

**Effect of the Master Formation Agreement between
Adventist Health System/West and St. Joseph Health
System on the Availability and Accessibility of Healthcare
Services to the Communities Served by
Adventist Health Ukiah Valley and Adventist Health
Howard Memorial**

Prepared for the Office of the California Attorney General

June 14, 2019

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Introduction & Purpose

JD Healthcare, Inc. was retained to prepare healthcare impact statements for the Office of the California Attorney General to assess the potential impact of the proposed Master Formation Agreement, by and between Adventist Health System/West and St. Joseph Health System, on the availability and accessibility of healthcare services to the communities served by Adventist Health Ukiah Valley and Adventist Health Howard Memorial. Adventist Health System/West (“Adventist Health”), is a California nonprofit religious corporation with general acute care hospitals serving patients in California, Oregon and Hawaii. Adventist Health operates general acute care facilities in California, Hawaii and Oregon as well as clinics, home health agencies, and retirement centers. St. Joseph Health System (“St. Joseph Health”), is a California nonprofit public benefit corporation that is part of an integrated Catholic healthcare delivery system sponsored by the St. Joseph Health Ministry. St. Joseph Health’s operations serve numerous communities throughout California and includes ten acute care hospitals located within the state. St. Joseph Health is the sole member of St. Joseph Health Northern California, LLC, a charitable California limited liability company, which operates the health facilities participating in the proposed transaction.

St. Joseph Health and Adventist Health seek to enter into a Master Formation Agreement to create a Joint Operating Company (“JOC”) named ST Network, LLC¹ (“Sacred Trust Network”) and have requested the California Attorney General’s consent. The Sacred Trust Network aspires to be an integrated delivery network consisting of the health care facilities, entities, and businesses currently owned and/or operated by either Adventist Health or St. Joseph Health within the counties of Humboldt, Lake, Mendocino, Napa, Solano, and Sonoma (“Sacred Trust Region”).

The Adventist Health healthcare entities (“Adventist Health Participating Entities”) included in the Sacred Trust Network are as follows:

1. Adventist Health Clearlake Hospital (“Adventist Health Clear Lake”);
2. Willits Hospital, Inc. (“Adventist Health Howard Memorial”);
3. St. Helena Hospital (“Adventist Health St. Helena”);
4. St. Helena Hospital for Behavioral Health (“Adventist Health Vallejo”);
5. Ukiah Adventist Hospital (“Adventist Health Ukiah Valley”); and
6. Western Health Resources².

The St. Joseph Health healthcare entities (“St. Joseph Health Participating Entities”) included in the Sacred Trust Network are as follows:

1. Queen of the Valley Medical Center;

¹ The ST Network, LLC is a California limited liability company that will be classified as a 501(c)(3) tax-exempt corporation. Adventist Health and St. Joseph Health System will be the sole members of ST Network. ST Network will be renamed Collabria Health following the closing of the proposed transaction.

² Provides home healthcare and hospice services in the Sacred Trust Region and is not subject to review from the Office of the California Attorney General.

2. Santa Rosa Memorial Hospital;
3. St. Joseph Hospital of Eureka;
4. Redwood Memorial Hospital of Fortuna; and
5. St. Joseph Home Care Network³.

While Adventist Health and St. Joseph Health will retain title and ownership of their own health facilities that are subject to the Master Formation Agreement, Sacred Trust Network will manage and have authority over each health system's participating hospitals, pursuant to the terms of the Master Formation Agreement. Adventist Health and St. Joseph Health will each appoint an equal number of members to the JOC Board.

In its preparation of this report, JD Healthcare, Inc. performed the following:

- A review of the application submitted by Adventist Health and St. Joseph Health to the California Attorney General on June 6, 2018, and supplemental information and documents subsequently provided by Adventist Health and St. Joseph Health;
- A review of press releases and news articles related to the proposed transaction and other hospital transactions;
- Interviews with community representatives, health plan representatives, representatives of Adventist Health Ukiah Valley and Adventist Health Howard Memorial's Board of Directors, medical staff, management, and employees, representatives of St. Joseph Health and Adventist Health, and others listed in the Appendix;
- An analysis of financial, utilization, and service information provided by the management of Adventist Health Ukiah Valley, Adventist Health Howard Memorial, St. Joseph Health, Adventist Health and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding Adventist Health, St. Joseph Health, Adventist Health Ukiah Valley and Adventist Health Howard Memorial:
 - Demographic characteristics and trends;
 - Payer mix;
 - Hospital utilization rates and trends;
 - Health status indicators; and
 - Hospital market share.

³ The St. Joseph Home Care Network provides physical care, emotional care, and spiritual care for patients unable to easily leave their house for medical care. Patients receive support services, medication and symptom management, and medical management for such conditions as AIDS/HIV and diabetes.

Background & Description of the Transaction

Reasons for the Master Formation Agreement

Adventist Health and St. Joseph Health's stated reasons for creating the Sacred Trust Network include aligning their shared goal of providing improved access to quality healthcare throughout the region, with an emphasis on vulnerable and underserved populations. The Sacred Trust Network seeks to create a partnership that recognizes and builds upon Adventist Health and St. Joseph Health's faith-based traditions and common values of dignity, excellence, and service. Adventist Health and St. Joseph Health believe there is significant opportunity to provide health care for patients closer to home by achieving the following:

- Concentrating on centers of excellence;
- Creating a broader and deeper value-based provider network;
- Integrating clinically across the respective hospitals and physician groups;
- Improving quality, stabilizing volume, and reducing costs;
- Expanding the provision of managed Medi-Cal services; and
- Collaborating on health information sharing and care management.

By providing improved local access to care, Adventist Health and St. Joseph Health believe the Sacred Trust Network will be able to reduce outmigration. Adventist Health and St. Joseph Health hospitals included in the Sacred Trust Network will continue to operate under their own religious mission and values and neither health system will impose its ecclesiastical precepts or policies on the other health system. Adventist Health hospitals will continue to adhere to the values of the Seventh-Day Adventist Church and St. Joseph Health's hospitals will continue to operate as Catholic institutions and be subject to the Ethical and Religious Directives ("ERDs")⁴ for Catholic healthcare services. Adventist Health hospitals will not be subject to the ERDs or Catholic teaching nor to the Saint Joseph Statement of Common Values. Adventist Health facilities shall exclusively retain the ownership of assets related to; governance responsibility for; operational management of; and revenues and expenses generated by, the provision of services that are contrary to the ERDs.

⁴ The Ethical and Religious Directives is a document that offers moral guidance based on the Catholic Church's teachings regarding various aspects of healthcare delivery. The Ethical and Religious Directives were created as a discernment tool to be used in the application of healthcare decisions regarding beginning-of-life and end-of-life issues, and to safeguard the sacredness of the physician-patient relationship.

Transaction Process & Timing

Adventist Health stated in its application to the Office of the California Attorney General that it engaged in a deliberate process to explore ways to most effectively serve its communities. As a result, Adventist Health entered into discussions with St. Joseph Health that led to a desire to form the JOC.

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

- Fall 2016 –Adventist Health and St. Joseph Health began to explore the potential for a JOC between the two organizations;
- March 14, 2017 – Adventist Health Board of Directors held a telephone meeting discussing the proposed timeline for negotiations with St. Joseph Health regarding the Sacred Trust Network;
- March 20, 2017 – Adventist Health signed the Letter of Intent regarding the formation of the JOC;
- April 19, 2017 – Members of the Strategy Committee of Adventist Health’s Board met to discuss a potential JOC and voted to approve an affiliation with St. Joseph Health;
- April 20, 2017 – Adventist Health Board of Directors met to discuss and establish a proposal for the JOC between Adventist Health and St. Joseph Health in Northern California;
- July 20, 2017 –Members of the Strategy Committee voted to approve Adventist Health’s management to negotiate a definitive agreement with St. Joseph Health;
- July 21, 2017 – Adventist Health’s Board of Directors accepted the Strategy Committee’s recommendation that management be authorized to negotiate a definitive agreement with St. Joseph Health;
- August 2017- September 2017 - Adventist Health and St. Joseph Health both conducted due diligence pertaining to JOC;
- October 18, 2017 –The Strategy Committee authorized management to finalize a transaction with St. Joseph Health;

- January 17, 2018 – Adventist Health’s Board Strategy Committee voted that management continue to complete the Master Formation Agreement with St. Joseph Health; and
- April 23, 2018 – Adventist Health informed employees, professional staff, local government and the general public of the proposed transaction.

Master Formation Agreement

The Master Formation Agreement was entered into by and between Adventist Health and St. Joseph Health April 10, 2018 and amended January 14, 2019.

The supplemental agreements, as included under the terms of the Master Formation Agreement, are listed as follows and summarized in subsequent sections:

- Operating Agreement of ST Network, LLC (“Operating Agreement”);
- Participating Ministry Agreement; and
- Participating Entity Agreement.

The proposed Master Formation Agreement contains the following major provisions:

- Under the terms of the Master Formation Agreement, Adventist Health and St. Joseph Health shall enter into a number of supplemental agreements, either concurrent with the execution of the Master Formation Agreement, or subsequent to the closing of the transaction;
- St. Joseph Health is the sole member of St. Joseph Health Northern California, LLC, a charitable California limited liability company, through which it operates a regional system of health care providers and ancillary organizations in Northern California, including the four hospitals subject to the transaction;
- Adventist Health is the sole member of each of the Adventist Health Participating Entities, through which it operates a regional health system of care providers and ancillary organizations in Northern California, including the five hospitals subject to the transaction;
- The goal of the Master Formation Agreement is to provide improved access to quality healthcare, with emphasis on those who are vulnerable, throughout the Sacred Trust Region;

- Adventist Health and St. Joseph Health seek to create a partnership that recognizes and builds upon the unique and common elements of the two faith-based health systems' traditions and the common values of dignity, excellence, and service;
- Adventist Health and St. Joseph Health envision maintaining separate hospital ministries that are each uniquely Catholic and Adventist, while integrating the respective healthcare delivery networks within the Sacred Trust Region in a way that supports the most effective and efficient delivery of population health services to the communities they serve;
- Prior to the Closing Date⁵, Adventist Health and St. Joseph Health will form a charitable California limited liability company that elects to be classified as a 501 (c)(3) tax exempt corporation to serve as the JOC for the Sacred Trust Network. Adventist Health and St. Joseph Health will each be a corporate member with equal Board representation. The respective financial interest percentages in the JOC will initially be 31% Adventist Health and 69% St. Joseph Health. This percentage calculation is based upon Adventist Health's and St. Joseph Health's historical comparative net incomes/ EBIDA⁶ from the Adventist Health Participating Entities and St. Joseph Health Participating Entities;
- The JOC shall manage and have authority over the Adventist Health Participating Entities and St. Joseph Health Participating Entities (collectively the "JOC Participants") and be subject to the terms of the Master Formation Agreement. Governance and management of the JOC Participants shall be conducted in a manner that is respectful and preserves the distinct identity, values, philosophy and tradition as either Adventist, for the Adventist Health Participating Entities, or Catholic, for the St. Joseph Health Participating Entities;
- Responsibilities of the JOC include, but are not limited to, the following:
 - The management of day-to-day affairs of the JOC Participants;
 - The ownership of healthcare services, facilities, and ministries, or assets contributed by Adventist Health and St. Joseph Health or acquired or formed by the JOC after the Effective Date⁷;
 - Membership of ownership of investment interests contributed by Adventist Health and St. Joseph Health, or acquired or formed by the JOC after the Effective Date, subject to approvals;

⁵ The Closing Date is the date defined as the consummation of the transaction.

