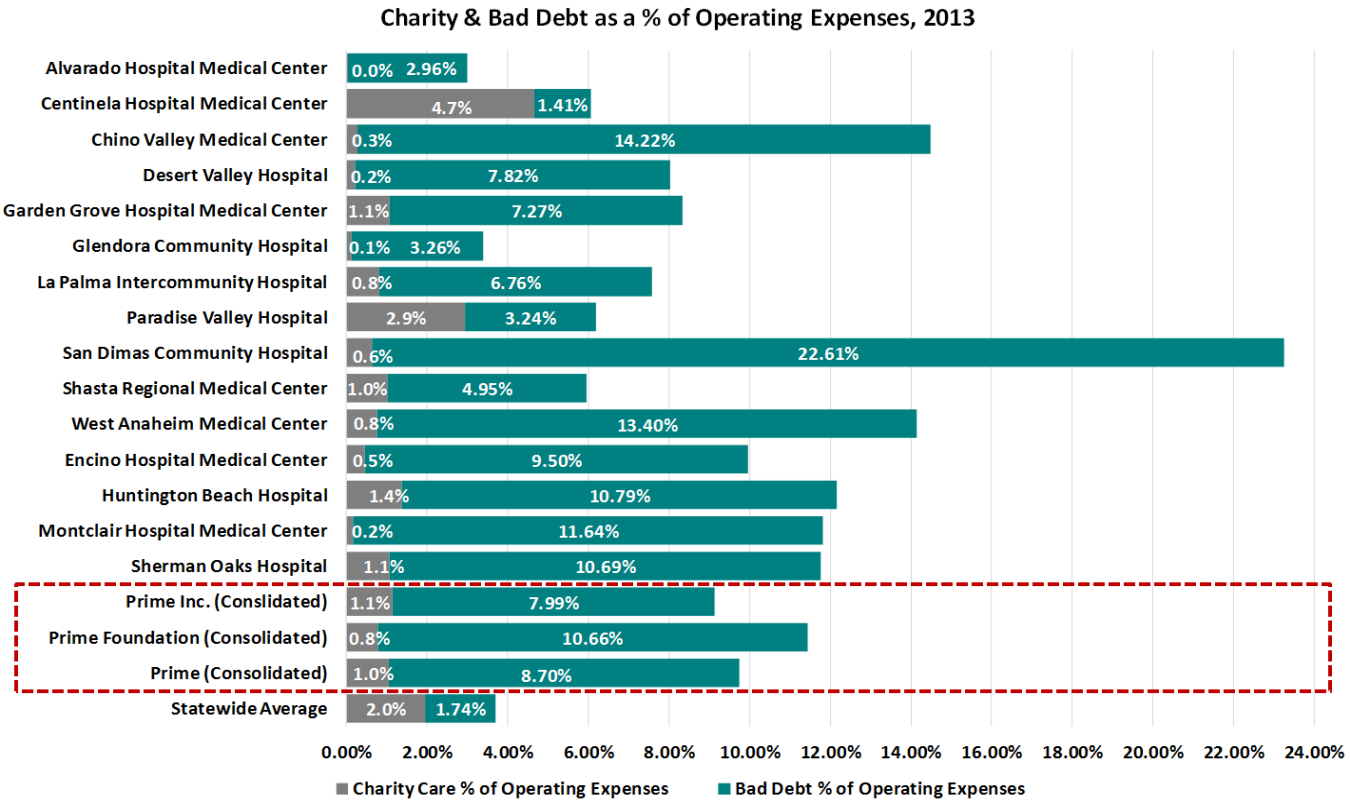
- Circle of Care Foundation includes: the S+AGE program for seniors and the Circle of Care Leeza's Place that offers assistance to individuals and their caregivers who are affected by memory disorders;

- Circle of Friends Program includes: healthcare services at a community health clinic in Huntington Beach for the senior community of Orange County; and

- Kelly Lukart's Vision for the Future Program includes: free eyeglasses for elementary school children.

Charity Care and Bad Debt

The table below shows Prime's charity care and bad debt as a percentage of operating expenses in comparison to the statewide average. Overall, Prime's charity care as a percentage of operating expenses is 1.0% compared to the statewide average of 2.0%. Prime's percentage of charity care and bad debt combined as a percentage of operating expenses (9.7%) far exceeds the statewide average of 3.7%.



Source: OSHPD Disclosure Reports, 2013

ANALYSIS OF ST. VINCENT MEDICAL CENTER'S SERVICE AREA

Service Area Definition

As a provider of specialty services that attract patients from a greater number of ZIP Codes, the Hospital has both a primary and secondary service area. The Hospital's primary service area is comprised of 19 ZIP Codes, from which approximately 44% of its discharges originated in FY 2013. In FY 2013, the Hospital's market share in the primary service area was 6%. The Hospital's secondary service area is comprised of 22 ZIP Codes, from which approximately 19% of its discharges originated in 2013. In 2013, the Hospital's market share in the secondary service area was nearly 2%. In 2013, 64% of the Hospital's discharges originated in the combined primary and secondary service areas, and the Hospital's market share in the combined service areas was nearly 8%.

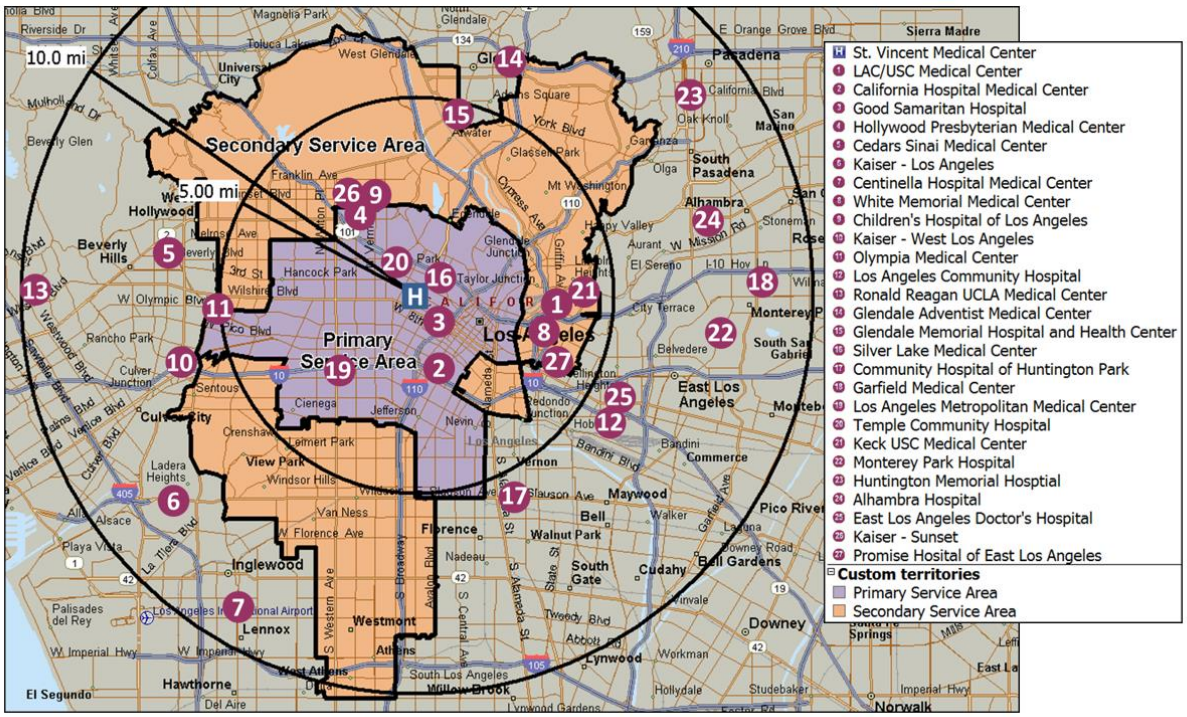
SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
PRIMARY SERVICE AREA						
90057	Los Angeles	541	6.3%	6.3%	5,292	10.2%
90026	Los Angeles	522	6.0%	12.3%	5,281	9.9%
90006	Los Angeles	388	4.5%	16.8%	5,225	7.4%
90004	Los Angeles	355	4.1%	20.9%	5,055	7.0%
90005	Los Angeles	278	3.2%	24.1%	2,784	10.0%
90019	Los Angeles	269	3.1%	27.2%	6,055	4.4%
90020	Los Angeles	222	2.6%	29.8%	2,677	8.3%
90018	Los Angeles	198	2.3%	32.1%	6,125	3.2%
90029	Los Angeles	174	2.0%	34.1%	4,064	4.3%
90017	Los Angeles	166	1.9%	36.0%	2,238	7.4%
90011	Los Angeles	149	1.7%	37.7%	9,653	1.5%
90007	Los Angeles	131	1.5%	39.2%	2,801	4.7%
90012	Los Angeles	117	1.4%	40.6%	2,759	4.2%
90015	Los Angeles	105	1.2%	41.8%	1,638	6.4%
90013	Los Angeles	96	1.1%	42.9%	2,178	4.4%
90014	Los Angeles	91	1.1%	44.0%	1,292	7.0%
90010	Los Angeles	34	0.4%	44.4%	292	11.6%
90071	Los Angeles	0	0.0%	44.4%	35	0.0%
90089	Los Angeles	0	0.0%	44.4%	13	0.0%
PSA Sub-Total		**3,836**	**44.4%**	**44.4%**	**65,457**	**5.9%**
SECONDARY SERVICE AREA						
90037	Los Angeles	154	1.8%	1.8%	7,001	2.2%
90027	Los Angeles	145	1.7%	3.5%	4,691	3.1%
90044	Los Angeles	130	1.5%	5.0%	11,540	1.1%
90016	Los Angeles	124	1.4%	6.4%	6,120	2.0%
90033	Los Angeles	112	1.3%	7.7%	5,777	1.9%
90062	Los Angeles	99	1.1%	8.8%	3,829	2.6%
90031	Los Angeles	86	1.0%	9.8%	3,379	2.5%
90008	Los Angeles	86	1.0%	10.8%	4,658	1.8%
90038	Los Angeles	81	0.9%	11.8%	2,161	3.7%
90028	Los Angeles	80	0.9%	12.7%	3,002	2.7%
90065	Los Angeles	77	0.9%	13.6%	4,130	1.9%
90003	Los Angeles	77	0.9%	14.5%	7,546	1.0%
90043	Los Angeles	77	0.9%	15.4%	6,368	1.2%
90039	Los Angeles	55	0.6%	16.0%	2,454	2.2%
90046	Los Angeles	53	0.6%	16.6%	4,491	1.2%
90047	Los Angeles	53	0.6%	17.2%	6,749	0.8%
90036	Los Angeles	50	0.6%	17.8%	3,250	1.5%
90042	Los Angeles	46	0.5%	18.3%	5,430	0.8%
90041	Los Angeles	41	0.5%	18.8%	2,749	1.5%
90068	Los Angeles	21	0.2%	19.0%	1,573	1.3%
91204	Glendale	21	0.2%	19.3%	2,209	1.0%
90021	Los Angeles	2	0.0%	19.3%	471	0.4%
SSA Sub-Total		**1,670**	**19.3%**	**19.3%**	**99,578**	**1.7%**
PSA + SSA Sub-Total		**5,506**	**63.7%**	**63.7%**	**165,035**	**7.5%**
All Other		3,141	36.3%			
Total		**8,647**	**100%**			

Source: OSHPD Patient Discharge Database, 2013

Service Area Map

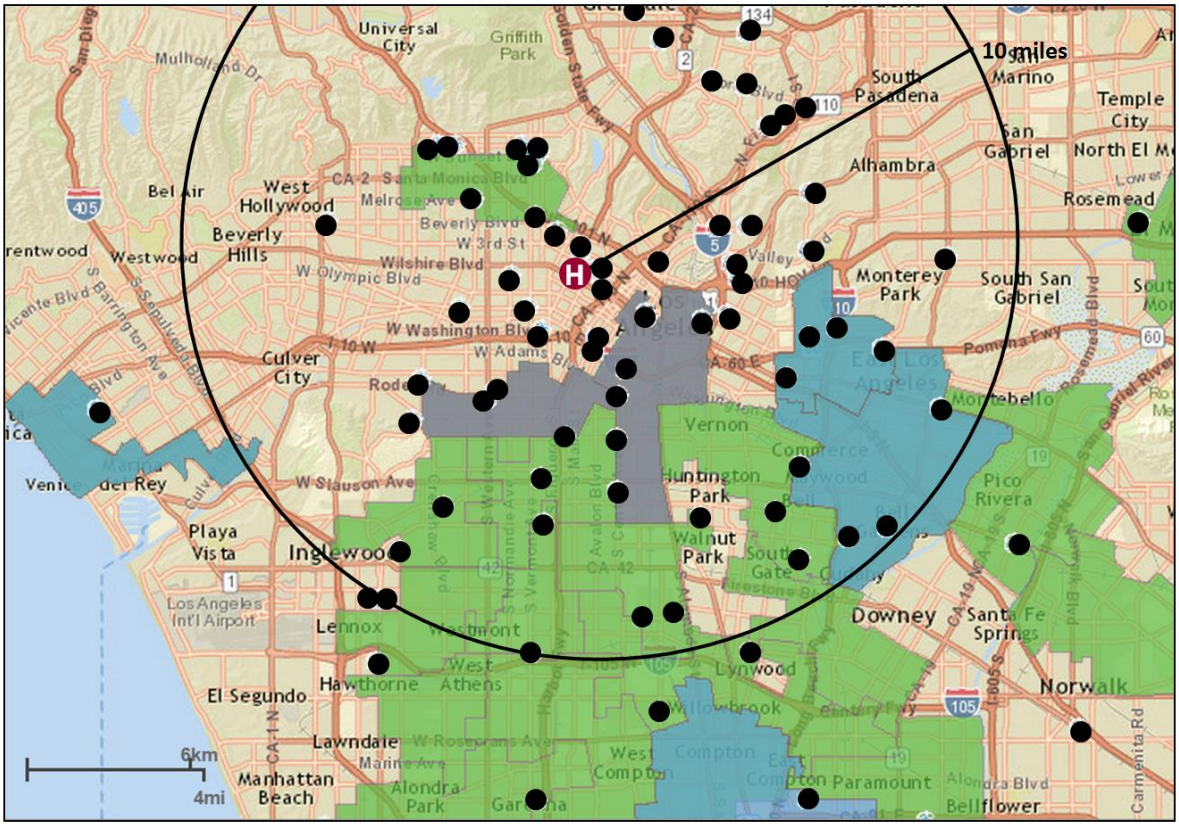
The Hospital's primary service area, located in Los Angeles, has approximately 737,000 residents. The Hospital's secondary service area, with approximately 931,000 residents, includes communities in Los Angeles and Glendale.