⁶ Earnings Before Interest, Depreciation and Amortization is a measure of the earnings of a company that adds the interest expense, depreciation and amortization back to the net income number, but takes the tax expense into consideration.

⁷ The day following the Closing Date.

- As of the Closing Date, the JOC will enter into a Clinical Integration and Collaboration Agreement with St. Joseph Heritage Healthcare and Adventist Health Physician Network under which each will collaborate with the JOC and JOC Participants in the delivery of professional medical services to patients residing within the Sacred Trust Region. Furthermore, Adventist Health and St. Joseph Health intend to develop a comprehensive clinical integration physician alignment strategy for the Sacred Trust Region, including St. Joseph Heritage Network, Adventist Health Physician Network, and Adventist Health and St. Joseph Health's other medical foundation clinics, hospital-based clinics, and rural health clinics to meet the needs of the communities within the Sacred Trust Region.
- Each of JOC Participant shall preserve and retain its separate corporate existence from the Closing Date. Members of the Boards of Directors/ Trustees of each JOC Participant shall continue to be elected, appointed, and removed by the Person⁸, body or authority designated in the Corporate Documents⁹ of the JOC Participants;
- Activities of St. Joseph Health, St. Joseph Health Participating Entities, and St. Joseph Heritage Network are subject to the ERDs and Catholic teaching. The St. Joseph Health Participating Entities will continue to be Catholic institutions and affiliates of St. Joseph Health. The St. Joseph Health Participating Entities will continue to carry out the mission of St. Joseph Health and will comply with the canonical¹⁰ or civil legal obligations of St. Joseph Health. Neither the JOC nor JOC Board will exercise any control over the St. Joseph Health Participating Entities that could cause the St. Joseph Health Participating Entities to violate the mission, canonical or legal obligations of St. Joseph Health or the St. Joseph Health Participating Entities. Any assets acquired by the JOC will not be considered by that very fact to become ecclesiastical goods and will not be subject to canonical regulations regarding their administration.
 - The JOC shall not govern, manage, or effect the provision of activities and procedures that are contrary to the ERDs at Adventist Health Participating Entities;
 - If St. Joseph Health determines, in good faith, that any health program, service, procedure or other action of Adventist Health or any of the Adventist Health Participating Entities could cause any St. Joseph Health Participating Entities to

⁸ Person means any natural person, partnership, corporation, trust, association, or other legal entity.

⁹ Corporate Documents means any JOC Participants' articles of incorporation, code of regulations, delegation agreement, corporate bylaws, partnership agreement, operating agreement, and other comparable documents used to form a legal organization.

¹⁰ Canon law of the Catholic Church is the system of laws and legal principles made and enforced by the hierarchical authorities of the Catholic Church to regulate its external organization to order and direct the activities of Catholics toward the mission of the Catholic Church.

violate the ERDs or Catholic teaching, St. Joseph Health shall request Adventist Health to commence the Collaborative Process¹¹;

- Similarly, the Collaborative Process could be triggered if Adventist Health or any Adventist Health Participating Entity implements any healthcare program, service, procedure, or other action at any Adventist Health Participating Entity that could be interpreted to cause any St. Joseph Health Participating Entity to violate the ERDs or Catholic teachings;
 - If Adventist Health determines that any healthcare program, service, procedure or other action of the Sacred Trust Network, St. Joseph Health, or any of the St. Joseph Health Participating Entities could cause Adventist Health or any Adventist Health Participating Entities to violate the core values of Adventist Health or the Seventh-day Adventist Church, Adventist Health shall request the commencement of the Collaborative Process; and
 - Similarly, the Collaborative Process could be triggered if St. Joseph Health System, or any St. Joseph Health Participating Entity, implements any healthcare program, service, procedure, or other action at any St. Joseph Health Participating Entity that could be interpreted to cause any Adventist Health Participating Entity to violate the core values of Adventist Health or the Seventh-day Adventist Church.
- The JOC shall coordinate and have authority over the management of the business and affairs of the JOC Participants pursuant to the terms of the Operating Agreement to be executed and delivered by Adventist Health and St. Joseph Health as of the Effective Date. Major provisions of the Operating Agreement are included in a later section of this report;
 - The Participating Entity shall pay JOC a monthly participation fee equal to the Participating Entity's pro rata percentage of the JOC's operating expenses, as determined on an accrual basis according to GAAP¹². For purposes of calculating the participation fee, the pro rata percentage applied shall be equal to the Participating Entity's net patient revenue as a percentage of the aggregate net patient revenue of all Participating Entities. The formula by which the participation fee is determined shall be subject to revision from time to time based on the affirmative vote of a majority of the members of the JOC Board; and

¹¹ The Collaborative Process shall involve communications and meetings between up to five representatives designated by each of the members to determine or discuss disputed or proposed action including violations of Catholic teachings and/or the ERDs, or violations of the core values of the Seventh-day Adventist Church.

¹² The Generally Accepted Accounting Principles are commonly accepted ways of recording and reporting accounting information.

- The Master Formation Agreement may be terminated at any time prior to Closing by either written consent by Adventist Health and St. Joseph Health or by either health system if material breach of representation is warranted.

Operating Agreement

The Operating Agreement of Sacred Trust Network, effective as of the Effective Date, is by and among the Sacred Trust Network, St. Joseph Health, and Adventist Health, as members of the JOC (collectively, the “JOC Members”). Subject to certain reserve powers by the JOC Members, the JOC shall function as a joint operating company and shall manage and have authority over the JOC subject to the terms of the Operating Agreement. The JOC will achieve its purpose through:

- The management of the day-to-day affairs of the Adventist Health Participating Entities and the St. Joseph Health Participating Entities;
- The ownership of health care services, facilities and ministries, or assets contributed by the JOC Members or acquired by the JOC after the Effective Date, subject to such JOC Board, Member and/or Sponsor approvals as may be required by the JOC Operating Agreement;
- Notwithstanding any other provision of the Operating Agreement, the JOC shall not be permitted nor have the authority to approve, any of the following unless approved by the JOC Members and Sponsor¹³:
 - Any change to the mission, vision, philosophy or values of the JOC, the JOC owned entities or the JOC Participants;
 - Any annual capital budgets of the JOC Participants, and any material modifications or amendments thereto that would require a JOC Member to make capital contributions to the JOC Participants;
 - Any sale, transfer, or other disposition of any material real property or all or any material portion of the assets of the JOC, any JOC owned entity or any JOC Participant;
 - Any merger, consolidation, dissolution or corporate reorganization involving the JOC, any JOC owned entity or any JOC Participant;

¹³Sponsor shall mean the Co-Sponsors’ Council, the group of individuals serving Providence Ministries and St. Joseph Health Ministry, who have agreed to exercise the authority and responsibilities as the corporate member of Providence St. Joseph Health from a civil law perspective.

- The closure or surrender of any general acute care hospital license of any general acute care hospital owned by the JOC, any JOC owned entity or any JOC Participant;
 - Any change in the naming or branding of the JOC or any JOC owned entity or any JOC Participant, or their respective facilities and ministries, businesses and/or service lines;
 - Any material debt obligation of the JOC, any JOC owned entity or any JOC Participant;
 - Any alteration, amendment, restatement or repeal of any corporate document or mission statement of the JOC, any JOC owned entity or any JOC Participant; and
 - Any voluntary bankruptcy, liquidation or dissolution of the JOC, any JOC owned entity or any JOC Participant.
- A JOC Member may withdraw or resign as a member from the JOC only with the approval of the other JOC Member. If a JOC Member does withdraw or resign without such required approval, the withdrawing JOC Member shall not be entitled to receive any consideration for its membership interest, and such withdrawal shall constitute a material breach of the JOC Operating Agreement by the withdrawing JOC Member;
 - Subject to those decisions specifically reserved to one or more of the JOC Members, the Sponsor or the JOC Participants pursuant to the Articles of Organization, the JOC Operating Agreement, the Governance Matrix¹⁴ or JOC Participation Agreement¹⁵, and/or those actions or decisions for which approval of one or more of the JOC Members or the Sponsors are required, pursuant to the Articles of Organization¹⁶, the JOC Operating Agreement, the Board of Managers of the JOC (the “JOC Board”) shall have full and complete authority, power and discretion over the management of the business and affairs of the JOC, the JOC owned entities and the JOC Participants including the following:
 - Approve any change to the mission, vision, philosophy or values of the JOC, the JOC owned entities and the JOC Participants;

¹⁴ Governance Matrix is the Sacred Trust Network Sponsorship/Governance Authority Matrix as set forth in Appendix B, as adopted or amended by the JOC Board from time to time subject to the reserved rights of the Members and Sponsor.

¹⁵ JOC Participation Agreement means the agreements entered into as of the Effective Date by and between the JOC and each of the JOC Participants.

¹⁶ Articles of incorporation are a document or charter that establishes the existence of a corporation in the United States.

- Appoint and remove the president and chief executive officer of the JOC;
- Approve and adopt annual operating budgets of the JOC, the JOC owned entities and the JOC Participants, and any material modifications or amendments;
- Approve and adopt strategic plans with respect to the JOC, any JOC owned entity and the JOC Participants and any material modifications or amendments;
- Determine the services provided by the JOC, any JOC owned entity and the JOC Participants, including the authority to direct the opening, closing, expansion, reduction and/or consolidation of facilities or ministries, patient care and administrative services or other major changes in the operation of the JOC Participant;
- Approve the sale, transfer or other disposition of any real property or other material assets of the JOC, any JOC owned entity or any JOC Participant, or the merger or consolidation of the JOC, any JOC owned entity or any of the JOC Participants;
- Approve the acquisition of any real estate or any material personal property by the JOC, any JOC owned entity or any JOC Participant;
- Develop and approve the charge master and pricing, payor contracting, and contracting arrangements with payors for the services rendered by the JOC, the JOC owned entities and the JOC Participants;
- Approve and adopt the charity care and/or patient financial assistance policies and procedures for the JOC, any JOC owned entity, and the JOC Participants;
- Determine and approve the clinical policies, procedures, metrics and standards for the JOC, the JOC owned entities and the JOC Participants, subject to such approval by the applicable medical staffs as may be required under applicable medical staff bylaws;
- Approve any change in the naming or branding of the JOC, any JOC owned entity, any JOC Participant or their respective facilities and ministries, businesses and/or service lines; and
- Determine and approve the appropriate scope of decision-making authority, power and discretion to be delegated to the JOC chief executive officer, the JOC Participants and/or management of the JOC.

Participating Ministry Agreement

The Participating Ministry Agreement is made and entered into by and between Sacred Trust Network and St. Joseph Health System Northern California. Major provisions of the Participating Ministry Agreement include, but are not limited to, delegating to the JOC authority and power for the following:

- Approve and adopt annual operating and capital budgets and strategic plans with respect to the Participating Ministry¹⁷;
- Determine the services provided by the Participating Ministry, including the authority to direct the opening, closing, expansion, reduction and/or consolidation of facilities or ministries, patient care and administrative services or other major changes in the operation of the Participating Ministry;
- Approve the sale, transfer or other disposition of any material real property or other material assets of the Participating Ministry;
- Approve the transfer or issuance of any ownership or membership interest in the Participating Ministry;
- Develop and approve the charge master and pricing, the payor contracting strategy and contracting arrangements with third-party payors for the services rendered by the Participating Ministry;
- Approve and adopt the charity care and/or patient financial assistance policies and procedures for the Participating Ministry;
- Determine and approve the clinical policies, procedures, metrics and standards for the Participating Ministry, subject to such approval by the medical staffs as may be required under the applicable medical staff bylaws;
- Approve the acquisition of any real estate or any material personal property by the Participating Ministry;
- Determine and approve the appropriate scope of decision-making authority, power, and discretion to be delegated to the Participating Ministry when necessary; and

¹⁷ Participating Ministry refers to St. Joseph Health Northern California, LLC (which owns and operates Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, Redwood Memorial Hospital of Fortuna, and St. Joseph Home Care Network).

- Activities of the Participating Ministries are subject to the Directives and to Catholic teaching. The Participating Ministries will continue to be Catholic institutions and affiliates of St. Joseph Health System. The Participating Ministries will carry out the mission of St. Joseph Health and will comply with the mission, canonical or civil legal obligations of St. Joseph Health. Neither the JOC nor the JOC Board will exercise any control over the Participating Ministries which would cause the Participating Ministries to violate the mission, canonical or legal obligations of St. Joseph Health or the Participating Ministries.

Participating Entity Agreement

The Participating Entity Agreement is made and entered into by and between Sacred Trust Network and each of Adventist Health's Participating Entities. Major provisions of the Participating Entity Agreement include, but are not limited to, delegating to the JOC authority and power for the following:

- Approving and adopting annual operating and capital budgets and strategic plans with respect to Adventist Health Participating Entity;
- Determining the services provided by the Adventist Health Participating Entity, including the authority to direct the opening, closing, expansion, reduction and/or consolidation of facilities or ministries, patient care and administrative services or other major changes in the operation of the Adventist Health Participating Entity;
- Approving the sale, transfer or other disposition of any material real property or other material assets of the Adventist Health Participating Entity;
- Approving the transfer or issuance of any ownership or membership interest in the Adventist Health Participating Entity;
- Developing and approving the charge master and pricing, the payor contracting strategy and contracting arrangements with third-party payors for the services rendered by Adventist Health Participating Entity;
- Approving and adopting the charity care and/or patient financial assistance policies and procedures for the Adventist Health Participating Entity;
- Determining and approving the clinical policies, procedures, metrics and standards for the Adventist Health Participating Entity, subject to such approval by the medical staff as may be required under the medical staff bylaws;
- Approving the acquisition of any real estate or any material personal property by the Adventist Health Participating Entity;

- Determining and approving the appropriate scope of decision-making authority, power, and discretion to be delegated to the Adventist Health Participating Entity when necessary; and
- The activities of the Adventist Health Participating Entities are not subject to, and will not become subject to, the Directives, the Statement of Common Values or Catholic teaching. The Adventist Health Participating Entities will continue to be Adventist institutions and part of Adventist Health. The Adventist Health Participating Entities will carry out the mission of Adventist Health and will continue to comply with and adhere to the values, guidelines and corporate and system-wide policies of the Seventh-day Adventist Church and Adventist Health, including policies to ensure that a substantial proportion of management level employees at the Adventist Health Participating Entities are members in regular standing of the Seventh-day Adventist Church. Neither the JOC nor the JOC Board will exercise any power or control over the Adventist Health Participating Entities which would cause the Adventist Health Participating Entities to violate the beliefs, mission, or legal obligations of the Seventh-day Adventist Church, Adventist Health or the Adventist Health Participating Entities. In order to preserve the Adventist Health culture and mission, hiring at the department director level and above with respect to the Adventist Health Participating Entities shall be conducted at the respective Adventist Health Participating Entities by an individual designated by the chief executive officer of the Adventist Health Participating Entities. Policies shall be implemented to ensure that a substantial proportion of management level employees and above of the Adventist Health Participating Entities are members in regular standing of the Seventh-day Adventist Church.

Use of Net Sale Proceeds

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

Profile of Adventist Health

Adventist Health is a faith-based, nonprofit, integrated health delivery system headquartered in Roseville, California, that operates healthcare facilities located in California, Hawaii and Oregon. Adventist Health operates:

- 21 Hospitals with more than 3,100 beds;
- More than 290 clinics and outpatient centers;
- Over 60 rural health clinics;
- 13 home care agencies;
- Seven hospice agencies; and
- Four joint-venture retirement centers.

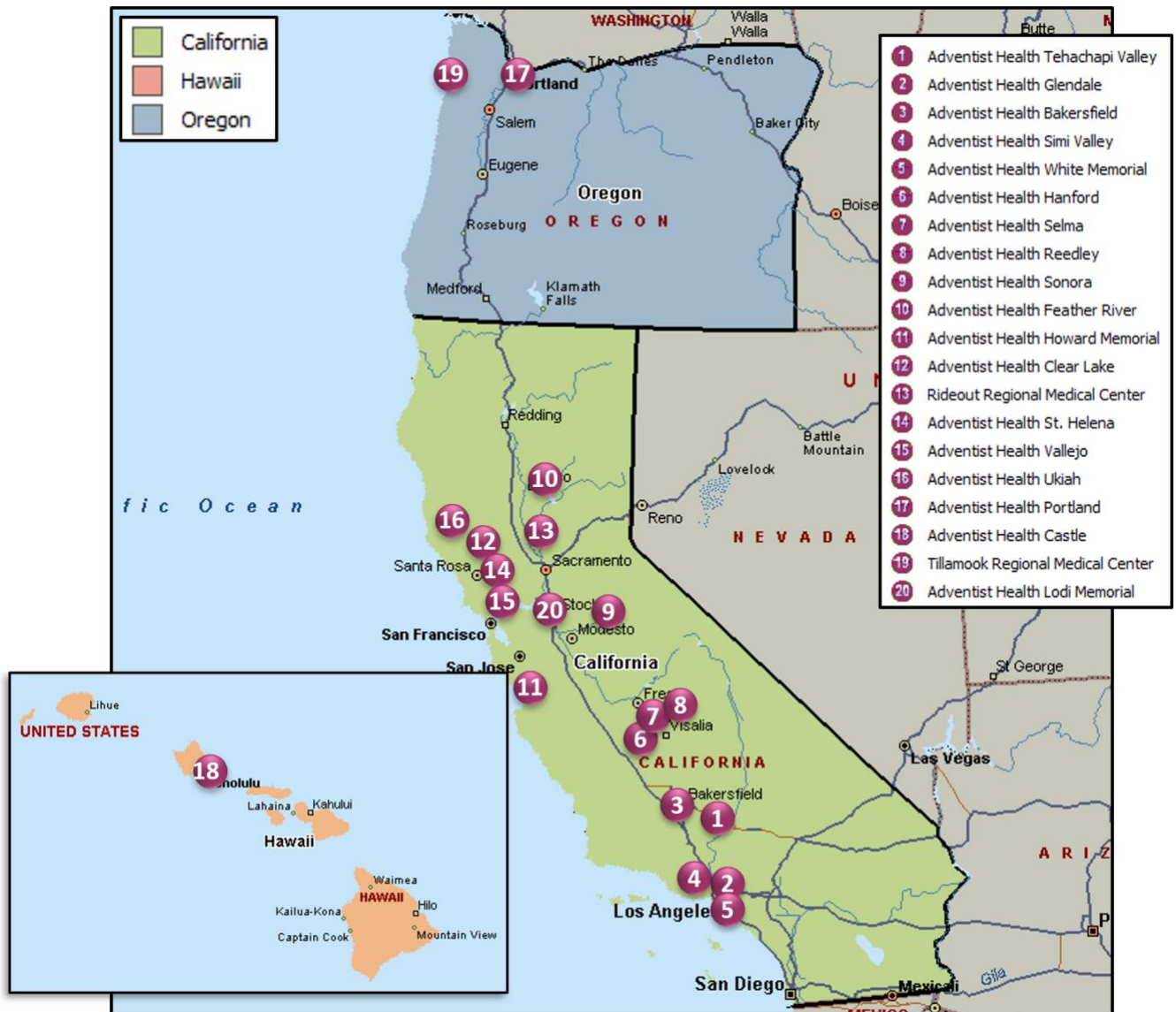
Adventist Health's hospitals are grouped into four regions:

- Southern California Region:
 - Adventist Health Tehachapi Valley (Tehachapi, CA);
 - Adventist Health Glendale (Glendale, CA);
 - Adventist Health Bakersfield (Bakersfield, CA);
 - Adventist Health Simi Valley (Simi Valley, CA);
 - Adventist Health White Memorial (Los Angeles, CA);
- Central California Region
 - Adventist Health Hanford (Hanford, CA);
 - Adventist Health Selma (Selma, CA);
 - Adventist Health Reedley (Reedley, CA);
 - Adventist Health Sonora (Sonora, CA);
 - Adventist Health Tulare (Tulare, CA);
- Northern California Region
 - Adventist Health Feather River (Paradise, CA)¹⁸;
 - Adventist Health Lodi Memorial (Lodi, CA);
 - Adventist Health Howard Memorial (Willits, CA);
 - Adventist Health Clear Lake (Clearlake, CA);
 - Adventist Health and Rideout (Marysville, CA);
 - Adventist Health St. Helena (St. Helena, CA);
 - Adventist Health Vallejo (Vallejo, CA);

¹⁸ Adventist Health Feather River was severely damaged by the Camp Fire, the largest wildfire in U.S. history that burned at least 153,336 acres and destroyed at least 19,000 buildings. While Adventist Health Feather River is expected to remain closed, the Adventist Health reopened Adventist Health Feather River Health Center in December 2018 and reopened its pharmacy in January 2019.