There are seven other hospitals located within the Hospital's primary service area, including California Hospital Medical Center, Good Samaritan Hospital, Hollywood Presbyterian Medical Center, Olympia Medical Center, Silver Lake Medical Center, Los Angeles Metropolitan Medical Center, and Temple Community Hospital. There are an additional seven hospitals located in the Hospital's secondary service area, including LAC+USC Medical Center, White Memorial Medical Center, Children's Hospital of Los Angeles, Glendale Memorial Hospital, Alhambra Hospital, Kaiser Foundation Hospital – Los Angeles, and Promise Hospital of East Los Angeles. LAC+USC Medical Center is the leader in the Hospital's secondary service area.

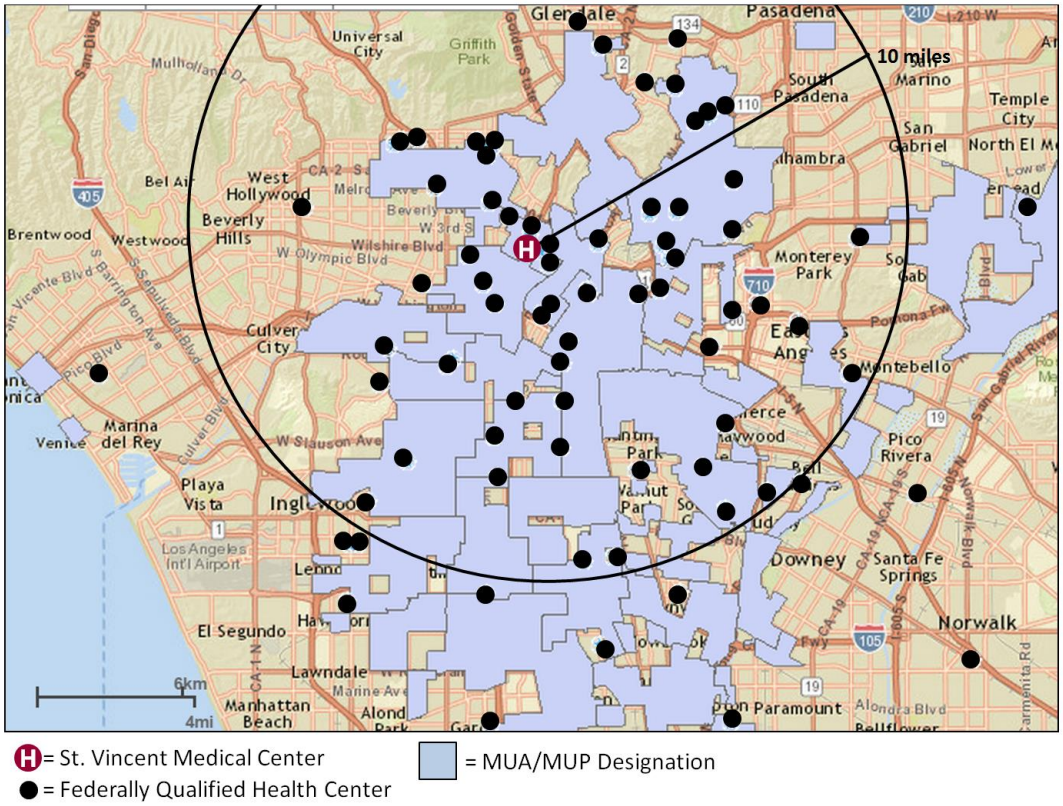


Health Professional Shortage Areas, Medically Underserved Areas, & Medically Underserved Populations

The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). Although the Hospital is not located in a Health Professional Shortage Area, a large portion of the Hospital's primary and secondary service areas, especially in the areas located south of the Hospital, is Health Professional Shortage Area designated, suggesting the area has a shortage of primary care, dental care, and/or mental health providers. The map below depicts these shortage areas relative to the Hospital's location.



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



The Hospital, and the majority of its primary and secondary service area are designated as Medically Underserved Area and Medically Underserved Population suggesting there is a shortage of healthcare services in the area. There are also approximately sixty-five Federally Qualified Health Centers within a 10 mile radius of the Hospital. Federally Qualified Health Centers are health clinics that qualify for enhanced reimbursement from Medicare and Medicaid. Federally Qualified Health Centers must serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, have an ongoing quality assurance program, and have a governing board of directors. The ACA included provisions that increased federal funding to Federally Qualified Health Centers to help meet the anticipated demand for healthcare services by those individuals who gained healthcare coverage through the various health exchanges.

Demographic Profile

The Hospital's primary service area population is projected to grow by 1.4% over the next five years. This is lower than the expected growth rate for Los Angeles County (1.8%) and statewide (4.0%).

SERVICE AREA POPULATION STATISTICS: 2014-2019			
	Estimate	Projection	Change
Total Population	737,352	747,569	1.4%
Households	253,958	262,305	3.3%
Percentage Female	48.3%	48.2%	1.2%

Source: Alteryx's Analytic Apps

The median age of the population in the Hospital's primary service area is 32.8 years, lower than the statewide median age of 35.5 years. The percentage of adults over the age of 65 is the fastest growing age cohort increasing by approximately 11% between 2013 and 2018. The number of women of child-bearing age is expected to decrease slightly 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	135,232	18.3%	137,723	18.4%
Age 15-44	377,470	51.2%	370,489	49.6%
Age 45-64	158,273	19.8%	165,511	22.1%
Age 65+	66,376	9.0%	73,847	9.9%
Total	**737,351**	**100%**	**747,570**	**100%**
Female 15-44	216,781	29.4%	211,719	28.3%
Median Age	32.8		33.8	

Source: Alteryx's Analytic Apps

The largest population cohorts in the Hospital's service area are Whites (33%), Other Race (32%), and Asian or Pacific Islander (19%). Approximately 40% of the service area is of Non-Hispanic ethnicity. This is lower when compared to the Los Angeles County and California Hispanic ethnic populations of 52% and 62%, respectively.

SERVICE AREA POPULATION RACE/ETHNICITY: 2014-2019		
	2014	2019
White	33.4%	33.0%
Black	10.3%	9.9%
American Indian or Alaska Native	1.0%	1.0%
Asian or Pacific Islander	19.0%	19.1%
Other Race	31.6%	32.0%
Two or More Races	4.7%	4.9%
Total	**100%**	**100%**
Hispanic Ethnicity	59.6%	60.1%
Non-Hispanic or Latino	40.4%	40.0%
Total	**100%**	**100%**

Source: Alteryx's Analytic Apps

The average household income in the service area is $49,200. This is significantly lower than both Los Angeles County and the State of California averages for household income. Projections anticipate that the percentage of higher income households ($150,000+) in the Hospital's service area will grow at slower rate than those for Los Angeles County and the State of California, and will represent a much smaller percentage of households.

PRIMARY SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2014-2019												
	2014 Estimate						2019 Projection					
	Primary Service Area		Los Angeles County		California		Primary Service Area		Los Angeles County		California	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
$0 - $15,000	65,265	25.7%	445,975	13.2%	1,484,147	11.3%	58,702	22.1%	375,323	10.9%	1,275,300	9.3%
$15,000 - $24,999	46,148	18.2%	376,692	11.2%	1,325,082	10.1%	45,647	17.2%	344,872	10.0%	1,235,052	9.0%
$25,000 - $34,999	32,893	13.0%	332,119	9.9%	1,220,260	9.3%	32,529	12.3%	305,126	8.9%	1,144,140	8.4%
$35,000 - $49,999	35,186	13.9%	438,844	13.0%	1,672,179	12.7%	34,926	13.2%	403,748	11.7%	1,576,670	11.5%
$50,000 - $74,999	33,144	13.1%	577,428	17.1%	2,235,800	17.0%	34,118	12.9%	550,527	16.0%	2,142,699	15.7%
$75,000 - $99,999	15,715	6.2%	380,311	11.3%	1,600,574	12.2%	20,075	7.6%	433,133	12.6%	1,749,144	12.8%
$100,000 - $149,999	14,840	5.8%	439,438	13.0%	1,944,936	14.8%	24,100	9.1%	554,599	16.1%	2,453,231	17.9%
$150,000 +	10,768	4.2%	377,575	11.2%	1,644,190	12.5%	15,208	5.7%	476,575	13.8%	2,108,282	15.4%
Total	**253,959**	**100%**	**3,368,382**	**100%**	**13,127,168**	**100%**	**265,305**	**100%**	**3,443,903**	**100%**	**13,684,518**	**100%**
Average Household Income	**$49,200**		**$82,525**		**$87,251**		**$58,046**		**$95,276**		**$100,285**	

Source: Alteryx's Analytic Apps

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that 36% of the population in the Hospital's primary service area was eligible for Medi-Cal, and 34% of the population in the Hospital's secondary service area was eligible for Medi-Cal. With the implementation of the ACA and the expansion of Medi-Cal in California, the number and percentage of the state's population that is eligible for Medi-Cal has greatly increased. In 2014, more than 2.7 million Californians enrolled in Medi-Cal. By 2015, California's total number of Medi-Cal beneficiaries is expected to increase to approximately 11.5 million. The Hospital's payer mix is only 12% Medi-Cal. However, based on the Hospital's service area income demographics, many of the service area residents qualify for Medi-Cal coverage under Medi-Cal expansion.

Selected Health Indicators

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

- Health indicators for first trimester prenatal care and adequate/adequate plus care in Los Angeles County are superior to those statewide and the national goal. The rate for the measure on low birth weight infants is above the rate for California, but lower than the national goal.

NATALITY STATISTICS: 2014			
Health Status Indicator	Los Angeles County	California	National Goal
Low birth weight infants	7.1%	6.8%	7.8%
First Trimester Prenatal Care	85.6%	83.6%	77.9%
Adequate/Adequate Plus Care	82.4%	79.5%	77.6%

Source: California Department of Health Care Services, 2014

- The overall age-adjusted mortality rate for Los Angeles County is lower than that of the State of California. Los Angeles County's age-adjusted rates for eleven of the eighteen causes of mortality are lower than the statewide rate. Los Angeles County's age-adjusted rates are higher in colorectal cancer, female breast cancer, diabetes, coronary heart disease, influenza/pneumonia, chronic liver disease and cirrhosis, and homicide. Los Angeles County reported lower age-adjusted death rates for nine out of the fourteen reported national goals based on underlying and contributing cause of death.