- Adventist Health Ukiah Valley (Ukiah, CA);
- Pacific Northwest Region
 - Adventist Health Portland (Portland, OR);
 - Adventist Health Castle (Kailua, HI); and
 - Adventist Health Tillamook (Tillamook, OR).

The location of Adventist Health’s hospitals, covering California, Hawaii, and Oregon, is shown on the map below.



Adventist Health has relationships with more than 5,200 physicians with over 1,400 either employed or under contract. The Adventist Health Physicians Network (“AHPN”), a licensed 1206(l) Medical Foundation¹⁹ used for physician recruitment and alignment purposes, currently involves more than 220 physicians. Adventist Health has a commitment to medical education with residency programs at a number of facilities including programs for family practice, internal medicine, podiatry, and obstetrics/gynecology.

In addition, Adventist Health has a number of joint ventures and other arrangements between its facilities and the local medical staff.

Adventist Health operates one of the largest hospital-based rural health clinic programs in the country with more than 50 clinics. These clinics vary in size from small, one or two provider offices to larger facilities with primary care, specialty care, dental care, behavioral health services, perinatal services, and other services.

Key Statistics

Combined statistics for Adventist Health’s hospitals include the following:

| Adventist Health Key Statistics | | |
|---------------------------------|---------|---------|
| | FY 2016 | FY 2017 |
| Patient Days | 575,914 | 537,806 |
| Discharges | 129,752 | 117,976 |
| Average Length of Stay | 4.4 | 4.6 |
| Average Daily Census | 1,578 | 1,473 |
| Licensed Beds | 2,819 | 2,431 |
| Occupancy | 56.0% | 60.6% |

Source: Adventist Health Consolidated Financial Statements FY 2016 - FY 2017
 Excludes: Adventist Health Tulare

- Patient days decreased by 7.1% from 575,914 days in FY 2016 to 537,806, days in FY 2017;
- Inpatient discharges have declined by approximately 10% from 129,752 in FY 2016 to 117,976 in FY 2017; and
- In FY 2017, Adventist Health operated a total of 2,431 licensed beds with an average occupancy rate of 60.6%.

¹⁹ An organization operated by a nonprofit corporation exempt from federal income taxation under paragraph (3) of subsection (c) of Section 501 of the Internal Revenue Code of 1954, as amended, or a statutory successor thereof, that conducts medical research and health education and provides health care 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.

Payer Mix

In FY 2017, Adventist Health’s California hospitals combined payer mix consisted of predominantly Medicare (49%) and Medi-Cal (33%) patients. The remaining 18% of Adventist Health’s inpatient discharges were comprised of Commercial (17%) and Other Payers (1%).

| Payer Mix Comparison, FY 2017 | | | | |
|-------------------------------|---|--------------|--------------------------|--------------|
| Payer Mix | Adventist Health (California) Discharges | | California Discharges | |
| | Discharges | % of Total | Discharges | % of Total |
| Medi-Cal Traditional | 12,742 | 10.8% | 379,332 | 13.2% |
| Medi-Cal Managed Care | 26,062 | 22.1% | 611,389 | 21.3% |
| Medi-Cal Total | 38,804 | 32.9% | 990,721 | 34.6% |
| Medicare Traditional | 47,736 | 40.5% | 821,181 | 28.7% |
| Medicare Managed Care | 10,031 | 8.5% | 321,579 | 11.2% |
| Medicare Total | 57,767 | 49.0% | 1,142,760 | 39.9% |
| Third-Party Traditional | 4,519 | 3.8% | 95,981 | 3.3% |
| Third-Party Managed Care | 15,836 | 13.4% | 574,058 | 20.0% |
| Third-Party Total | 20,355 | 17.3% | 95,981 | 3.3% |
| Other Payers | 998 | 0.8% | 40,046 | 1.4% |
| Other Indigent | 52 | 0.0% | 14,881 | 0.5% |
| County Indigent | 0 | 0.0% | 6,746 | 0.2% |
| Other Total | 1,050 | 0.9% | 157,654 | 5.9% |
| Total | 117,976 | 100% | 2,865,193 | 100% |

Source: OSHPD Discharge Report
Excludes: Adventist Health Tulare

- Adventist Health serves a significantly higher percentage of Medicare inpatients than California hospitals overall (49% versus 40%); and
- Adventist Health serves a lower amount of Third-Party Managed Care inpatients than California hospitals overall (17% versus 20%).

Adventist Health Financial Profile

The table below shows Adventist Health's combined audited financial statements, for California, Oregon, Washington, and Hawaii, for Fiscal Year (FY) 2016 and FY 2017.

| Adventist Health Consolidated Statements of Operations and Changes in Net Assets FY 2016 - FY 2017 (In Thousands) | | |
|---|--------------------|--------------------|
| Unrestricted revenues and support: | FY 2016 | FY 2017 |
| Net Patient Service Revenue | \$3,642,451 | \$3,809,674 |
| Less Provision for Bad Debts | (92,271) | (85,269) |
| Net Patient Service Revenue Less Provision for Bad -Debts | 3,550,180 | 3,724,405 |
| Premium Revenue | 161,231 | 199,423 |
| Other Revenue | 164,473 | 178,670 |
| Net Assets Released from Restrictions for Operations | 13,311 | 12,024 |
| Total Unrestricted Revenues and Support | \$3,889,195 | \$4,114,522 |
| Expenses: | | |
| Employee Compensation | \$1,823,168 | \$1,888,093 |
| Professional Fees | 398,309 | 431,327 |
| Supplies | 498,070 | 506,232 |
| Purchased Services and Other | 775,673 | 874,746 |
| Interest | 45,585 | 45,151 |
| Depreciation and Amortization | 165,604 | 165,024 |
| Total Expenses | \$3,706,409 | \$3,910,573 |
| Income from Operations | 182,786 | 203,949 |
| Nonoperating Income (Loss): | | |
| Investment Income | 17,732 | 25,516 |
| Loss on Early Extinguishment of Debt | (31,459) | - |
| Other Non-operating Gains | - | 319 |
| Total Non-operating Income (Loss) | (\$13,727) | \$25,835 |
| Excess of Revenues Over Expenses from Continuing Operations | \$169,059 | \$229,784 |

Source: Adventist Health Consolidated Financial Statements FY 2016 - FY 2017

- Total unrestricted revenue and support increased by 5.7% from \$3.9 billion in FY 2016 to \$4.1 billion in FY 2017;
- Total expenses increased by 4.4% from \$3.7 billion in FY 2016 to \$3.9 billion in FY 2017; and
- Excess of revenues over expenses from continuing operations increased from \$169.1 million in FY 2016 to \$229.8 million in FY 2017.

St. Joseph Health Overview

St. Joseph Health is a Catholic nonprofit healthcare system previously sponsored by the Sisters of St. Joseph of Orange. Its early beginnings date back to 1912 when a handful of Midwestern religious women, who became the Sisters of St. Joseph of Orange, traveled across the country to open a school and eventually a small hospital in the lumber town of Eureka, Calif. The Health System operates ten hospitals in California - four of which are in Northern California and are projected to be participants in the Sacred Trust Network. Effective as of July 1, 2016, St. Joseph Health became a part of Providence St. Joseph Health, a new organization created by Providence Health & Services and St. Joseph Health with 41 hospitals. Collectively, Providence St. Joseph Health, headquartered in Renton, Washington that is governed by a council made up of members of its two sponsoring ministries: Providence Ministries and St. Joseph Health Ministry.



- Southern California Region:
 - St. Joseph Hospital of Orange, Orange, California;
 - St. Jude Hospital, Inc. (dba St. Jude Medical Center), Fullerton, California;
 - Mission Hospital Regional Medical Center (dba Mission Hospital), Mission Viejo, California, and Laguna Beach, California;
 - St. Mary Medical Center, Apple Valley, California;

- Hoag Memorial Hospital Presbyterian, Newport Beach, California, and Irvine, California;
- Northern California Region
 - Queen of the Valley Medical Center, Napa, California;
 - Santa Rosa Memorial Hospital, Santa Rosa, California;
 - SRM Alliance Hospital Services (dba Petaluma Valley Hospital), Petaluma, California (not part of the Sacred Trust Network);
 - St. Joseph Hospital of Eureka, Eureka, California;
 - Redwood Memorial Hospital, Fortuna, California;
- Texas Region
 - Covenant Health System (dba Covenant Medical Center – Lakeside and Covenant Medical Center), Lubbock, Texas;
 - Methodist Children’s Hospital (dba Covenant Children’s Hospital), Lubbock, Texas;
 - Methodist Hospital Levelland (dba Covenant Levelland), Levelland, Texas; and
 - Methodist Hospital Plainview (dba Covenant Hospital Plainview), Plainview, Texas.

Key Statistics

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

| St. Joseph Health (California) Key Statistics | | |
|---|---------|---------|
| | FY 2016 | FY 2017 |
| Patient Days | 561,480 | 581,859 |
| Discharges | 132,683 | 136,316 |
| Average Length of Stay | 4.2 | 4.3 |
| Average Daily Census | 1,538 | 1,594 |
| Licensed Beds | 2,861 | 2,869 |
| Occupancy | 58.0% | 55.6% |

Source: OSHPD Discharge Reports

- From FY 2016 to FY 2017, patient days increased by approximately 4%; from 561,480 in FY 2016 to 581,859 in FY 2017;
- In FY 2017, the St. Joseph Health facilities in California operated a total of 2,869 licensed beds with an average occupancy rate of approximately 56% and an average daily census of 1,594 patients; and
- From FY 2016 to FY 2017, total inpatient discharges increased 3% from 132,683 in FY 2016 to 136,316 in FY 2017.

Payer Mix

In FY 2017, St. Joseph Health's California hospitals combined payer mix consisted of predominantly Medicare (47%) and Third-Party Managed Care (28%). The remaining 24% of St. Joseph Health's inpatient discharges were comprised of Medi-Cal (20%) and Other Payers (4%).

| Payer Mix Comparison, FY 2017 | | | | |
|---------------------------------------|---|--------------|-----------------------|--------------|
| Payer Mix | St. Joseph Health (California) Discharges | | California Discharges | |
| | Discharges | % of Total | Discharges | % of Total |
| Medi-Cal Traditional | 7,688 | 5.6% | 379,332 | 13.2% |
| Medi-Cal Managed Care | 19,690 | 14.4% | 611,389 | 21.3% |
| Medi-Cal Total | 27,378 | 20.1% | 990,721 | 34.6% |
| Medicare Traditional | 45,390 | 33.3% | 821,181 | 28.7% |
| Medicare Managed Care | 19,243 | 14.1% | 321,579 | 11.2% |
| Medicare Total | 64,633 | 47.4% | 1,142,760 | 39.9% |
| Third-Party Managed Care | 38,467 | 28.2% | 574,058 | 20.0% |
| Third-Party Managed Care Total | 38,467 | 28.2% | 574,058 | 20.0% |
| Third-Party Traditional | 2,764 | 2.0% | 95,981 | 3.3% |
| Other Payers | 2,485 | 1.8% | 40,046 | 1.4% |
| Other Indigent | 572 | 0.4% | 14,881 | 0.5% |
| County Indigent | 17 | 0.0% | 6,746 | 0.2% |
| Other Total | 5,838 | 4.3% | 157,654 | 5.9% |
| Total | 136,316 | 100% | 2,865,193 | 100% |

Source: OSHPD Discharge Report

St. Joseph Health Financial Profile

Effective July 1, 2016, St. Joseph Health and Providence Health and Services became a new organization, Providence St. Joseph Health. Thus, the financials reflected below are of this new combined organization comprised of 41 hospitals. The table below shows the audited combined financial statement for Providence St. Joseph Health from FY 2016 and FY 2017.

| PROVIDENCE ST. JOSEPH HEALTH Combined Statements of Operations FY 2016 - FY 2017 (In Millions) | | |
|--|-----------------|-----------------|
| Operating revenues: | FY 2016 | FY 2017 |
| Net patient service revenues | \$14,972 | \$18,136 |
| Provision for bad debts | -203 | -269 |
| Net patient service revenues less provision for bad debt | 14,769 | 17,867 |
| Premium revenues | 2,240 | 2,745 |
| Capitation revenues | 865 | 1,334 |
| Other revenues | 1,005 | 1,217 |
| Total operating revenues | \$18,879 | \$23,163 |
| Operating expenses: | | |
| Salaries and benefits | \$9,599 | \$11,464 |
| Supplies | 2,788 | 3,390 |
| Purchased healthcare services | 1,917 | 2,539 |
| Interest, depreciation, and amortization | 1,066 | 1,307 |
| Purchased services, professional fees, and other | 3,758 | 4,460 |
| Total operating expenses | \$19,128 | \$23,160 |
| Excess (deficit) of revenues over expenses from operations | -249 | 3 |
| Net non-operating gains (losses): | | |
| Contributions from affiliations | 5,167 | - |
| Loss on extinguishment of debt | -60 | 0 |
| Investment income, net | 403 | 882 |
| Other | -30 | -105 |
| Total net non-operating gains | \$5,480 | \$777 |
| Excess of revenues over expenses | \$5,231 | \$780 |

Source: Providence St. Josephs Health System Consolidated Financial Statements, FY 2016 and FY 2017 (KPMG)

- Total operating revenue increased by 23% from \$18.9 billion in FY 2016 to \$23.2 billion in FY 2017;
- Total operating expenses increased by 21% from \$19.1 billion in FY 2016 to \$23.2 billion in FY 2017; and
- Excess of revenues over expenses decreased from \$5.2 billion in FY 2016 to \$780 million in FY 2017.

Profile of Adventist Health Ukiah Valley

Overview of Adventist Health Ukiah Valley

Adventist Health operates Adventist Health Ukiah Valley, a 68 licensed-bed general acute care facility, located at 275 Hospital Drive in Ukiah. Adventist Health Ukiah Valley has a “basic” emergency department with 19 emergency treatment stations and a Level IV Trauma Center²⁰. Adventist Health Ukiah Valley also has eight surgical operating rooms and a Level II Neonatal Intensive Care Unit (NICU)²¹.

| BED DISTRIBUTION 2018 | |
|----------------------------|----------------|
| Bed Type | Number of Beds |
| General Acute Care | 43 |
| Intensive Care | 6 |
| Neonatal | 4 |
| Perinatal | 15 |
| Total Licensed Beds | 68 |

Source: Hospital License 2018

Adventist Health Ukiah Valley Philanthropy

Adventist Health Ukiah Valley raises funds through charitable donations, planned gifts, and appreciated securities to fund medical technology, support educational opportunities, and expand the hospital campus. In recent years, the funds raised by Adventist Health Ukiah Valley have supported the purchase of a Halogen Microscope and raised over \$3 million towards hospital campus expansion efforts.

²⁰ Trauma Center levels ranges from I – IV. A Level IV Trauma Center has demonstrated an ability to provide advanced trauma life support (ATLS) prior to transfer of patients to a higher-level trauma center. It provides evaluation, stabilization, and diagnostic capabilities for injured patients.

²¹ NICU Levels range I through IV. Level II NICUs provide specialty care for stable or moderately ill newborn infants who are born at ≥ 32 weeks' gestation or who weigh ≥ 1500 g at birth with problems that are expected to resolve rapidly and who would not be anticipated to need subspecialty-level services on an urgent basis.

Key Statistics

| KEY STATISTICS: FY 2014 - 2017 | | | | |
|--|---------|---------|---------|---------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Inpatient Discharges | 3,669 | 3,643 | 3,402 | 3,552 |
| Licensed Beds | 67 | 67 | 68 | 68 |
| Patient Days | 12,127 | 13,133 | 11,999 | 12,651 |
| Average Daily Census | 33 | 36 | 33 | 35 |
| Occupancy | 49.6% | 53.7% | 48.3% | 51.0% |
| Average Length of Stay | 3.3 | 3.6 | 3.5 | 3.6 |
| Emergency Services Visits ¹ | 26,325 | 28,778 | 29,388 | 29,502 |
| Total Live Births | 813 | 852 | 791 | 764 |

Sources: OSHPD Disclosure Reports, FY 2014-2017

¹ OSHPD Alerts Annual Utilization Reports

Adventist Health Ukiah Valley reported 3,552 inpatient discharges, 12,651 patient days, and an average daily census of 35 patients (51.0% occupancy) for FY 2017.

- Since FY 2014, inpatient discharges have decreased 3% and patient days have increased by approximately 4%. This is as a result of average length of stay increasing from 3.3 days to 3.6 days in FY 2017;
- In FY 2017, 29,502 emergency service visits were reported, a 9% increase from FY 2014; and
- Between FY 2014 and FY 2017, total live births decreased 6% to 764 live births.

Programs & Services

Adventist Health Ukiah Valley offers a broad spectrum of medical services, including cardiology, oncology, maternal child health, and emergency services.

- Cardiology services offered at Adventist Heart Institute include: treatment for heart disease, treatment for peripheral artery disease and an arrhythmia center;
- Gastrointestinal services include: laparoscopic sleeve gastrectomy and Lap-Band surgery;
- Diabetes services include: diabetes education for patients and families that includes diabetes overview, counseling, screenings, monthly support meeting and nutrition;
- Ears, Nose and Throat services include: ear infection, tinnitus, wax removal, tonsil problems, hearing problems, voice problems, voice problems chronic sinusitis, thyroid disease, chronic snoring, throat and mouth cancer, sleep apnea and nasal congestion;
- Emergency services include: Sexual Assault Response Team (SART), 24-hour “basic” emergency department licensed for nineteen treatment stations and designation as a Level IV Trauma Center;
- Pain management services include treatment for: chronic headache, spinal disorder, fibromyalgia, sports related injuries, myofascial pain syndrome, pharmacological management, in-office injection and interventional procedures;
- Home care services include: skilled nursing, home health aide, speech therapy, social workers, physical & occupational therapist and spiritual care;
- Orthopedic services include: orthopedic surgery, back surgery, total joint replacement for hips and knee replacement;
- Laboratory services include: inpatient and outpatient laboratory services;
- Gastroenterology services include: treatment for liver disease, irritable bowel syndrome, gall bladder disease, pancreatic disease, colon cancer screening, liver screening, and esophageal disease screenings;
- Rehabilitation services include: general orthopedic physical therapy, sports rehabilitation, total joint replacements, amputation, vestibular and balance deficits, spinal cord injury, stroke, gait training, aquatic therapy, wound care, speech therapy, and women's health, speech pathology and neurological rehabilitation;

- Surgical services include procedures for: Cardiology, ENT, gastroenterology, gynecology, ophthalmology, orthopedics, pain management, plastic surgery, podiatry, pulmonology, urology and vascular;
- Neonatal intensive care services include: Level II Neonatal Intensive Care Unit;
- Ukiah Valley Rural Health Center: partnership with Ukiah Valley Primary Care Medical Group to increase primary care services for Medi-Cal and Medicare patients in rural communities;
- Women's health services include: breast cancer screenings, bone health, incontinence, a birthing center, tubal ligation sterilization, osteoporosis, ovarian cyst, and bone health; and
- Wound care services include: diabetic wounds, pressure ulcers, venous stasis ulcers, non-healing surgical wounds, traumatic wounds, complex soft tissue wounds, burns, gangrene, osteomyelitis, osteoradionecrosis, radiation tissue damage and skin grafts.