MORTALITY STATISTICS: 2014 RATE PER 100,000 POPULATION				
	Los Angeles County		(Age Adjusted)	
Selected cause	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	585.5	611.4	641.5	n/a
- All Cancers	141.9	149.3	153.3	160.6
- Colorectal Cancer	13.8	14.4	14.2	14.5
- Lung Cancer	29.3	31.4	34.8	45.5
- Female Breast Cancer	22.9	21.4	20.9	20.6
- Prostate Cancer	15.3	20.3	20.5	21.2
- Diabetes	21.3	22.5	20.4	n/a
- Alzheimer's Disease	23.9	25.1	30.5	n/a
- Coronary Heart Disease	119.7	124.9	106.2	100.8
- Cerebrovascular Disease (Stroke)	33.5	35.4	36.6	33.8
- Influenza/Pneumonia	20.5	21.8	16.1	n/a
- Chronic Lower Respiratory Disease	28.9	31.1	36.2	n/a
- Chronic Liver Disease And Cirrhosis	12.5	12.4	11.5	8.2
- Accidents (Unintentional Injuries)	19.7	19.5	27.3	36.0
- Motor Vehicle Traffic Crashes	6.3	6.2	7.3	12.4
- Suicide	7.8	7.7	10.1	10.2
- Homicide	6.3	6.0	5.2	5.5
- Firearm-Related Deaths	7.6	7.4	7.7	9.2
- Drug-Induced Deaths	6.9	6.7	10.8	11.3

Source: California Department of Public Health, Center for Health Statistics, 2014

- Los Angeles County has higher morbidity rates for reported conditions than California overall as shown in the table below. The Los Angeles County rate of incidence of the health status indicators is higher than the national goals in all indicators, with the exception of gonorrhea among females ages 15-44.

MORBIDITY STATISTICS: 2014 RATE PER 100,000 POPULATION			
Health Status Indicator	Los Angeles County	California	National Goal
AIDS	12.7	8.6	12.4
Chlamydia	506.1	434.5	n/a
Gonorrhea Female 15-44	162.8	139.6	251.9
Gonorrhea Male 15-44	272.2	186.6	194.8
Tuberculosis	7.4	6.1	1.0

Source: California Department of Health Care Services, 2014

2013 Community Health Needs Assessment

In an effort to identify the most critical healthcare needs in the Hospital's service area, a Community Health Needs Assessment is conducted every three years. The Hospital's most recent assessment was completed in 2013 as part of a collaboration between three hospitals in metropolitan Los Angeles, California Hospital Medical Center, Good Samaritan Hospital, and St. Vincent Medical Center. The assessment utilized consultative services, and targeted Los Angeles County Service Planning Areas that include the primary and secondary service areas served by the Hospital.

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

- The communities of Service Planning Area 4 include: Boyle Heights, Central City, Downtown LA, Echo Park, El Sereno, Hollywood, Mid-City Wilshire, Monterey Hills, Mount Washington, Silver Lake, West Hollywood, and Westlake

- The communities of Service Planning Area 6 include: Athens, Compton, Crenshaw, Florence, Hyde Park, Lynwood, Paramount, and Watts

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

- 23.2% of adults and 7.6% of children within the service area are uninsured, compared to 17.4% of adults and 5.0% of children in Los Angeles County;

- A much larger percentage of adults (41.3%) within the Hospital's service area reported

feeling that obtaining medical care is somewhat or very difficult when compared to Los Angeles County (31.7%);

- The Hospital's service area reported the highest percentage of residents in Los Angeles County (27.7%) who did not obtain dental care in the past year due to inability to afford dental services;

- 16.1% of children ages 2-11 years are overweight compared to 13.3% in Los Angeles County overall;

- The rate of mental health adult hospitalizations per 100,000 population (715.1) is higher than the statewide rate (551.7), and the rate of mental health youth hospitalizations per 100,000 population (308.5) is higher than the statewide rate (256.4); and

- The Hospital's service area rate per 100,000 population has very high prevalence rates of chlamydia (793.6) and gonorrhea (218.3) when compared to Los Angeles County (512.9 and 103.4, respectively).

The most important healthcare needs in the community were identified to be the following in prioritized order:

- Mental health;
- Oral health;
- Substance abuse;
- Diabetes;
- Obesity/overweight;
- Alzheimer's Disease;
- Cardiovascular disease;
- Alcoholism;
- Sexually transmitted diseases;
- Allergies;
- Asthma;
- Hypertension;
- Vision;
- Cholesterol;
- Cancer, general;
- Colorectal cancer;
- Arthritis;
- Breast cancer;
- HIV/AIDS; and
- Community and Social Issues.

Hospital Supply, Demand, and Market Share

There are 13 other general acute care hospitals within the Hospital's service area, four within the Hospital's primary service area, and nine within the Hospital's secondary service area. The Hospital, along with the other hospitals located in the primary and secondary service areas, have a combined total of 5,014 licensed beds and an aggregate occupancy rate of 56%, indicating a large area-wide surplus of hospital beds. Hospitals in the service area run at occupancy rates that range between 20% at Temple Community Hospital to 81% at LAC+USC Medical Center.

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

AREA HOSPITAL DATA: 2013

Hospital	Ownership/Affiliation	City	Within Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
St. Vincent Medical Center	**Daughters of Charity Health System**	**Los Angeles**	**X**	**PSA**	**366**	**9,213**	**52,960**	**145**	**39.6%**	**-**
Silver Lake Medical Center - Downtown	Success Healthcare	Los Angeles	X	PSA	88	2,013	14,408	39	44.9%	0.9
Good Samaritan Hospital - Los Angeles	Good Samaritan Hospital	Los Angeles	X	PSA	408	12,956	59,882	164	40.2%	1.0
Pacific Alliance Medical Center	PAMC, LTD	Los Angeles	X	PSA	142	6,945	27,468	75	52.9%	2.5
California Hospital Medical Center	Catholic Healthcare West	Los Angeles	X	PSA	318	17,127	68,962	189	59.4%	2.6
PSA SUB-TOTAL					**1,322**	**48,254**	**223,680**	**613**	**46.4%**	
Hollywood Presbyterian Medical Center	CHA Medical Group	Los Angeles	X	SSA	434	13,643	84,813	232	53.5%	3.0
Children's Hospital of Los Angeles	Childrens Hospital Los Angeles	Los Angeles	X	SSA	603	13,834	102,788	282	46.7%	3.0
Kaiser - Los Angeles	Kaiser Foundation Hospitals	Los Angeles	X	SSA	464	25,596	126,177	346	74.5%	3.3
White Memorial Medical Center	Adventist Health	Los Angeles	X	SSA	353	20,498	89,825	246	69.7%	3.9
LAC+USC Medical Center	County of Los Angeles	Los Angeles	X	SSA	676	30,899	199,552	547	80.9%	4.5
Keck Hospital of USC	University of Southern California	Los Angeles	X	SSA	411	10,078	76,018	208	50.7%	5.0
Glendale Memorial Hospital and Health Center	Catholic Healthcare West	Glendale	X	SSA	334	10,014	48,449	133	39.7%	5.3
Promise Hospital of East Los Angeles	Promise Healthcare	Los Angeles	X	SSA	213	1,639	49,173	135	63.2%	5.3
Olympia Medical Center	Olympia Medical Center	Los Angeles	X	SSA	204	6,051	29,294	80	39.3%	5.9
PSA + SSA SUB-TOTAL					**5,014**	**180,506**	**1,029,769**	**2,821**	**56.3%**	
Cedars-Sinai Medical Center	Cedars-Sinai Medical Center	Los Angeles			896	49,216	251,803	690	77.0%	6.4
Community Hospital of Huntington Park	Avanti Hospitals	Huntington Park			108	4,038	14,382	39	36.5%	7.0
Los Angeles Community Hospital	Alta Hospital Systems, LLC	Los Angeles			180	8,854	50,039	137	76.2%	7.3
Glendale Adventist Medical Center	Adventist Health	Glendale			515	20,082	104,263	286	55.5%	7.5
East Los Angeles Doctors Hospital	Avanti Hospitals	Los Angeles			127	3,796	25,116	69	54.2%	7.8
Kaiser - West Los Angeles	Kaiser Permanente Hospitals	West Los Angeles			305	11,871	39,089	107	35.1%	8.1
Brotman Medical Center	Brotman Medical Center, Inc.	Culver City			406	2,215	16,127	44	10.9%	8.9
Garfield Medical Center	Garfield Medical Center	Monterey Park			210	12,916	57,309	157	74.8%	10.1
Alhambra Hospital Medical Center	Alhambra Hospital Medical Center LP	Alhambra			144	4,045	29,694	81	56.5%	10.2
Monterey Park Hospital	Monterey Park Hospital	Monterey Park			101	4,681	15,879	44	43.1%	10.7
Centinela Hospital Medical Center	Prime Healthcare Services	Inglewood			369	18,118	71,719	196	53.2%	12.3
Huntington Memorial Hospital	Pasadena Hospital Association, Ltd.	Pasadena			548	26,227	121,632	333	60.8%	12.6
Ronald Reagan UCLA Medical Center	Regents of the University of California	Los Angeles			466	23,054	163,868	449	96.3%	12.6
Santa Monica - UCLA Medical Center & Orthopaedic Hospital	Regents of the University of California	Santa Monica			266	15,937	78,162	214	80.5%	14.3
TOTAL					**9,655**	**385,556**	**2,068,851**	**5668**	**58.7%**	

Source: OSHPD Disclosure Reports, 2013

(1) Temple Community Hospital closed in September 2013

- The Hospital's 366 licensed beds represent approximately 7% of the primary and secondary service area beds, and its inpatient volume accounts for approximately 5% of discharges and 5% of patient days.

- The four largest providers of inpatient services to the service areas by market share (LAC+USC Medical Center, Good Samaritan Hospital, Hollywood Presbyterian Medical Center, and California Hospital Medical Center), operate at a combined average occupancy rate of 62%.

Hospital Market Share

The table below illustrates market share discharges by individual hospital within the Hospital's service area from FY 2009 to FY 2013:

Primary Service Area: Hospital Market Share: FY 2009-2013						
Hospital	**2009**	**2010**	**2011**	**2012**	**2013**	**Trend**
LAC+USC Medical Center	10.1%	11.0%	10.3%	10.2%	10.4%	↔
Good Samaritan Hospital - Los Angeles	12.3%	12.2%	11.4%	10.0%	10.3%	↘
Hollywood Presbyterian Medical Center	11.1%	10.1%	9.7%	9.9%	9.7%	↘
California Hospital Medical Center - Los Angeles	9.1%	9.0%	9.0%	9.4%	9.2%	↔
Cedars Sinai Medical Center	6.5%	6.6%	6.7%	7.0%	6.8%	↗
St. Vincent Medical Center	**5.6%**	**5.3%**	**5.9%**	**6.2%**	**5.9%**	↔
Kaiser Fnd Hosp - Los Angeles	4.4%	4.7%	4.9%	4.6%	4.9%	↔
White Memorial Medical Center	3.7%	3.8%	3.9%	4.0%	3.8%	↔
Children's Hospital of Los Angeles	2.3%	2.5%	2.5%	2.7%	3.1%	↗
Pacific Alliance Medical Center	2.5%	2.4%	2.6%	2.7%	2.6%	↔
Other Discharges	32.4%	32.5%	33.1%	33.5%	33.3%	↗
Total Percentage	**100%**	**100%**	**100%**	**100%**	**100%**	
Total Discharges	**70,667**	**70,868**	**70,345**	**69,160**	**65,457**	↘

Note: Excludes normal new borns

Source: OSHPD Patient Discharge Database, 2009-2013

- The overall number of discharges in the primary service area decreased from 2009 to 2013;
- The Hospital has consistently ranked sixth in terms of overall market share for its service area based on discharges (approximately 6% in FY 2013). LAC+USC Medical Center ranked first inpatient discharges with 10.4% market share in 2013; and
- Good Samaritan Hospital – Los Angeles and Hollywood Presbyterian Medical Center decreased in market share slightly to approximately 10.3% and 9.7%, respectively, in 2013.

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

Hospital Market Share by Payer Type, 2013											
Payer Type	**LAC+USC Medical Center**	**Good Samaritan Hospital-Los Angeles**	**Hollywood Presbyterian Medical Center**	**California Hospital Medical Center - Los Angeles**	**Cedars Sinai Medical Center**	**St. Vincent Medical Center**	**Kaiser Fnd Hosp - Los Angeles**	**White Memorial Medical Center**	**All Others**	**Total**	**Total Discharges**
Medi-Cal	13.6%	10.2%	12.7%	14.7%	2.7%	1.1%	1.1%	4.3%	39.7%	100%	26,396
Medicare	2.9%	11.2%	8.8%	5.3%	9.3%	11.5%	5.3%	3.9%	41.7%	100%	19,749
Private Coverage	1.1%	13.5%	2.9%	1.9%	14.4%	10.5%	15.9%	1.7%	38.1%	100%	11,198
All Other	39.5%	3.1%	10.4%	9.5%	1.7%	0.1%	0.1%	6.4%	29.1%	100%	5,436
Self Pay	14.3%	5.6%	14.8%	13.4%	7.4%	3.5%	3.8%	2.0%	35.2%	100%	2,678
Total Percentage	**10.4%**	**10.3%**	**9.7%**	**9.2%**	**6.8%**	**5.9%**	**4.9%**	**3.8%**	**39.0%**	**100%**	
Grand Total	**6,823**	**6,734**	**6,365**	**6,023**	**4,451**	**3,836**	**3,226**	**2,501**	**25,498**		**65,457**

Note: Excludes normal new borns

Source: OSHPD Patient Discharge Database, 2013

- The largest categories of service area inpatient discharges are Medi-Cal at over 26,000 discharges (40%), followed by Medicare at nearly 20,000 discharges (30%) and Private Coverage at over 11,000 discharges (7%);

- The Hospital is the market share leader for Medicare at 11.5%;

- Hollywood Presbyterian Medical Center ranks first in self-pay (15%); and

- California Hospital Medical Center ranks first in Medi-Cal at 15% and Kaiser Foundation Hospital – Los Angeles is the market share leader for Private Coverage at 16%.