Accreditations, Certification & Awards

Adventist Health Ukiah Valley is accredited by the Joint Commission. Over the years, Adventist Health Ukiah Valley received awards and accolades as a provider of quality care, some of which include the following:

- Accredited by the Joint Commission for Adventist Health Ukiah Valley's Laboratory Program, effective July, 2018 through July, 2020;
- Accredited by the Joint Commission as a Primary Stroke Center effective September, 2018 through September, 2020;
- Adventist Health Ukiah Valley received accreditation from the Accreditation Council for Graduate Medical Education for its new Family Residency Program affiliated with UC Davis in February, 2020; and
- Excellence awards from Collaborative Alliance for Nursing Outcomes (CALNOC): Adventist Health Ukiah Valley received performance excellence awards for reducing hospital acquired conditions in 2016. Adventist Health Ukiah Valley received awards for Preventing Clostridium Difficile Infections, Preventing CLABSI Infections and Preventing Moderate + Injury Falls.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the 2010 Federal Patient Protection and Affordable Care Act (ACA) in 2012, encourages hospitals to improve the quality and safety of care. The Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on four domains that reflect hospital quality: the clinical process of care and outcomes domain, the patient and caregiver centered experience of care/care coordination domain, the safety domain, and the efficiency and cost reduction domain. For FY 2018 and FY 2019 the Centers for Medicare & Medicaid services will be increasing payments to Adventist Health Ukiah Valley by 0.534% and 0.532%, respectively.

According to the Centers for Medicare & Medicaid Services' Hospital Compare, Adventist Health Ukiah Valley's overall hospital quality rating is three stars out of five stars. This is based on Adventist Health Ukiah Valley's performance compared to all hospitals across the nation for the seven categories that comprise Hospital Compare's overall quality rating, including mortality, safety of care, readmission, patient experience, effectiveness of care, timeliness of care, and efficient use of medical imaging.

| QUALITY MEASURES | |
|----------------------------------|------------------------------|
| Condition/Procedure | National Average |
| Mortality | Same as National Average |
| Safety of Care | Below the National Average |
| Readmission | Same as the National Average |
| Patient Experience | Below the National Average |
| Effectiveness of Care | Same as the National Average |
| Timeliness of Care | Same as the National Average |
| Effective Use of Medical Imaging | Same as the National Average |

Source: Medicare.gov Hospital Compare, April 2019

The Hospital Readmissions Reduction Program²², implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. 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 2018, Adventist Health Ukiah Valley will not be penalized with a reduction in reimbursement. The following graph shows Adventist Health Ukiah Valley's 30-day readmission rates for chronic obstructive pulmonary disease, heart failure, pneumonia, stroke, and all causes hospital-wide.

²² The formula for determining hospital reimbursement payments under the Hospital Readmissions Reduction Program is complicated, varies by hospital and geographic location, and may not correspond directly to state and national hospital averages.

| 30-DAY READMISSION RATES | | |
|---------------------------------------|-------------------------------|------------------|
| Condition/Procedure | Adventist Health Ukiah Valley | National Average |
| Chronic Obstructive Pulmonary Disease | 18.9% | 19.6% |
| Heart Failure | 20.9% | 21.7% |
| Pneumonia | 15.6% | 16.7% |
| Stroke | 10.7% | 11.9% |
| Hospital-Wide | 14.7% | 15.3% |

Source: Medicare.gov Hospital Compare, July 2018

Seismic Issues

Using the HAZUS seismic criteria, Adventist Health Ukiah Valley structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Categories; (SPC) and the Non-Structural Performance Category (NPC), as shown in the table below.

These classifications require that Adventist Health Ukiah Valley's structures undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards.

| SEISMIC OVERVIEW | | | |
|------------------|-------------------------------|-----------------------|-----------------------|
| Building Number | Building Name | SPC Compliance Status | NPC Compliance Status |
| BLD-00305 | Main Building, North Wing | 4 | 2 |
| BLD-02959 | Main Building, Central Wing | 4 | 2 |
| BLD-02960 | Main Building, Ancillary | 4 | 2 |
| BLD-00306 | OB Addition | 4s* | 2 |
| BLD-00307 | Central Plant | 4s* | 2 |
| BLD-06370 | Electrical Room | 5s* | 4s* |
| BLD-05704 | Emergency Department Building | 5s* | 4s* |
| BLD-06369 | Support Building | 5s* | 4s* |

Source: OSHPD

s* indicated ratings as self-reported by hospital

- Adventist Health Ukiah Valley's buildings are all rated SPC-4 or higher. These buildings are in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act (SBC 1953). Buildings in this category will have been constructed, or reconstructed, under a building permit obtained through OSHPD and may be used for inpatient services through to January 1, 2030, and beyond;
- Adventist Health Ukiah Valley has three buildings rated as SPC-5. Buildings in this category will have been constructed or reconstructed under a building permit obtained

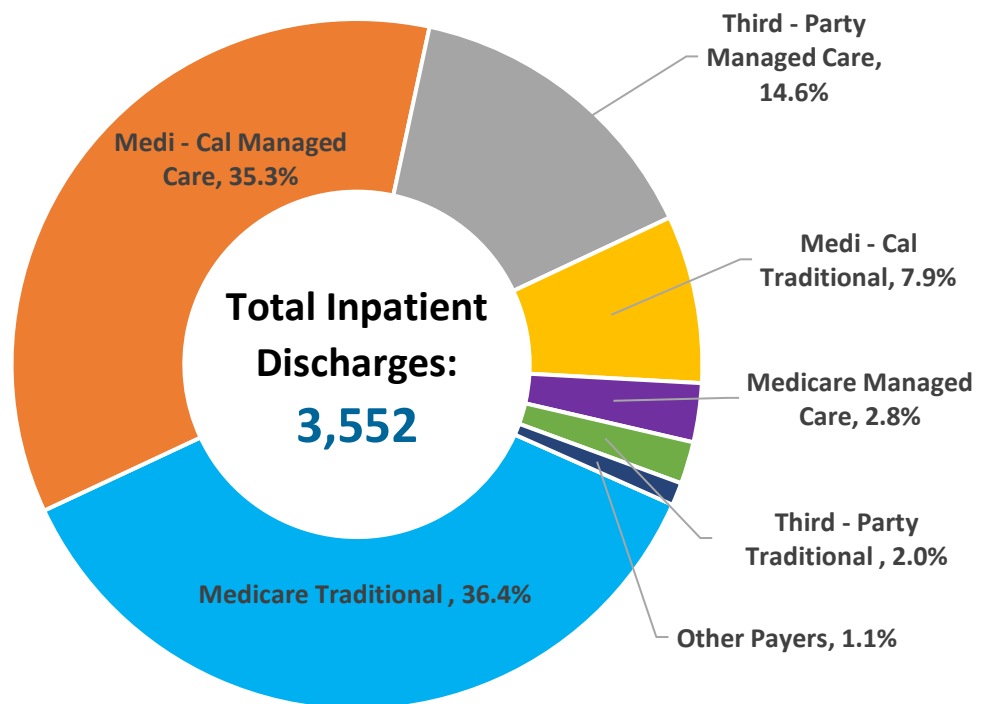
through OSHPD. These buildings may be used without restriction to January 1, 2030, and beyond;

- Adventist Health Ukiah Valley has five buildings rated as NPC-2. The following systems including: communication systems, emergency power supply, bulk medical gas systems, fire alarm systems and emergency lighting equipment for the building are either anchored in accordance with the Part 2, Title 24 of the California Building Code or approved by the Department of General Services, Office of Architecture and Construction, Structural Safety Section; and
- Adventist Health Ukiah Valley has three buildings rated as NPC-4. The building meets the criteria for NPC-4 and all architectural, mechanical, electrical systems, components and equipment, and hospital equipment meet the bracing and anchorage requirements of Part 2, Title 24 of the California Building Code. This category for this classification is used for the purposes of the Office of Emergency Services. The deadline to meet the requirement is January 1, 2020 or 2030 depending on the Seismic Design Category and extension request requirements.

Payer Mix

In FY 2017, approximately 39% of Adventist Health Ukiah Valley’s inpatient payer mix consisted of Medicare Traditional (36%) and Medicare Managed Care (3%) patients. Approximately 43% of Adventist Health Ukiah Valley’s inpatient payer mix consisted of Medi-Cal Managed Care (35%) and Medi-Cal Traditional (8%). The remaining 18% of the inpatient discharges consisted of Third-Party Managed Care (15%) and Third-Party Traditional (2%) patients, and Other Payers* (1%).

Adventist Health Ukiah Valley Payer Mix, FY 2017



*“Other” includes self-pay, workers’ compensation, other government, and other payers

Source: OSHPD Discharge Database, FY 2017

The following table provides Adventist Health Ukiah Valley’s FY 2017 inpatient discharge payer mix compared to Mendocino County and the State of California. The comparison shows that Adventist Health Ukiah Valley has higher percentages of Medi-Cal Managed Care patients (35%) relative to Mendocino County (28%) and California overall (21%). The table also shows that Adventist Health Ukiah Valley has lower percentages of Third Party Traditional and Medicare Traditional patients relative to Mendocino County. Adventist Health Ukiah Valley recorded no Other Indigent and County Indigent discharges in FY 2017.

| PAYER MIX COMPARISON, FY 2017 | | | | | | |
|-------------------------------|-------------------------------|--------------|------------------|--------------|------------------|--------------|
| | Adventist Health Ukiah Valley | | Mendocino County | | California | |
| | Discharges | % of Total | Discharges | % of Total | Discharges | % of Total |
| Medi-Cal Traditional | 279 | 7.9% | 394 | 6.4% | 379,332 | 13.2% |
| Medi-Cal Managed Care | 1,255 | 35.3% | 1,729 | 27.9% | 611,389 | 21.3% |
| Medi-Cal Total | 1,534 | 43.2% | 2,123 | 34.3% | 990,721 | 34.6% |
| Medicare Traditional | 1292 | 36.4% | 2,882 | 46.5% | 821,181 | 28.7% |
| Medicare Managed Care | 98 | 2.8% | 158 | 2.6% | 321,579 | 11.2% |
| Medicare Total | 1390 | 39.1% | 3,040 | 49.1% | 1,142,760 | 39.9% |
| Third - Party Traditional | 70 | 2.0% | 241 | 3.9% | 95,981 | 3.3% |
| Third - Party Managed Care | 520 | 14.6% | 718 | 11.6% | 574,058 | 20.0% |
| Third-Party Total | 590 | 16.6% | 959 | 15.5% | 670,039 | 23.4% |
| Other Payers | 38 | 1.1% | 73 | 1.2% | 40,046 | 1.4% |
| Other Indigent | 0 | 0.0% | 1 | 0.0% | 14,881 | 0.5% |
| County Indigent | 0 | 0.0% | 0 | 0.0% | 6,746 | 0.2% |
| Other Total | 38 | 1.1% | 74 | 1.2% | 61,673 | 2.2% |
| Total | 3,552 | 100% | 6,196 | 100% | 2,865,193 | 100% |

Source: OSHPD Hospital Annual Financial Disclosure Reports FY 2017

Managed Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Nearly 10.7 million Medi-Cal beneficiaries in all 58 counties in California receive their healthcare through six models of managed care, including: County Organized Health System, the Two-Plan Model, Geographic Managed Care, the Regional Model, the Imperial Model, and the San Benito Model.