Market Share by Service Line

The following table illustrates service area hospital market share by service line for 2013.

Hospital Market Share by Service Line, 2013

Service Line	Total Discharges	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	California Hospital Medical Center - Los Angeles	Cedars Sinai Medical Center	St. Vincent Medical Center	Kaiser Fnd Hosp - Los Angeles	White Memorial Medical Center	All Others	Total
General Medicine	20,251	11.5%	9.1%	9.0%	7.9%	6.1%	7.7%	4.6%	3.8%	40.3%	100%
Obstetrics	10,182	3.0%	20.9%	20.0%	16.2%	7.2%	0.0%	5.5%	4.3%	22.9%	100%
Cardiac Services	6,417	9.4%	13.5%	8.6%	8.4%	7.3%	8.9%	5.8%	4.0%	34.2%	100%
Behavioral Health	6,224	8.4%	0.6%	0.4%	0.9%	0.5%	0.4%	2.8%	4.1%	81.8%	100%
General Surgery	4,473	17.2%	6.3%	7.6%	9.3%	8.8%	6.6%	5.3%	2.6%	36.4%	100%
Neonatology	2,920	5.2%	20.7%	15.5%	15.9%	9.8%	0.0%	5.8%	3.3%	24.0%	100%
Orthopedics	2,715	13.4%	8.2%	6.7%	8.7%	9.7%	11.2%	6.5%	2.9%	32.7%	100%
Neurology	2,692	9.6%	7.7%	9.2%	9.6%	8.1%	5.9%	6.1%	4.9%	38.9%	100%
Oncology/Hematology (Medical)	2,356	21.9%	5.9%	6.0%	6.9%	5.8%	7.3%	4.5%	2.2%	39.4%	100%
Rehabilitation	1,196	0.1%	0.0%	15.6%	9.1%	4.4%	30.8%	0.0%	8.6%	31.4%	100%
Vascular Services	1,003	8.7%	9.8%	8.5%	7.0%	10.5%	11.5%	5.0%	6.6%	32.6%	100%
Gynecology	955	23.2%	9.2%	5.2%	6.6%	10.8%	2.3%	4.6%	2.2%	35.8%	100%
ENT	944	15.5%	4.9%	4.9%	10.0%	8.6%	5.8%	4.6%	4.1%	41.7%	100%
Other	912	19.6%	4.9%	4.3%	16.1%	12.1%	5.2%	4.8%	2.2%	30.8%	100%
Spine	765	7.6%	7.5%	8.9%	4.4%	12.4%	9.8%	7.8%	3.4%	38.2%	100%
Urology	740	19.9%	4.5%	6.6%	8.1%	9.5%	6.1%	5.9%	2.8%	36.6%	100%
Neurosurgery	466	23.0%	5.6%	4.5%	6.7%	12.0%	4.9%	10.3%	2.1%	30.9%	100%
<All others>	246	22.0%	2.8%	2.8%	13.0%	6.9%	2.0%	3.3%	3.7%	43.5%	100%
		10.4%	**10.3%**	**9.7%**	**9.2%**	**6.8%**	**5.9%**	**4.9%**	**3.8%**	**39.0%**	**100%**
Grand Total	**65,457**	**6,823**	**6,734**	**6,365**	**6,023**	**4,451**	**3,836**	**3,226**	**2,501**	**25,498**	

Note: Excludes normal new borns

Source: OSHPD Patient Discharge Database, 2013

- The Hospital is the service line leader in two of sixteen service lines: rehabilitation (31%) and vascular services (12%);

- Other service lines where the Hospital has a notable market share include orthopedics (11%), spine (10%), and cardiac services (9%);

- In 2013, LAC+USC Medical Center was the market share leader for ten service lines including general medicine (12%), behavioral health (8%), general surgery (17%), orthopedics (13%), oncology/hematology (22%), gynecology (23%), Ear, Nose, and Throat (16%), other (20%), urology (20%), and neurosurgery (23%);

- LAC+USC Medical Center and California Hospital Medical Center had nearly 10% market share in neurology;

- Good Samaritan Hospital – Los Angeles had the highest market share in obstetrics (21%), cardiac services (14%), and neonatology (21%); and

- Cedars Sinai Medical Center had the highest market share in spine services (12%).

Market Share by ZIP Code

The following table illustrates service area hospital market share by ZIP code for 2013.

Hospital Market Share by ZIP Code, 2013

ZIP Code	Community	Total Discharges	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	California Hospital Medical Center - Los Angeles	Cedars Sinai Medical Center	St. Vincent Medical Center	Kaiser Fnd Hosp - Los Angeles	White Memorial Medical Center	All Others	Total
90011	Los Angeles	9,653	14.7%	6.2%	2.4%	21.3%	2.0%	1.5%	3.1%	11.3%	37.4%	100%
90018	Los Angeles	6,125	6.1%	4.8%	3.7%	11.7%	9.7%	3.2%	3.4%	2.1%	55.2%	100%
90019	Los Angeles	6,055	6.0%	4.6%	5.5%	5.2%	19.3%	4.4%	3.3%	1.2%	50.5%	100%
90057	Los Angeles	5,292	8.7%	25.2%	10.9%	3.8%	1.9%	10.2%	4.1%	2.7%	32.5%	100%
90026	Los Angeles	5,281	9.6%	10.9%	9.8%	3.2%	5.5%	9.9%	10.8%	2.2%	38.2%	100%
90006	Los Angeles	5,225	10.3%	13.7%	11.4%	11.3%	4.3%	7.4%	3.7%	2.3%	35.5%	100%
90004	Los Angeles	5,055	8.0%	7.3%	21.5%	4.4%	12.1%	7.0%	7.4%	1.6%	30.6%	100%
90029	Los Angeles	4,064	6.8%	2.8%	32.6%	1.4%	5.7%	4.3%	10.2%	2.5%	33.7%	100%
90007	Los Angeles	2,801	8.9%	8.5%	5.1%	22.8%	4.7%	4.7%	5.1%	2.6%	37.6%	100%
90005	Los Angeles	2,784	8.3%	17.1%	14.0%	3.7%	9.5%	10.0%	4.6%	1.7%	31.1%	100%
90012	Los Angeles	2,759	20.4%	10.7%	2.9%	2.0%	2.5%	4.2%	3.0%	9.0%	45.3%	100%
90020	Los Angeles	2,677	7.9%	11.5%	16.9%	2.6%	10.0%	8.3%	7.3%	1.7%	33.9%	100%
90017	Los Angeles	2,238	9.6%	28.7%	7.9%	5.8%	2.5%	7.4%	3.2%	2.1%	32.7%	100%
90013	Los Angeles	2,178	27.2%	5.7%	2.0%	7.7%	3.5%	4.4%	1.2%	3.8%	44.5%	100%
90015	Los Angeles	1,638	8.4%	12.1%	5.3%	26.1%	4.1%	6.4%	3.4%	3.2%	30.9%	100%
90014	Los Angeles	1,292	21.2%	9.9%	4.7%	7.9%	5.0%	7.0%	2.2%	3.4%	38.5%	100%
90010	Los Angeles	292	2.4%	14.4%	11.3%	0.3%	16.8%	11.6%	4.8%	0.7%	37.7%	100%
90071	Los Angeles	35	2.9%	8.6%	0.0%	0.0%	0.0%	0.0%	2.9%	0.0%	85.7%	100%
90089	Los Angeles	13	15.4%	0.0%	0.0%	7.7%	0.0%	0.0%	0.0%	0.0%	76.9%	100%
Grand Total		**65,457**	**10.4%** **6,823**	**10.3%** **6,734**	**9.7%** **6,365**	**9.2%** **6,023**	**6.8%** **4,451**	**5.9%** **3,836**	**4.9%** **3,226**	**3.8%** **2,501**	**39.0%** **25,498**	**100%**

Note: Excludes normal new borns

Source: OSHPD Patient Discharge Database, 2013

- During 2013, the Hospital was not a market share leader in any of the nineteen primary service area ZIP Codes. The Hospital had a notable market share in three nearby Los Angeles ZIP Codes, including 90057 (10%), 90005 (10%), and 90010 (12%);

- Good Samaritan Hospital – Los Angeles is the market share leader in six of the nineteen ZIP Codes, located in Los Angeles; and

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/coronary care, skilled nursing, physical rehabilitation, and emergency services (FY 2013 data). The Hospital's primary and secondary service areas have a large number of hospital beds and unused capacity. Many hospitals, including the Hospital, operate at low occupancy rates.

Medical/Surgical Capacity Analysis

The overall occupancy rate for medical/surgical beds in the primary and secondary service area is 57%. The occupancy rates range from 38% at the Hospital to 90% at LAC+USC Medical Center.

MEDICAL/SURGICAL BEDS 2013								
Hospital	Miles from Hospital	Wihtin Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	**-**	**X**	**PSA**	**253**	**7,375**	**35,158**	**96.3**	**38.1%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	76	1,924	12,519	34.3	45.0%
Good Samaritan Hospital - Los Angeles*	1.0	X	PSA	121	4,390	17,755	48.6	40.2%
Pacific Alliance Medical Center**	2.5	X	PSA	100	4,335	14,994	41.0	41.0%
California Hospital Medical Center	2.6	X	PSA	132	6,150	24,840	68.1	51.6%
PSA SUB-TOTAL				**682**	**24,174**	**105,266**	**288**	**42.3%**
Hollywood Presbyterian Medical Center*	3.0	X	SSA	197	1,585	30,213	82.5	41.9%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	192	14,240	55,370	151.7	78.8%
White Memorial Medical Center*	3.9	X	SSA	78	4,607	17,318	47.4	60.7%
LAC+USC Medical Center	4.5	X	SSA	308	19,650	101,680	278.6	90.4%
Keck Hospital of USC*	5.0	X	SSA	192	7,248	38,745	106.2	55.3%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	118	3,746	16,629	45.6	38.6%
Promise Hospital of East Los Angeles	5.3	X	SSA	192	1,437	43,929	120.4	62.7%
Olympia Medical Center*	5.9	X	SSA	133	5,452	22,748	62.3	46.7%
PSA + SSA SUB-TOTAL				**2,092**	**82,139**	**431,898**	**1,183**	**56.6%**
Cedars-Sinai Medical Center	6.4			431	27,846	129,048	353.6	82.0%
Community Hospital of Huntington Park*	7.0			69	2,442	7,399	20.3	29.4%
Los Angeles Community Hospital*	7.3			94	7,563	34,697	95.1	101.1%
Glendale Adventist Medical Center*	7.5			143	6,419	23,532	64.5	45.0%
East Los Angeles Doctors Hospital	7.8			54	1,665	12,241	33.5	62.1%
Kaiser - West Los Angeles*	8.1			227	9,516	29,724	81.4	35.8%
Brotman Medical Center**	8.9			245	1,285	5,948	16.3	6.6%
Garfield Medical Center	10.1			71	3,128	18,544	50.8	71.6%
Alhambra Hospital Medical Center**	10.2			54	1,293	5,618	15.4	28.4%
Monterey Park Hospital*	10.7			85	3,062	10,418	28.5	33.6%
Centinela Hospital Medical Center*	12.3			244	16,349	55,640	152.4	62.3%
Huntington Memorial Hospital*	12.6			301	19,253	74,228	203.4	67.6%
Ronald Reagan UCLA Medical Center	12.6			204	12,169	72,205	197.8	97.0%
Santa Monica - UCLA Medical Center & Orthopaedic Hospital	14.3			176	11,924	55,953	153.3	87.1%
TOTAL				**4,490**	**206,053**	**967,093**	**2649.6**	**59.0%**

Source: OSHPD Disclosure Reports, 2013

* Unaudited ** 2012 Disclosure Report

(1) Temple Community Hospital closed in September 2013

- The Hospital reported approximately 7,375 inpatient hospital discharges and 35,158 patient days resulting in an occupancy rate of 38%;
- The Hospital's 253 medical/surgical beds represented 12% of the beds in this category for the primary and secondary service areas overall; and
- Nine of the thirteen providers of medical/surgical beds within the service areas run at occupancy rates less than 60%.

Intensive Care/Coronary Care Unit Capacity Analysis

There are 663 intensive care unit/coronary care beds within the service area, with an overall occupancy rate of approximately 58%. The Hospital has 67 licensed intensive care beds with a 15% average occupancy rate in 2013 (average daily census of 10).

INTENSIVE CARE UNIT/CORONARY CARE UNIT BEDS 2013								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	**-**	**X**	**PSA**	**67**	**781**	**3,725**	**10.2**	**15.2%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	12	89	1,889	5.2	43.0%
Good Samaritan Hospital - Los Angeles*	1.0	X	PSA	68	610	7,848	21.5	31.6%
Pacific Alliance Medical Center**	2.5	X	PSA	9	120	1,502	4.1	45.6%
California Hospital Medical Center	2.6	X	PSA	36	2,029	6,844	18.8	52.1%
PSA SUB-TOTAL				**192**	**3,629**	**21,808**	**60**	**31.1%**
Hollywood Presbyterian Medical Center*	3.0	X	SSA	36	417	6,132	16.8	46.5%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	112	3,411	31,682	86.8	77.3%
White Memorial Medical Center*	3.9	X	SSA	42	1,617	11,176	30.6	72.7%
LAC+USC Medical Center	4.5	X	SSA	120	2,403	35,696	97.8	81.5%
Keck Hospital of USC*	5.0	X	SSA	84	523	21,109	57.8	68.8%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	24	300	5,467	15.0	62.4%
Promise Hospital of East Los Angeles	5.3	X	SSA	16	202	5,244	14.4	89.8%
Olympia Medical Center*	5.9	X	SSA	37	184	2,858	7.8	21.1%
PSA + SSA SUB-TOTAL				**663**	**12,686**	**141,172**	**387**	**58.3%**
Cedars-Sinai Medical Center	6.4			118	1,214	28,731	78.7	66.7%
Community Hospital of Huntington Park*	7.0			4	132	1,343	3.7	92.0%
Los Angeles Community Hospital*	7.3			12	266	3,768	10.3	86.0%
Glendale Adventist Medical Center*	7.5			52	424	8,935	24.5	46.9%
East Los Angeles Doctors Hospital	7.8			10	109	2,064	5.7	56.5%
Kaiser - West Los Angeles*	8.1			33	276	3,782	10.4	31.3%
Brotman Medical Center**	8.9			20	80	1,114	3.0	15.2%
Garfield Medical Center	10.1			22	434	6,283	17.2	78.2%
Alhambra Hospital Medical Center**	10.2			13	637	2,762	7.6	58.0%
Monterey Park Hospital*	10.7			4	76	1,190	3.3	81.5%
Centinela Hospital Medical Center*	12.3			31	526	8,242	22.6	72.6%
Huntington Memorial Hospital*	12.6			30	363	7,498	20.5	68.5%
Ronald Reagan UCLA Medical Center	12.6			117	3,006	37,660	103.2	88.2%
Santa Monica - UCLA Medical Center & Orthopaedic Hospital	14.3			18	623	6,496	17.8	98.9%
TOTAL				**1,147**	**20,852**	**261,040**	**715.2**	**62.4%**

Source: OSHPD Disclosure Reports, 2013

* Unaudited ** 2012 Disclosure Report

(1) Temple Community Hospital closed in September 2013

- The average daily census for all primary and secondary service area hospitals was 387 based on nearly 141,200 patient days;

- The Hospital had the lowest occupancy rate of all primary and secondary service area hospitals (15%) and represented 10% of the service area's intensive care/coronary care beds in 2013; and

- The four closest hospitals, all within three miles of the Hospital, ran at occupancy rates less than 50% in 2013. These low occupancy rates reflect the Hospital's densely bedded service area.

Skilled Nursing Capacity Analysis

Hospitals in the primary and secondary service areas are licensed for 252 hospital-based skilled nursing beds with an aggregate occupancy rate of 53%. The Hospital reported that its 27 licensed skilled nursing beds ran at near-capacity, with an occupancy rate of 88%. As of August 2013, three of the Hospital's 27 skilled nursing beds are in suspense.

There are numerous long-term care facilities in the Hospital's primary service area that are collectively licensed for an additional 2,775 skilled nursing beds. While the long-term care facilities ran at a high occupancy rate of 92%, there are approximately 230 available beds within the Hospital's service area. If there were any reduction or elimination of these services, the Hospital's average daily census of 24 skilled nursing patients could easily be accommodated elsewhere.

SKILLED NURSING BEDS 2013								
Hospital	Miles from Hospital	Wihtin Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
General Acute Care Hospitals								
St. Vincent Medical Center	**-**	**X**	**PSA**	**27**	**617**	**8,643**	**23.7**	**87.7%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles*	1.0	X	PSA	28	-	-	-	-
Temple Community Hospital*	1.4	X	PSA	20	16	3,073	8.4	42.1%
Pacific Alliance Medical Center**	2.5	X	PSA	-	-	-	-	-
Hollywood Presbyterian Medical Center*	3.0	X	SSA	89	361	25,206	68.9	77.4%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	-	-	-	-	-
California Hospital Medical Center	3.4	X	PSA	31	389	5,321	14.6	47.0%
White Memorial Medical Center*	3.9	X	SSA	27	351	6,357	17.4	64.3%
LAC+USC Medical Center	4.5	X	SSA	-	-	-	-	-
Keck Hospital of USC*	5.0	X	SSA	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	30	-	-	-	-
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center*	5.9	X	SSA	-	-	-	-	-
SUB-TOTAL				**252**	**1,734**	**48,600**	**133**	**52.8%**
Long-Term Care Facilities								
26 Long-Term Care Facilities	-	X	PSA	2,775	7,996	928,943	2545.0	91.7%
TOTAL				**3,027**	**9,730**	**977,543**	**2,678**	**88.5%**

Source: OSHPD Disclosure Reports, 2013

* Unaudited ** 2012 Disclosure Report

(1) Temple Community Hospital closed in September 2013

Rehabilitation Capacity Analysis

There are 155 rehabilitation beds within the Hospital's service area, with an overall occupancy rate of approximately 37%. The Hospital has 19 licensed rehabilitation beds that were 78% occupied on average in 2013 (average daily census of 15). The Hospital accepts rehabilitation patients from outside the Hospital, including patients from Good Samaritan Hospital – Los Angeles.

REHABILITATION BEDS 2013								
Hospital	Miles from Hospital	Wihtin Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	**-**	**X**	**PSA**	**19**	**440**	**5,434**	**14.9**	**78.4%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles*	1.0	X	PSA	23	-	-	-	-
Pacific Alliance Medical Center**	2.5	X	PSA	23	225	2,641	7.2	31.4%
California Hospital Medical Center	2.6	X	PSA	-	-	-	-	-
PSA SUB-TOTAL				**65**	**665**	**8,075**	**22**	**34.0%**
Hollywood Presbyterian Medical Center*	3.0	X	SSA	28	403	5,373	14.7	52.4%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	-	-	-	-	-
White Memorial Medical Center*	3.9	X	SSA	16	324	3,977	10.9	67.9%
LAC+USC Medical Center	4.5	X	SSA	-	-	-	-	-
Keck Hospital of USC*	5.0	X	SSA	32	60	830	2.3	7.1%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	14	178	2,471	6.8	48.4%
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center*	5.9	X	SSA	-	-	-	-	-
PSA + SSA SUB-TOTAL				**155**	**1,630**	**20,726**	**57**	**36.6%**
Cedars-Sinai Medical Center	6.4			29	709	8,167	22.4	77.2%
Community Hospital of Huntington Park*	7.0			-	-	-	-	-
Los Angeles Community Hospital*	7.3			-	-	-	-	-
Glendale Adventist Medical Center*	7.5			28	606	6,694	18.3	65.3%
East Los Angeles Doctors Hospital	7.8			-	-	-	-	-
Kaiser - West Los Angeles*	8.1			-	-	-	-	-
Brotman Medical Center**	8.9			32	105	1,357	3.7	11.6%
Garfield Medical Center	10.1			28	474	6,647	18.2	65.0%
Alhambra Hospital Medical Center**	10.2			17	271	4,032	11.0	64.8%
Monterey Park Hospital*	10.7			-	-	-	-	-
Centinela Hospital Medical Center*	12.3			32	299	3,717	10.2	31.7%
Huntington Memorial Hospital*	12.6			-	-	-	-	-
Ronald Reagan UCLA Medical Center	12.6			-	-	-	-	-
Santa Monica - UCLA Medical Center & Orthopaedic Hospital	14.3			-	-	-	-	-
TOTAL				**321**	**4,094**	**51,340**	**140.7**	**43.8%**

Source: OSHPD Disclosure Reports, 2013

* Unaudited ** 2012 Disclosure Report

(1) Temple Community Hospital closed in September 2013

- The average daily census for all rehabilitation beds in area acute care hospitals in the primary and secondary service area was 57 based on approximately 20,700 patient days;

- The Hospital provided 12% of the primary and secondary service area's rehabilitation beds in 2013 and ran at a high occupancy rate of 78%.

Emergency Department Volume at Hospitals in the Service Area

The Hospital has eight emergency department stations and is classified as "standby." The Hospital is reportedly awaiting OSHPD approval to be certified as an ambulance receiving facility in order to achieve "basic" classification. The table below shows the visits by category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System. [23]

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2013													
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	ER Level	Stations	Total Visits	Minor	Low/ Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
St. Vincent Medical Center	**-**	**X**	**PSA**	**Standby**	**8**	**15,580**	**140**	**950**	**4,120**	**5,603**	**4,767**	**27.7%**	**0**
Silver Lake Medical Center - Downtown	0.9	X	PSA	-	-	-	-	-	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	Basic	12	30,425	215	1,705	7,337	9,871	11,297	**17.2%**	1,271
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	Basic	27	66,348	4,423	10,712	33,019	13,176	5,018	**13.0%**	894
Hollywood Presbyterian Medical Center	3.0	X	SSA	Basic	20	33,456	5,659	4,888	6,375	2,873	13,661	**20.6%**	123
PSA SUB-TOTAL					**67**	**145,809**	**10,437**	**18,255**	**0**	**50,851**	**31,523**	**34,743**	**17.2%**	**2,288**
Children's Hospital of Los Angeles	3.0	X	SSA	Basic	39	66,319	6,343	42,766	10,612	4,240	2,358	**6.9%**	101
Kaiser - Los Angeles	3.3	X	SSA	Basic	45	71,534	460	12,408	48,611	8,582	1,473	**12.3%**	4,157
White Memorial Medical Center	3.9	X	SSA	Basic	28	51,892	617	5,731	15,694	17,469	12,377	**15.8%**	2
LAC+USC Medical Center	4.5	X	SSA	Comprehensive	106	167,052	7,460	36,789	91,621	29,262	1,920	**12.8%**	4
Keck Hospital of USC	5	X	SSA	-	-	-	-	-	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	Basic	15	29,945	1,881	5,990	13,431	7,205	1,438	**9.4%**	643
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-	-	-	-	-	-
Olympia Medical Center	5.9	X	SSA	Basic	16	24,201	637	4,306	10,600	5,454	3,204	**17.4%**	172
PSA + SSA SUB-TOTAL					**316**	**556,752**	**27,835**	**126,245**	**0**	**241,420**	**103,735**	**57,513**	**13.5%**	**7,367**
Cedars-Sinai Medical Center	6.4			Basic	51	83,860	4,275	13,084	22,821	17,660	26,020	**30.9%**	199
Community Hospital of Huntington Park	7.0			Basic	14	37,092	626	1,779	14,103	11,335	5,009	**11.4%**	84
Los Angeles Community Hospital	7.3			Standby	3	8,641	612	1,792	2,554	1,711	1,970	**39.1%**	0
Glendale Adventist Medical Center	7.5			Basic	36	48,310	336	5,105	13,008	14,200	15,661	**28.5%**	515
East Los Angeles Doctors Hospital	7.8			Basic	8	17,429	218	2,535	6,000	4,471	2,105	**12.0%**	18
Kaiser - West Los Angeles	8.0			Basic	53	64,056	220	8,266	43,295	9,934	2,341	**9.0%**	871
Brotman Medical Center	8.9			Basic	27	25,564	3,910	8,671	4,793	3,729	4,461	**25.1%**	185
Garfield Medical Center	10.1			Basic	21	24,518	489	2,048	6,759	6,778	8,444	**23.7%**	522
Alhambra Hospital Medical Center	10.2			Basic	8	17,395	359	1,881	6,134	3,233	5,788	**18.7%**	226
Monterey Park Hospital	10.7			Basic	6	14,506	375	1,903	4,894	4,314	3,020	**13.4%**	572
Centinela Hospital Medical Center	12.3			Basic	44	63,772	2,260	7,326	13,952	21,038	19,196	**21.8%**	1
Huntington Memorial Hospital	12.6			Basic	34	59,982	3,317	6,171	16,312	21,857	12,325	**27.3%**	322
Ronald Reagan UCLA Medical Center	12.6			Comprehensive	33	42,016	4,641	4,522	8,525	10,763	13,565	**21.2%**	4
Santa Monica - UCLA Medical Center & Orthopaedic Hospital	14.3			Basic	21	38,244	5,096	5,140	9,528	10,235	8,245	**17.5%**	5
TOTAL					**675**	**1,102,137**	**54,569**	**196,468**	**414,098**	**244,993**	**185,663**	**17.6%**	**10,891**

Source: OSHPD Alirts Annual Utilization Reports

- In 2013, the Hospital had 15,580 visits, accounting for 11% of the total visits among primary service area hospitals (nearly 146,000 total visits); and

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

- Primary and secondary service area emergency departments had nearly 7,400 hours of diversion[24] with approximately 4,200 of these hours attributable to Kaiser – Los Angeles. The Hospital did not have hours of diversion emergency department traffic in 2013; and

- In 2013, approximately 14% of primary and secondary service area emergency department visits resulted in an inpatient admission. The Hospital had the highest emergency department admission rate of the primary and secondary service area hospitals (28%).