Mendocino County has a County Organized Health System, a local agency created by the County Board of Supervisors. The County Organized Health System contracts with the Medi-Cal Managed Care program. In FY 2017, Mendocino County reported approximately 2,123 inpatient discharges from either Medi-Cal Traditional (19%) or Medi-Cal Managed Care (81%) coverage. The number of Mendocino County residents enrolled in Medi-Cal Managed Care has increased by 92% from 19,986 enrollees in December 2012 to 38,295 enrollees as of December 2018.

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

Patient Utilization Trends

The table shows FY 2013 - FY 2017 volume trends at Adventist Health Ukiah Valley.

| SERVICE VOLUMES: FY 2013-2017 | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| PATIENT DAYS | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Medical/Surgical | 7,966 | 8,620 | 9,211 | 8,459 | 7,911 |
| Intensive Care | 1,696 | 1,447 | 1,400 | 1,292 | 1,375 |
| Obstetrics | 1,842 | 1,794 | 2,326 | 2,084 | 3,263 |
| Neonatal Intensive Care | 111 | 175 | 196 | 164 | 102 |
| Pediatric Acute | 53 | 91 | - | - | - |
| Total | 11,668 | 12,127 | 13,133 | 11,999 | 12,651 |
| DISCHARGES | | | | | |
| Medical/Surgical | 2,752 | 2,636 | 2,346 | 2,205 | 1,965 |
| Intensive Care | 162 | 443 | 357 | 337 | 342 |
| Obstetrics | 841 | 549 | 890 | 817 | 1,220 |
| Neonatal Intensive Care | 13 | 3 | 50 | 43 | 25 |
| Pediatric Acute | 24 | 38 | - | - | - |
| Total | 3,792 | 3,669 | 3,643 | 3,402 | 3,552 |
| AVERAGE LENGTH OF STAY | | | | | |
| Medical/Surgical | 2.9 | 3.3 | 3.9 | 3.8 | 4.0 |
| Intensive Care | 10.5 | 3.3 | 3.9 | 3.8 | 4.0 |
| Obstetrics | 2.2 | 3.3 | 2.6 | 2.6 | 2.7 |
| Neonatal Intensive Care | 8.5 | 58.3 | 3.9 | 3.8 | 4.1 |
| Pediatric Acute | 2.2 | 2.4 | - | - | - |
| Total | 3.1 | 3.3 | 3.6 | 3.5 | 3.6 |
| AVERAGE DAILY CENSUS | | | | | |
| Medical/Surgical | 21.8 | 23.6 | 25.2 | 23.2 | 21.7 |
| Intensive Care | 4.6 | 4.0 | 3.8 | 3.5 | 3.8 |
| Obstetrics | 5.0 | 4.9 | 6.4 | 5.7 | 8.9 |
| Neonatal Intensive Care | 0.3 | 0.5 | 0.5 | 0.4 | 0.3 |
| Pediatric Acute | 0.1 | 0.2 | - | - | - |
| Total | 32.0 | 33.2 | 36.0 | 32.9 | 34.7 |
| OTHER SERVICES | | | | | |
| Inpatient Surgeries | 1,187 | 1,166 | 869 | 1,147 | 917 |
| Outpatient Surgeries | 1,431 | 1,460 | 2,075 | 1,909 | 5,108 |
| Emergency Services Visits ¹ | 24,991 | 26,325 | 28,778 | 29,388 | 29,502 |
| Obstetric Deliveries | 811 | 813 | 852 | 791 | 764 |

Sources: OSHPD Disclosure Reports, FY 2013-2017

¹ OSHPD Alerts Annual Utilization Reports

A review of Adventist Health Ukiah Valley's historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- Patient days increased by over 8% to 12,651;
- Inpatient discharges decreased by 6% to 3,552;
- The average daily census has averaged 34 patients between FY 2013 and FY 2017;
- In 2018, Adventist Health Ukiah Valley expanded its emergency services from 14 beds to 19 private beds, including adding two trauma bays and a rooftop helipad. This construction process included removing the pediatric acute beds from service and expanding the intensive care unit from 5 beds to 6 beds (hence no pediatric volume was reported in FY 2015 onwards); and
- Obstetric deliveries decreased by 6% from 811 deliveries in FY 2013 to 764 deliveries in FY 2017.

Financial Profile

Over the last five fiscal years, Adventist Health Ukiah Valley's net income has increased from \$8.2 million in FY 2013 to \$22.4 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 54% and 55% respectively. Over the same period, Adventist Health Ukiah Valley's operating expense increased 43% from \$107 million in FY 2013 to \$154 million in FY 2017. Other operating revenue²³ decreased over the five-year period from \$1.5 million in FY 2013 to \$0.9 million in FY 2017.

Adventist Health Ukiah Valley's current ratio²⁴ has decreased over the last five years from 4.54 in FY 2013 to 4.09 in FY 2017. This California average in FY 2016 was 1.56. Adventist Health Ukiah Valley's FY 2017 percentage of bad debt is 0.6% and is lower than the state average (0.8%).

| FINANCIAL AND RATIO ANALYSIS: FY 2013-2017 | | | | | | |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | |
| Patient Days | 11,668 | 12,127 | 13,133 | 11,999 | 12,651 | |
| Discharges | 3,792 | 3,669 | 3,643 | 3,402 | 3,552 | |
| ALOS | 3.1 | 3.3 | 3.6 | 3.5 | 3.6 | |
| Net Patient Revenue | \$111,380,684 | \$132,840,015 | \$146,942,918 | \$163,757,455 | \$173,698,271 | |
| Other Operating Revenue | \$1,536,304 | \$2,230,437 | \$1,008,806 | \$951,307 | \$917,955 | |
| Total Operating Revenue | \$112,916,988 | \$135,070,452 | \$147,951,724 | \$164,708,762 | \$174,616,226 | |
| Operating Expenses | \$107,303,839 | \$121,052,226 | \$129,515,336 | \$145,197,995 | \$153,510,713 | |
| Net from Operations | \$5,613,149 | \$14,018,226 | \$18,436,388 | \$19,510,767 | \$21,105,513 | |
| Net Non-Operating Revenue | \$2,572,917 | \$1,092,533 | \$1,155,035 | (\$363,948) | \$1,281,541 | |
| Net Income | \$8,186,066 | \$15,110,759 | \$19,591,423 | \$19,146,819 | \$22,387,054 | |
| | | | | | | 2017 California Data |
| Current Ratio | 4.54 | 4.24 | 4.59 | 5.46 | 4.09 | 1.56 |
| Days in A/R | 38.8 | 36.7 | 41.2 | 31.6 | 32.3 | 54.6 |
| Bad Debt Rate | 1.8% | 1.3% | 1.0% | 0.4% | 0.6% | 0.80% |
| Operating Margin | 5.0% | 10.4% | 12.5% | 11.8% | 12.1% | 3.13% |

Source: OSHPD Disclosure Reports, FY 2013-2017

²³Other operating revenue represents amounts received for services that are central to the provision of healthcare services but are not directly related to patient care.

²⁴ The current ratio compares a company's current assets to its current liabilities to measure its ability to pay short-term and long-term debt obligations. A low current ratio of less than 1.0 could indicate that a company may have difficulty meeting its current obligations. The higher the current ratio, the more capable the company is of paying its obligations as it has a larger proportion of assets relative to its liabilities.

Cost of Hospital Services

Adventist Health Ukiah Valley's operating cost of services includes both inpatient and outpatient care. In FY 2017, 43% of total costs were associated with Medicare patients, followed by 32% with Medi-Cal patients, and 23% with Third Party payers.

| COST OF SERVICES BY PAYER CATEGORY FY 2013-2017 | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Operating Expenses | \$107,303,839 | \$121,052,226 | \$129,515,336 | \$145,197,995 | \$153,510,713 |
| Cost of Services by Payer: | | | | | |
| Medicare | \$42,393,573 | \$48,097,527 | \$52,972,236 | \$60,484,203 | \$61,924,454 |
| Medi-Cal | \$26,708,180 | \$40,698,286 | \$44,328,206 | \$49,824,344 | \$51,722,606 |
| County Indigent | \$7,217,998 | \$72,618 | \$0 | \$0 | \$0 |
| Third Party | \$25,288,801 | \$28,215,484 | \$28,140,992 | \$30,952,409 | \$34,979,296 |
| Other Indigent | \$1,601,765 | \$1,085,269 | \$1,105,664 | \$505,663 | \$2,382,480 |
| Other Payers | \$4,093,522 | \$2,883,042 | \$2,968,239 | \$3,431,376 | \$2,501,877 |

Source: OSHPD Disclosure Reports, FY 2013-2017

Charity Care

The following table shows a comparison of charity care and bad debt for Adventist Health Ukiah Valley to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 2.9%. This is consistent with the four-year statewide average of 2.3%. 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 2013 - FY 2017 (In Thousands) | | | | | | | | | | |
|---|-----------------|---------------------|-----------------|--------------------|-----------------|--------------------|----------------|--------------------|-----------------|--------------------|
| | FY 2013 | | FY 2014 | | FY 2015 | | FY 2016 | | FY 2017 | |
| | Hospital | CA | Hospital | CA | Hospital | CA | Hospital | CA | Hospital | CA |
| Gross Patient Revenue | \$358,625 | \$320,382,471 | \$417,514 | \$338,322,364 | \$439,341 | \$365,501,463 | \$471,724 | \$396,427,743 | \$479,721 | \$408,188,146 |
| Charity | \$9,327 | \$6,563,487 | \$5,441 | \$5,113,965 | \$8,872 | \$3,441,227 | \$5,949 | \$3,457,868 | \$10,095 | \$2,864,615 |
| Bad Debt | \$6,699 | \$5,891,632 | \$5,359 | \$4,365,936 | \$4,453 | \$3,262,642 | \$2,056 | \$3,108,971 | \$2,713 | \$2,762,692 |
| Total Charity & Bad Debt | \$16,026 | \$12,455,119 | \$10,801 | \$9,479,902 | \$13,325 | \$6,703,869 | \$8,005 | \$6,566,839 | \$12,808 | \$5,627 |
| Charity Care as a % of Gross Patient Revenue | 2.6% | 2.0% | 1.3% | 1.5% | 2.0% | 0.9% | 1.3% | 0.9% | 2.1% | 0.7% |
| Bad Debt as a % of Gross Patient Revenue | 1.9% | 1.8% | 1.3% | 1.3% | 1.0% | 0.9% | 0.4% | 0.8% | 0.6% | 0.7% |
| Total as a % of Gross Patient Revenue | 4.5% | 3.9% | 2.6% | 2.8% | 3.0% | 1.8% | 1.7% | 1.7% | 2.7% | 1.4% |
| Uncompensated Care | | | | | | | | | | |
| Cost to Charge Ratio | 29.5% | 24.5% | 28.5% | 23.6% | 29.2% | 24.1% | 30.6% | 23.8% | 31.8% | 23.00% |
| Charity | \$2,751 | \$1,608,711 | \$1,549 | \$1,207,919 | \$2,595 | \$828,647 | \$1,819 | \$822,627 | \$3,211 | \$658,891 |
| Bad Debt | \$1,976 | \$1,444,039 | \$1,525 | \$1,031,234 | \$1,303 | \$785,644 | \$629 | \$739,624 | \$863 | \$635,448 |
| Total | \$4,726 | \$3,052,750 | \$3,074 | \$2,239,153 | \$3,898 | \$1,614,292 | \$2,448 | \$1,562,251 | \$4,074 | \$1,294,339 |