[24] A hospital goes on diversion when there are not enough beds or staff available in the emergency room or the hospital itself to adequately care for patients. When a hospital goes on diversion, it notifies area Emergency Medical Services units so that they can consider transporting patients to other hospitals that are not on diversion.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2013, the Hospital's emergency department was operating at 97% of its 8-bed capacity. Emergency department capacity at other area facilities is also very high, with service area hospitals operating at an aggregate rate of approximately 88%.

EMERGENCY DEPARTMENT CAPACITY 2013								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
St. Vincent Medical Center	**-**	**X**	**PSA**	**Standby**	**8**	**15,580**	**16,000**	**420**
Silver Lake Medical Center - Downtown	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	Basic	12	30,425	24,000	(6,425)
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-
White Memorial Medical Center	2.6	X	SSA	Basic	28	51,892	56,000	4,108
California Hospital Medical Center	3.3	X	PSA	Basic	27	66,348	54,000	(12,348)
Hollywood Presbyterian Medical Center	3.0	X	SSA	Basic	20	33,456	40,000	6,544
PSA SUB-TOTAL					**95**	**197,701**	**190,000**	**(7,701)**
Children's Hospital of Los Angeles	3.0	X	SSA	Basic	39	66,319	78,000	11,681
LAC+USC Medical Center	4.5	X	SSA	Comprehensive	106	167,052	212,000	44,948
Keck Hospital of USC	5.0	X	SSA	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	Basic	15	29,945	30,000	55
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center	5.9	X	SSA	Basic	16	24,201	32,000	7,799
Kaiser - Los Angeles	9.1	X	SSA	Basic	45	71,534	90,000	18,466
PSA + SSA SUB-TOTAL					**316**	**556,752**	**632,000**	**75,248**
Cedars-Sinai Medical Center	6.4			Basic	51	83,860	102,000	18,140
Community Hospital of Huntington Park	7.0			Basic	14	37,092	28,000	(9,092)
Los Angeles Community Hospital	7.3			Standby	3	8,641	6,000	-2,641
Glendale Adventist Medical Center	7.5			Basic	36	48,310	72,000	23,690
East Los Angeles Doctors Hospital	7.8			Basic	8	17,429	16,000	-1,429
Kaiser - West Los Angeles	8.0			Basic	53	64,056	106,000	41,944
Brotman Medical Center	8.9			Basic	27	25,564	54,000	28,436
Garfield Medical Center	10.1			Basic	21	24,518	42,000	17,482
Alhambra Hospital Medical Center	10.2			Basic	8	17,395	16,000	(1,395)
Monterey Park Hospital	10.7			Basic	6	14,506	12,000	-2,506
Centinela Hospital Medical Center	12.3			Basic	44	63,772	88,000	24,228
Huntington Memorial Hospital	12.6			Basic	34	59,982	68,000	8,018
Ronald Reagan UCLA Medical Center	12.6			Comprehensive	33	42,016	66,000	23,984
Santa Monica - UCLA Medical Center	14.3			Basic	21	38,244	42,000	3,756
TOTAL					**675**	**1,102,137**	**1,350,000**	**247,863**

Source: OSHPD Alirts Annual Utilization Reports, 2013

- Three primary and secondary service area hospitals, Good Samaritan Hospital, California Hospital Medical Center, and Glendale Memorial Hospital and Health Center, ran over or at capacity in 2013 (127%, 123%, and 100%, respectively);

- Any reduction in emergency treatment stations and services at the Hospital and primary and secondary service area hospitals could impact the availability and accessibility of emergency services.

Multi-Organ Transplantation in Los Angeles County

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

The Hospital is one of six facilities in Los Angeles County that provides kidney transplant services, including Children's Hospital of Los Angeles, Keck Hospital of USC, Cedars-Sinai Medical Center, Ronald Reagan UCLA Medical Center, and Harbor-UCLA Medical Center. As of December 2013, the six facilities had a combined total of 4,658 kidney transplant candidates. The Hospital's 328 candidates made up approximately 7% of the total number of candidates.

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

KIDNEY TRANSPLANT CENTERS IN LOS ANGELES COUNTY: FY 2013

Name of Facility	Miles from Hospital	Number of Candidates	Transplant Rate Among Candidates[1]	Expected Transplant Rate[2]	Waitlist Mortality Rate	Expected Waitlist Mortality Rate	1 Year Post-Transplant Outcomes[3]
St. Vincent Medical Center	-	328	0.14	0.15	0.05	0.05	96%
Children's Hospital of Los Angeles	3.0	23	0.72	0.59	0.00	0.01	100%
Keck Hospital of USC	5.0	766	0.17	0.16	0.04	0.05	98%
Cedars-Sinai Medical Center	6.4	1,039	0.20	0.16	0.05	0.05	97%
Ronald Reagan UCLA Medical Center	10.3	2,178	0.13	0.17	0.04	0.05	98%
Harbor-UCLA Medical Center	17.0	324	0.10	0.16	0.04	0.04	100%

Source: Scientific Registry of Transplant Recipients, 2013

[1] Number of candidates who received a transplant divided by the person-years observed at the program

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

[3] Adult patient survival rate

In addition to kidney transplantation, the Hospital, Ronald Reagan UCLA Medical Center, Keck Hospital of USC, and Cedars-Sinai Medical Center also provide kidney/pancreas double transplant services. As of December 2013, the four facilities had a combined total of 65 kidney/pancreas transplant candidates. The Hospital's seven candidates made up approximately 11% of the total number of candidates.

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

KIDNEY/PANCREAS DOUBLE TRANSPLANT CENTERS IN LOS ANGELES COUNTY: FY 2013

Name of Facility	Miles from Hospital	Number of Candidates	Transplant Rate Among Candidates[1]	Expected Transplant Rate[2]	Waitlist Mortality Rate	Expected Waitlist Mortality Rate	1 Year Post-Transplant Outcomes[3]
St. Vincent Medical Center	-	7	97.2	27.0	0.0	6.3	85%
Keck Hospital of USC	5.0	25	14.3	38.7	9.5	6.0	100%
Cedars-Sinai Medical Center	6.4	6	107.5	39.0	7.5	6.7	90%
Ronald Reagan UCLA Medical Center	10.3	27	9.5	33.4	11.5	6.8	100%

Source: Scientific Registry of Transplant Recipients, 2013

[1] Number of candidates who received a transplant divided by the person-years observed at the program

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

[3] Adult patient survival rate

As part of the end-stage renal disease program, the Hospital offers dialysis services at the St. Vincent Dialysis Center. Within the Hospital's primary service area, there are four dialysis

centers, including DaVita Los Angeles Downtown Dialysis Center, DaVita Washington Plaza Dialysis Center, DaVita Wilshire Dialysis Center, and the Kidney Center of Los Angeles. Additionally, there are six dialysis centers within the Hospital's secondary service area, including the following: Baldwin Hill Dialysis Center, Children's Hospital Los Angeles Dialysis Center, DaVita Hollywood Dialysis Center, DaVita Los Angeles Dialysis Center, DaVita University Park Dialysis Center, and DaVita USC Kidney Center.

SUMMARY OF INTERVIEWS

In August, November, and December of 2014, both in-person and telephone interviews were conducted with representatives of the Hospital, Daughters, DCHS Medical Foundation, and Prime, as well as physicians, Los Angeles County representatives, health plan representatives, hospital employees, union representatives, and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed change in governance and control of the of ownership and operations from Ministry and Daughters to Prime Inc. and Prime Foundation. 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 why a transaction was necessary, including the following:

- Without the transaction, Daughters and the Health Facilities, including the Hospital, would not be able to sustain their current operations and would likely be forced into insolvency and bankruptcy. Bankruptcy could potentially lead to the reduction of services or the closure of the Health Facilities, thereby reducing community access to medical care and increasing demand on other area emergency rooms and hospitals;

- Given Daughters' critical role in providing healthcare for the poor and elderly in the communities served by the Health Facilities, without a transaction, these communities could be at risk of losing key services that are essential for the uninsured, under-insured, and elderly patient populations;

- Daughters does not have the financial resources required to repay outstanding debt, including the repayment of the 2005 and 2014 Bonds. Additionally, Daughters is unable to provide financial support for the protection of the underfunded pension plans, and is also unable to provide the necessary capital required at all of the Health Facilities. The interests of patients, the community, physicians, and employees are best met by finding a suitable health system to assume control of Daughters and the Health Facilities, including the Hospital;

- Almost all interviewed believed that a change in governance and operation is necessary to keep the Health Facilities, including the Hospital, from eliminating services or closing;

- Some interviewed believed that the Health Facilities needed to be sold as a group rather than individually, stating some of the following reasons:

    - Individual sale of the Health Facilities may result in the closure of some of Daughters' hospitals or reduced services;

- The Health Facilities are an obligated group for liabilities associated with the bonds and pension plans;
- Daughters' commitment to services and patients is more likely to continue with a single buyer;
- Selling individual Health Facilities is more complex and would not result in the highest value; and
- The timing required to sell individual Health Facilities would extend beyond the time that Daughters could financially sustain losing operations.

Importance of the Hospital to the Community

According to all those who were interviewed, the Hospital is an important provider of specialty and tertiary healthcare services to both the local community and surrounding communities. Interviewees believed that the Hospital is especially important to the local community for its emergency services. Some of the programs and services that were mentioned as important include the following:

- Emergency services;
- Oncology services;
- Nephrology services;
- Rehabilitation services;
- Neurology, neurotology, and neurosurgery services;
- Multi-organ transplant services, including kidney and kidney/pancreas transplants;
- Joint replacement services;
- Orthopedics and spine care; and
- Cardiac services.

The Hospital serves a higher percentage of elderly patients compared to most hospitals and provides important transportation services for the elderly and infirm for hospital appointments and follow-up visits.

While the majority of those interviewed believed that all or most of the hospital programs and services were important, a small minority of those interviewed believed that there were enough hospital alternatives in the community that closing the Hospital would not have a significant impact on availability and accessibility of healthcare services.

Selection of Prime & Prime Foundation for the Proposed Transaction

Members of the Hospital's management team and of St. Vincent's Board who were interviewed explained that a number of factors were involved in finalizing the selection of Prime. While three other alternatives for a potential buyer were considered amongst the final bids, these offers were not believed to provide the same level of benefits and assurances as Prime. Some of the factors that resulted in the selection of Prime that were cited in the interviews include the following:

- Commitment to continue the operations of the Health Facilities as general acute care hospitals;
- Commitment to retain services at the Health Facilities;
- Commitment to $150 million in capital investment;
- Ability to assume all debt and bond obligations;
- Ability to assume responsibility to fully fund the pension plans;
- Commitment to retain the CBAs of the employees at each of the Health Facilities;
- Ability of Prime Inc. to operate the Health Facilities efficiently and profitably;
- Prime's enhanced financial support and access to capital; and
- Ability to negotiate better contracts.

The majority of those interviewed from the community and Hospital's management and medical staff were supportive of the proposed transaction and the selection of Prime. Additionally, most people also conveyed an overall understanding and knowledge of the pressing financial issues and the necessity for Daughters to engage in a transfer of ownership and operation for the system and its related facilities in order to become financially sustainable, fund the pension obligations, retire outstanding bond debt, avoid bankruptcy filings, and ensure continued operations of the Health Facilities.

While most of those interviewed, including employees that were members of unions, believed that Prime was the best selection under the circumstances and the organization most likely to meet the aforementioned factors, many of these individuals also expressed concerns regarding the potential effects that the proposed transaction could have on the Hospital if the transaction were approved. Some of the concerns with the selection of Prime included the following:

- Prime Inc. may reduce necessary staffing and other types of expenses, which in turn, could have a negative impact on the quality and delivery of patient care;
- Prime Inc. may reduce or eliminate certain services that could negatively impact the accessibility and availability of these types of services for the populations served by the

Hospital;

- Prime Inc. may not have the same commitments as Daughters to Emergency Department on-call coverage, medical directorships, medical staff relations, employees, union contracts, charity care, community benefit programs, etc.; and

- Prime would emphasize and expand the Hospital's Emergency Department to increase volume. Some physicians viewed this as favorable and necessary for the Hospital to be successful. Other physicians were concerned that it would diminish the Hospital's position as a tertiary care provider if it were to operate as a primary care community based hospital instead of a regional tertiary center.

Views of National & Regional Health Plan Representatives

The majority of health plan representatives expressed that they had strong, long-lasting relationships with Daughters. Their views are divided into two categories below: views from the larger, national health plans whose membership is primarily insured by commercial health products, and views from representatives of health plans that are regional, with a focus on lower-income Medi-Cal and dual Medicare/Medi-Cal eligible patient populations.

The commercial-focused health plans stated that their relationships with Daughters have always been strong. These commercial plans tend to believe that there are alternatives to the Hospital, and therefore, are less concerned with the effects of the transaction on their membership. Despite some uncertainty regarding the reputation of Prime as being uncooperative in contract negotiations, they believe they would be able to establish a contractual relationship with Prime.

The views of representatives from more locally-based health plans were different as they expressed significant concern surrounding the selection of Prime. These payers are concerned that rate increases and other changes by Prime could impact managed care and integrated delivery models, and reduce provider choice, patient access, and service availability.

Some health plan representatives cited the controversy surrounding Prime that has been reported in the press that includes questions about its coding practices. Others expressed concern about whether Prime will accept reasonable capitation payments for hospital services as are currently in place. A serious issue mentioned in a number of interviews concerned Prime's reported history of alienating physicians that had privileges at the newly acquired hospitals. All of those interviewed emphasized the importance of preserving the scope of services as well as the breadth of providers at each of the Health Facilities.

Views of County of Los Angeles Representatives

County of Los Angeles representatives expressed that although the Hospital's Emergency Department has only eight emergency stations and is designated as "standby," it still plays an important role in serving the surrounding communities. The Hospital's Emergency Department has recently completed construction of the necessary overhang and separate ambulance entrance, and is currently awaiting necessary OSHPD approval to become a 911 Receiving Hospital and

obtain "basic" emergency department designation. County representatives believed these additional capabilities and designation could result in approximately 20 ambulance runs per day or approximately 7,500 additional visits to the Emergency Department over the course of the year. Furthermore, County representatives believed that if the Hospital's emergency services were to close, other nearby hospitals would likely be able to accommodate the influx of additional patients.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the change of governance would lead to some level of change in regard to access and/or availability of certain services. While many believed that the transaction was necessary and that Prime was in fact the best selection among the final proposals, it was also believed that there would be reductions and even elimination of some unprofitable or unfavorable services at the Health Facilities. However, a number of those interviewed who supported the selection of Prime also felt that the selection of Prime would have a negative overall impact on the availability or accessibility of some specialty services that could negatively affect the residents served by the Hospital.

It was also believed that Prime may cancel managed care contracts, which in turn would create access issues for lower-income patients the Hospital currently serves, such as for managed care Medi-Cal and dually eligible Medicare/Medi-Cal patients.

Alternatives

The majority of those interviewed believed that the transaction and the selection of Prime was necessary and that there were no other alternatives for Daughters in order to avoid insolvency and bankruptcy and to ensure the full protection of the Church and Multi-Employers Plans for the non-union and unionized employees. Most believed that if Daughters went into bankruptcy, services would be curtailed, some of the Health Facilities could close, and some employee pension funds would be lost. Interviewees were particularly concerned that the Hospital would be among the most likely to close since the Hospital's service area has many hospitals and an excess supply of beds. Additionally, most individuals believed Prime's offer was the strongest and provided the highest level of confidence in terms of the assumption and funding of the pension liabilities, continuation of the Health Facilities as general acute care hospitals, and future financial sustainability of the Health Facilities and their operations.

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

Importance of the Hospital to the Community

The Hospital is an important provider of comprehensive inpatient and outpatient care, including specialty surgical services to the surrounding communities. The Hospital also provides tertiary care services to a significant number of patients residing in communities outside of the primary and secondary service area. Many of the Hospital's specialty services and programs are built around providing treatment for renal and other chronic diseases. The Hospital offers nephrology and end-stage renal disease program services, including both inpatient and outpatient dialysis services. The Hospital is also important for its provision of emergency services, oncology services, cardiac services, multi-organ transplant services, and orthopedics services, including total joint replacement and spine care, as well as other programs and services.

In addition to the provision of these services, the Hospital is also an important provider of acute rehabilitation services for the Medi-Cal and Medicare populations.

Continuation as a General Acute Care Hospital

In the Definitive Agreement, Prime states that it will continue to maintain the Hospital as a general acute care facility for a minimum of five years, subject to availability of physicians necessary to support these services. Additionally, Prime states this commitment shall also be subject to any changes that are deemed necessary, based on community needs, market demand, and the financial viability of such services.

The terms of the Definitive Agreement anticipate that there could be a reduction, or even elimination, of some programs and/or services that are currently offered at the Hospital. According to Prime, Prime will maintain the Hospital's services and provide the same levels of charity care and community benefit services.

Emergency Services

The Hospital is an important provider of emergency services to the residents of the surrounding communities. With only eight emergency beds but over 15,000 visits reported for 2013, the Hospital's Emergency Department operates at 97% capacity, based on a standard of 2,000 visits per station per year. Emergency departments at other area facilities are also greatly overburdened, with Good Samaritan Hospital (127%), California Hospital Medical Center (123%), and Glendale Memorial Hospital and Health Center (100%) running at capacity or over capacity. Approximately 40% of the Hospital's admissions come through the Hospital's Emergency Department.

Over the last several years, the Hospital has been in the process of constructing the necessary overhang and separate ambulance entrance that are required in order to have ambulance receiving capability and to be classified as a "basic" emergency department. The Hospital

recently completed the construction, and is currently awaiting OSHPD approval, anticipating a decision in early 2015. The Hospital forecasts that upon OSHPD approval, the Emergency Department will have an average daily census of between 60-70 patients per day, 20 of which will be as a result of ambulance transport. This addition of patients will significantly increase the need for emergency and inpatient beds. While there is sufficient inpatient capacity, the number of emergency department stations will need to increase to handle the additional patient volume.

Additionally, as a result of the ACA and California's participation in Medi-Cal expansion, more individuals are now eligible for healthcare coverage, and this, along with a growing shortage of primary care physicians and other factors, is expected to further increase emergency department utilization in the service area. Therefore, keeping the Hospital's Emergency Department open is critical to providing adequate emergency services in the primary and secondary service area.

Medical/Surgical Services

With 253 licensed medical/surgical beds and an average daily census of approximately 96 patients, the Hospital is an important provider of medical/surgical services. However, the Hospital's primary and secondary service areas are highly concentrated with medical/surgical beds, and the Hospital does not have a large market share presence as a result. The Hospital's occupancy rate (38%) and occupancy rates of other service area hospitals are relatively low with an aggregate occupancy rate of 54%. Silver Lake Medical Center – Downtown and Good Samaritan Hospital – Los Angeles, both located approximately one mile from the Hospital, ran at a combined occupancy rate of 42%.

If the Hospital's Emergency Department meets approval by OSHPD to become a 911 Receiving Hospital and "basic" emergency department, the Hospital's overall average daily census is expected to rise starting in early 2015, thus potentially increasing utilization of the available medical/surgical beds.

Intensive Care/Coronary Care Services

The Hospital is licensed for 67 intensive care beds that run at an occupancy rate of only 15%. Additionally, in 2013, Silver Lake Medical Center – Downtown and Good Samaritan Hospital – Los Angeles, both located within one mile of the Hospital, had a combined occupancy rate of only 33%.

Although the average daily census is low, the provision of intensive care/coronary care services is important for the high-risk specialty services and procedures that the Hospital provides (e.g., multi-organ transplant procedures). Further, the Hospital anticipates an increase in volume upon approval as an ambulance receiving center and designation as a "basic" emergency department. Therefore, it is important that the Hospital continues the provision of intensive care/critical care services. However, the number of licensed intensive care/critical care services at the Hospital may be more than is needed based upon the availability of such services in the primary service area.

Skilled Nursing Services

The Hospital is licensed for 27 skilled nursing beds (three beds in suspense) and runs at an occupancy rate of 88%. Within the Hospital's primary and secondary service areas, three other hospitals provided an additional 205 licensed skilled nursing beds that, together with the Hospital, ran at an aggregate occupancy rate of 53% during FY 2013. In addition to the combined total of 232 skilled nursing beds provided by hospitals within the primary and secondary service areas, there are numerous long-term care facilities within the Hospital's service area that have a combined total of 2,775 skilled nursing beds, running at an occupancy rate of approximately 92%. While the long-term care facilities ran at a high occupancy rate of 92%, there are approximately 230 available beds within the Hospital's service area. If there was any reduction or elimination of these services, the Hospital's average daily census of 24 skilled nursing patients could easily be accommodated elsewhere.

Multi-Organ Transplant Services

As part of the Hospital's end-stage renal disease program, the Hospital provides comprehensive kidney transplant services, kidney/pancreas double transplant services, and kidney peripheral services. The Hospital is one of six facilities in Los Angeles County that provides kidney transplant services, including Children's Hospital of Los Angeles, Keck Hospital of USC, Cedars-Sinai Medical Center, Ronald Reagan UCLA Medical Center, and Harbor-UCLA Medical Center. In 2013, the six facilities had a combined total of 4,658 kidney transplants, 328 of which were performed at the Hospital, making it an important provider of these services.

Orthopedics, Joint Replacement, and Spine Care Services

Named a Top 100 Best Orthopedic Program in the country, and commended for being "High Performing" by *U.S. News & World Report*, the Orthopedic Institute is an important provider of complex orthopedic procedures. In 2013, the Orthopedic Institute reported over 7,000 outpatient visits and provided patients with a wide range of services including minimally-invasive and image-guided surgical procedures. In 2013, the Hospital held the second highest orthopedic market share in the primary service area with approximately 11%. The Spine Institute provides treatment for various spinal conditions, including bulging discs, herniated discs, misalignments, pinched nerves, spine scoliosis, spinal stenosis, spinal tumors, and bone spurs. The Hospital held the second highest spine care market share in the primary service area with approximately 10% in 2013. Additionally, the Joint Replacement Institute provides services including total hip replacement, hip resurfacing, knee resurfacing, and shoulder and elbow replacement. In 2013, the Joint Replacement Institute provided services at nearly 3,500 outpatient visits.

Physical Rehabilitation Services

The Hospital's inpatient and outpatient rehabilitation services are very important to the surrounding community and play a supportive role for many of the other specialty services. The Hospital has an occupancy rate of 78% on its 19 licensed physical rehabilitation beds. Service area hospitals are running at a combined occupancy rate of nearly 37%. The Hospital provided

12% of the primary and secondary service area's rehabilitation beds in 2013. Rehabilitation services currently offered at the Hospital include neurological, orthopedic spine stabilization, sports injury rehabilitation, self-care training, and occupational, physical, and speech language therapy.

Reproductive Health Services

Some women's reproductive health services are prohibited by the Ethical and Religious Directives of the Catholic Church, including infertility treatment, elective abortions, tubal ligations, and sterilization. Upon the proposed change of control and governance, the Hospital will no longer be sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West. Therefore, the Hospital will no longer be required to adhere to the Ethical and Religious Directives. Although the Hospital does not currently offer women's reproductive health services or obstetrics, it is possible that such services, including those formally prohibited by the Ethical and Religious Directives, could be offered in the future. Currently, the Hospital's primary and secondary service areas have 261 licensed obstetric beds with an occupancy rate of 66%.

Additionally, without the Ethical and Religious Directives, physicians will no longer be prohibited from offering reproductive health services in their campus offices, and thus, could choose to start providing these types of services. According to Prime, the physicians at its other hospitals provide services that include sterilizations, access to contraception, and other reproductive health services. Prime cited that these services have been added at St. Mary's Regional Medical Center, a formerly Catholic hospital in Reno, Nevada, that was purchased by Prime in 2012.

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

Approximately 82% of the Hospital's inpatient discharges are reimbursed through Medicare (70%) and Medi-Cal (12%). The Hospital currently participates in the Medicare program and the Medi-Cal managed care program, and also has contracts for these types of patients.

Prime has made a commitment in the Definitive Agreement to keep the Hospital's Emergency Department open for at least five years in order to ensure access of services to Medicare and Medi-Cal patients. However, in order for the Medicare and Medi-Cal patients to access other key services not provided through the Hospital's Emergency Department, the Hospital must maintain its participation in both programs, as well as maintain its contractual agreements with payers. In the Definitive Agreement, Prime has not made any specific commitments regarding continued participation in the Medicare and the Medi-Cal managed care programs, nor has Prime committed to maintain current contractual agreements.

However, Prime has stated in its interview with MDS that it would be willing to accept reasonable rates for Medi-Cal managed care that were comparable to other similarly situated hospitals, and Prime is also willing to accept the Medi-Cal default rate, which is likely to be higher, if it were to not contract for Medi-Cal managed care. Additionally, Prime will also commit to accepting Medi-Cal patients for elective medical procedures, and Prime stated that it currently contracts with Medi-Cal managed care plans in all of the California counties where

Prime hospitals are located.

If the Hospital did not participate in the Medicare and Medi-Cal managed care programs, these classes of patients could be denied access to certain healthcare services, thus creating a negative impact on the availability or accessibility for these patient populations.

Effects on the Level and Type of Charity Care Historically Provided

The Hospital provides a significantly lower percentage of charity care than the statewide average (0.8% of the Hospital's gross patient revenue, as compared to 3.5% for the State of California). The Hospital has historically provided an average of approximately $605,103 per year over the five-year period between 2009 and 2013 (on a cost basis). The significantly low percentage of charity care reported at the Hospital can largely be attributed to its predominantly Medicare patient base and lack of designations as a "basic" emergency department. Prime has agreed to maintain and adhere to Daughters' current policy on charity care (or a comparable policy) for a minimum of five years. However, Prime has made no specific commitment to maintain historical levels of financial support for charity care at the Hospital.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging $1.1 million per year over the last five years (on a cost basis). The Hospital supports a significant number of community benefit programs that serve residents from the surrounding lower-income communities. Some of the Hospital's community benefit programs include the Health Benefits Resource Center, Casa de Amigos de San Vicente, Multicultural Health Awareness and Prevention Center, Community Diabetes Education Program, and the Asian Pacific Liver Center. Prime has not made any specific commitments in the Definitive Agreement to maintain the Hospital's community benefit programs at historical levels of financial support for community benefit expenditures.

A large portion of the funding for the support of community benefit programs at the Hospital is provided through several grants. Without these grants, the community benefit programs would only be maintained if alternative funding was obtained. If the current grants were not continued, or additional funding was not secured, the loss of financial support for these valuable community benefit programs could have a negative impact on the residents of the surrounding communities that utilize these programs.

Effects on Staffing and Employee Rights

Prime has agreed to continue the employment at comparable salaries, job titles, and duties, for both the unrepresented employees and unionized employees at the Hospital, DCHS Medical Foundation, and Caritas Business Services, who remain in good standing and are still employed by Daughters as of the closing date. Prime has agreed to adhere to severance obligations as defined in the written employment agreements, or if no such agreement exists, Prime will adhere to Daughters' severance pay obligations for a period of twelve months following the closing date.

In addition to the Hospital's employees, Prime has agreed to make offers of employment to Daughters' system office employees, Daughters' executives, the Health Facilities' CEOs, the DCHS Medical Foundation President and CMO, and the Caritas Business Services' Senior Directors, who remain in good standing and are still employed by Daughters as of the closing date. Prime shall offer salaries, wages, job titles, and duties that are comparable to those in place prior to the closing.

While Prime makes short-term commitments for employment, it is expected that Prime will reduce labor costs by eliminating some management and other positions within the Hospital. It is also expected that the number of employees will be reduced unless the Hospital's patient volume increases. Additionally, Prime is viewed as a tough negotiator of union agreements and as a result, employees may experience changes to salaries, wages, and benefits when many of the union contracts expire in 2015.

Effects on Medical Staff

There are possible changes that may occur to the Hospital's current medical staff. Prime has not made any specific commitments in the Definitive Agreement to maintain physician contracts or the Hospital's medical staff. Additionally, Prime has not made any specific commitments to maintain the medical staff officers or the department or committee chairs/heads or vice-chairs/heads of the Hospital's medical staff.

Alternatives

Upon evaluation of the final four bids, the Daughters' Board, Ministry's Board, and St. Vincent's Board did not believe that other alternatives offered the same advantages as Prime's offer in terms of ability to repay Daughters' outstanding bond debt, assume and fully fund the pensions, and financially sustain and operate the Health Facilities.

If the proposed transaction were not approved, Daughters would be forced to consider other options. It is possible that a previously submitted and negotiated Definitive Agreement could be entered into with one of the other final bidders; however, it may not meet the same terms and commitments currently proposed by Prime. However, these alternatives may negatively impact the pension plans, the provision of services at the Health Facilities, and the levels and types of community benefits and charity care provided, among other possible impacts, dependent upon the commitments specified by these organizations.

As a result of Daughters' current pressing financial situation, the majority of those interviewed believed bankruptcy would occur, resulting in the possible reduction of services or closure of some of the Health Facilities. Bankruptcy could have a very negative impact on employees, employee pensions, creditors, and the services offered to the community. The Hospital may be among the Health Facilities that would be more likely to close or reduce services because of its weak market position and poor financial performance.

CONCLUSIONS & RECOMMENDATIONS

Daughters contends the proposed Definitive Agreement and change in governance and control of Daughters and St. Vincent will help ensure continued operation of the medical services offered at the Hospital and avoid bankruptcy.

Potential Conditions for Transaction Approval by the California Attorney General

If the California Attorney General approves the proposed transaction, Medical Development Specialists, LLC, 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) The Hospital shall maintain and expand emergency medical services as follows:

    a. At a minimum, continue 8 emergency treatment stations;
    b. Obtain approval to meet structural requirements set forth by OSHPD in order to become a 911 Receiving Hospital and achieve "basic" emergency department designation;
    c. Upon OSHPD approval, meet and maintain the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals for at least five years; and
    d. Expand emergency services to include at least 16 emergency treatment stations.

3) For at least five years from the closing date of the transaction, the Hospital shall maintain the following services at current licensure, types, and/or levels of services:

    a. Acute rehabilitation services;
    b. Intensive care/critical care services, including a minimum of 46 licensed intensive care beds;
    c. Cardiac services, including cardiac surgery and a minimum of four cardiac catheterization labs;
    d. Cancer services, including radiation and infusion therapy;
    e. Gastroenterology services;
    f. Imaging and laboratory services;
    g. Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments;
    h. Neurology and neurotology services, including neurosurgery;
    i. Orthopedics, joint replacement, and spine care services;
    j. Transplant services, including multi-organ transplant procedures for kidney and kidney/pancreas double transplants; and
    k. Rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds.

4) For at least five years from the closing date of the transaction, the Hospital shall maintain the St. Vincent Dialysis Center at the same type and/or level of services;

5) For at least five years, the Hospital shall retain the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation):

    a. Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles;
    b. Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles;
    c. Spine Institute, located at 2200 West 3rd Street in Los Angeles;
    d. Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and
    e. Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles.

6) 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 $603,105 (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 Los Angeles-Riverside-Orange County, California;

7) For at least five years from the closing date of the transaction, the Hospital shall continue to expend an average of no less than $1,119,721 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles-Riverside-Orange County, California. The following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services currently being provided:

    a. Health Benefits Resource Center;
    b. Casa de Amigos de San Vicente;
    c. Multicultural Health Awareness and Prevention Center;
    d. Community Diabetes Education Program;
    e. Asian Pacific Liver Center;
    f. Patient Transportation

8) 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 contracts:

a. Local initiative plan with LA Care Health Plan; and
b. Commercial Medi-Cal managed care with Health Net.

9) 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.

10) Prime shall maintain privileges for current medical staff members at the Hospital who are in good standing as of the closing date of the transaction. Further, the closing shall not change the medical staff officers, committee chairs, or independence of the Hospital's medical staff, and those such persons shall remain in good standing for the remainder of their tenure;

11) Prime shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070);

12) Within three years, Prime shall commit the necessary capital investment required to refurbish the Hospital's elevators in order to meet the City of Los Angeles' Elevator Code; and

13) Prime must comply with the $150 million "Capital Commitment" set forth in section 7.9 of the Definitive Agreement.

APPENDICES

List of Interviewees

Last Name	First Name	Position	Affiliation
Azurin, MD	Narciso	President	Angeles IPA
Barrett	William	Vice Chair, SVMC Board of Directors	St. Vincent Medical Center
Battles	Stephanie	Vice President, Human Resources	Daughters of Charity Health System
Casillas-Sanchez	Leticia	Program Officer	First 5 LA
Chidester	Cathy	Assistant Director	County of Los Angeles Emergency Medical Services
Clay	Stanley	Representative	Service Employees International Union
Desi	Tony	Director, Operating Room	St. Vincent Medical Center
Detrano	Denise	Attorney	State of California
Diedrich	Dee	Chief Medical Officer	Daughters of Charity Health System
El Asmar, MD	Imad	Internal Medicine	St. Vincent Medical Center
Enriquez	Manny	Field Vice President, Contracting	Humana
Ferrari	Lisa	Regional Vice President, Southern California	Anthem Blue Cross of California
Fickes	Cathy	President & CEO	St. Vincent Medical Center
Fishbach, MD	Ronald	Infectious Diseases	St. Vincent Medical Center
Forrester	Shawn	Vice President, Network Management	Aetna
Gammage-Rogers	Jacqueline	Representative	California Nurses Association
Garko	Mike	CFO	St. Vincent Medical Center
Heather	Mike	Chief Financial Officer	Prime Healthcare Services, Inc.
Hernandez, MD	Sergio	Emergency Medicine	St. Vincent Medical Center
Hines	Barbara	CEO	Queens Care
Isaai	Robert	President & CEO	Daughters of Charity Health System
Itagaki, MD	Brian	Orthopedics Surgery	St. Vincent Medical Center
Javidi	Mitra	Regional Network Director	Health Net Community Solutions
Jivrajka, MD	Vinod	President	AppleCare Medical Group
Kahn, MD	Brian	Chief of Staff	St. Vincent Medical Center
Kaslow	Vivian	Consultant	Kaslow Consulting Services, Inc.
Leal	Jesus	Director, Casa de Amigos Community Center	St. Vincent Medical Center
Lee	Donzela	Policy Director	Community Health Councils
McCurdy	Judy	CNO	St. Vincent Medical Center
Melikian	Annie	Chief Financial Officer	Daughters of Charity Health System
Montegrande, MD	Faye	Cardiology	St. Vincent Medical Center
Pak	Erin	CEO	KHEIR Center
Pakuckas	Paul	Regional Vice President, Solutions Medicaid California	Anthem Blue Cross of California
Papouchian	Arminé	Vice President, Network Management	Blue Shield of California
Patel	Paryus	Corporatet Chief Medical Officer	Prime Healthcare Services, Inc.
Rabin	Gaynor	Director, Managed Care	Daughters of Charity
Reddy, MD, FACC, FCCP	Prem	Chairman, President, & CEO	Prime Healthcare Services, Inc.
Rindenau, MD	Jay	Anesthesiology	St. Vincent Medical Center
Rossato	Sandra	Executive Director	Clínica Monseñor Oscar A. Romero
Schell	Troy	General Counsel	Prime Healthcare Services, Inc.
Schwefler	Ernie	Regional Vice President, California	Anthem Blue Cross of California
Scott	Steve	Vice President, Payor Solutions	Anthem Blue Cross of California
Shabanian	Tina	Director, Provider Contracting and Specialty Networks	Blue Shield of California
Shelvy	Sister Marjorie	Board Secretary, SVMC Board of Directors	St. Vincent Medical Center
Siebert	Greg	Vice President, Network Management	United HealthCare
Slattery, MD	Willian	House Clinic	St. Vincent Medical Center
Smith	Liz	Board Member, St. Vincent Foundation Board of Directors	St. Vincent Medical Center
Stein	Jan	Vice President & Executive Director, St. Vincent Foundation	St. Vincent Medical Center
Takahashi, MD	Patrick	Gastroenterology	St. Vincent Medical Center
Tschirhart, MD	Donald	Pathology	St. Vincent Medical Center
Van Duine, Sr.	Paul	Director, Provider Network Operations and Strategy	LA Care Health Plan
Wallace	John	Chief Operating Officer	LA Care Health Plan
Wallerstein	Ernie	President & CEO	DCHS Medical Foundation
Walters	Bob	Vice President, Facilitites Planning & Development	Daughters of Charity Health System
Weinstein	Diane	Senior Associate, General Counsel	Anthem Blue Cross of California
White	Brendan	Legal Counsel	California National Nurses Association
Wild	Sam	Board Member, St. Vincent Foundation Board of Directors	St. Vincent Medical Center

Hospital License

License: 930000161
Effective: 01/01/2014
Expires: 12/31/2014
Licensed Capacity: 366

State of California
Department of Public Health

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

this License to

Saint Vincent Medical Center

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

SAINT VINCENT MEDICAL CENTER
2131 W 3rd St
Los Angeles, CA 90057-1901

Bed Classifications/Services
339 General Acute Care
67 Intensive Care
19 Rehabilitation
253 Unspecified General Acute Care
27 Skilled Nursing (D/P)

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

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)569-3724
POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 930000161
Effective: 01/01/2014
Expires: 12/31/2014
Licensed Capacity: 366

SAINT VINCENT MEDICAL CENTER (Continued)
2131 W 3rd St
Los Angeles, CA 90057-1901

Other Approved Services (cont'd)
Standby Emergency Medical Services

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

Shirley Singleton, RN, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

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