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

The table below shows Adventist Health Ukiah Valley’s historical costs for charity care as reported by OSHPD. Charity care costs have increased from approximately \$2.8 million in FY 2013 to \$3.2 million in FY 2017. The average cost of charity care for the five-year and three-year period was \$2.4 million and \$2.5 million, respectively.

| COST OF CHARITY CARE | | | |
|----------------------------------|----------------------|----------------------|--------------------------------------|
| Year | Charity Care Charges | Cost to Charge Ratio | Cost of Charity Care to the Hospital |
| FY 2017 | \$10,095,150 | 31.8% | \$3,210,258 |
| FY 2016 | \$5,948,506 | 30.6% | \$1,818,972 |
| FY 2015 | \$8,871,874 | 29.2% | \$2,595,009 |
| FY 2014 | \$5,441,355 | 28.5% | \$1,548,573 |
| FY 2013 | \$9,326,976 | 29.5% | \$2,750,762 |
| FY 2015 – FY 2017 Average | | | \$2,541,413 |
| FY 2013 – FY 2017 Average | | | \$2,384,715 |

Source: OSHPD Disclosure Reports, FY 2013-2017

In the written notice to the California Attorney General, Adventist Health Ukiah Valley reported the following combined distribution of charity care costs by inpatient, outpatient, and

emergency room visits. Note that these totals are different than what was reported to OSHPD. The hospital's Charity Care and Discount Policy states that household income or qualifying assets must not be more than 200% of the federal poverty level to receive free emergency and medically necessary care. Persons with family income between the 201% and 300% federal poverty level qualify to receive Discounted Care for emergency and medically necessary services at 50% of the Amount Generally Billed. Persons with family income between the 301% and 400% federal poverty level qualify to receive Discounted Care for emergency and medically necessary services at 75% of the Amount Generally Billed.

| COST OF CHARITY CARE BY SERVICE | | | | |
|---------------------------------|-------------|-------------|----------------|-------------|
| | Inpatient | Outpatient | Emergency Room | Total Costs |
| 2017: | | | | |
| Cost of Charity | \$162,345 | \$274,006 | \$1,098 | \$437,449 |
| Visits/Discharges | 3,500 | 208,585 | 29,354 | \$241,439 |
| 2016: | | | | |
| Cost of Charity | \$557,890 | \$899,934 | \$361,148 | \$1,818,972 |
| Visits/Discharges | 3,402 | 227,727 | 30,037 | \$261,166 |
| 2015: | | | | |
| Cost of Charity | \$823,571 | \$1,241,451 | \$529,987 | \$2,595,009 |
| Visits/Discharges | 3,643 | 237,963 | 29,361 | \$270,967 |
| 2014: | | | | |
| Cost of Charity | \$568,863 | \$634,348 | \$345,361 | \$1,548,572 |
| Visits/Discharges | 3,669 | 212,561 | 24,680 | \$240,910 |
| 2013: | | | | |
| Cost of Charity | \$1,049,589 | \$1,085,808 | \$615,364 | \$2,750,761 |
| Visits/Discharges | 3,792 | 193,572 | 23,462 | \$220,826 |

Source: Adventist Health

Community Benefits

Over the last five fiscal years, Adventist Health Ukiah Valley has provided several community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years was \$1,825,817.

| ADVENTIST HEALTH UKIAH VALLEY COMMUNITY BENEFIT SERVICES | | | | | | | |
|--|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Community Benefit Programs | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | 5-Year Average | Total |
| Benefits for Persons Living in Poverty | \$113,569 | \$922,779 | \$592,372 | \$1,359,790 | \$3,776,473 | \$1,352,997 | \$6,764,983 |
| Benefits for Broader Community | \$40,000 | \$50,000 | \$77,383 | \$615,171 | \$1,581,547 | \$472,820 | \$2,364,101 |
| Total | \$153,569 | \$972,779 | \$669,755 | \$1,974,961 | \$5,358,020 | \$1,825,817 | \$9,129,084 |

Source: Adventist Health

The following table lists Adventist Health Ukiah Valley's community benefit services over the past five fiscal years that cost over \$10,000, followed by descriptions of these community benefit service:

| COST OF COMMUNITY BENEFIT SERVICES FY 2014-2018 | | | | | |
|--|------------|------------|-----------|------------|------------|
| Services over \$10,000 in cost: | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| Cash contributions | \$ 113,569 | \$ 380,036 | \$ 73,628 | \$ 170,928 | \$ 126,710 |
| Health Professions Education | \$ 40,000 | \$ 50,000 | \$ - | \$ 74,449 | \$ - |
| Community Support Group and Nutrition | \$ - | \$ - | \$ 43,684 | \$ - | \$ - |
| Diabetes Education/ Support Group/Screenings | \$ - | \$ - | \$ 11,929 | \$ 168,927 | \$ 392,215 |
| Support Group/Asthma/COPD*/Breathing/Smoking Cessation | \$ - | \$ - | \$ 11,396 | \$ - | \$ - |
| Support Group/Cancer/Stroke | \$ - | \$ - | \$ 26,145 | \$ - | \$ - |
| Enrollment Assistance | \$ - | \$ - | \$ - | \$ 62,039 | \$ - |
| Workforce development | \$ - | \$ - | \$ - | \$ 22,003 | \$ 336,052 |
| Health Education | \$ - | \$ - | \$ - | \$ 230,271 | \$ 319,874 |
| Wellness Program | \$ - | \$ - | \$ - | \$ 15,628 | \$ - |
| Focus On Healing | \$ - | \$ - | \$ - | \$ 12,634 | \$ 24,543 |
| Colors for Cancer | \$ - | \$ - | \$ - | \$ 15,153 | \$ - |
| Enrollment Assistance | \$ - | \$ - | \$ - | \$ - | \$ 64,782 |
| Health Fair | \$ - | \$ - | \$ - | \$ - | \$ 27,996 |
| Community Health Education | \$ - | \$ - | \$ - | \$ - | \$ 219,472 |
| Street medicine | \$ - | \$ - | \$ - | \$ - | \$ 171,192 |

Source: Adventist Health

*Chronic Obstructive Pulmonary Disease

Adventist Health Ukiah Valley community benefit services have supported many programs for the community, including various outreach efforts targeting the poor and vulnerable, health screenings, insurance enrollment assistance, and others as described below:

- **Diabetes Education:** The hospital hosts support groups and education classes monthly, in English and Spanish. This team also visits local health fairs checking blood sugar levels and educating the community on diabetes and healthy lifestyle choices;

- Health Fair: This fair reaches over 300 children living in low income households each year. Health screenings are offered such as scoliosis checks, dental checks, eye exams, hearing tests and physical. Adults can have their blood sugar tested as well as be given a flu shot. Education is also provided on early childhood trauma, nutrition and physical fitness;
- Street Medicine: The hospital offers a Street Medicine Program that hosts weekly clinics, visits to the winter shelter and churches to provide primary care for the homeless population. Street Medicine also visits common gathering areas to serve its population where they are most comfortable;
- Cash Contributions: The hospital provides donations made to charitable organizations. These dollars go to organizations that serve the most vulnerable to provide access to food, housing, health services, education for health providers and childhood health education; and
- Health Education, Nursing and Nursing Students: Provides, clinical training, support and mentoring to prepare for future jobs and includes partnership with local college's nursing program.

Medical Staff

Adventist Health Ukiah Valley has 129 medical staff members representing multiple specialties. The five largest specialties, comprising 47% of the medical staff, include: General/Family Practice, Internal Medicine, Obstetrics and Gynecology, Pediatric Medicine, and General Surgery.

| MEDICAL STAFF PROFILE | | |
|------------------------------------|------------|---------------|
| Specialty | Count | % of Total |
| Allergy and Immunology | 1 | 0.8% |
| Anesthesiology | 3 | 2.3% |
| Cardiovascular Diseases | 2 | 1.6% |
| Dermatology | 1 | 0.8% |
| Diagnostic Radiology | 5 | 3.9% |
| Gastroenterology | 2 | 1.6% |
| General/Family Practice | 17 | 13.2% |
| General Surgery | 9 | 7.0% |
| Internal Medicine | 12 | 9.3% |
| Neurology | 2 | 1.6% |
| Obstetrics and Gynecology | 12 | 9.3% |
| Oncology | 2 | 1.6% |
| Ophthalmology | 6 | 4.7% |
| Oral Surgery | 1 | 0.8% |
| Orthopedic Surgery | 4 | 3.1% |
| Otolaryngology | 3 | 2.3% |
| Pathology | 4 | 3.1% |
| Pediatric Medicine | 10 | 7.8% |
| Physical Medicine/Rehabilitation | 1 | 0.8% |
| Plastic and Reconstructive Surgery | 1 | 0.8% |
| Podiatry | 3 | 2.3% |
| Psychiatry | 1 | 0.8% |
| Radiology | 5 | 3.9% |
| Therapeutic Radiology | 3 | 2.3% |
| Urology | 2 | 1.6% |
| Vascular Surgery | 1 | 0.8% |
| Other Specialties | 16 | 12.4% |
| Total | 129 | 100.0% |

Source: OSHPD Disclosure Report, FY 2017

Reproductive Health

For CY 2017, Adventist Health Ukiah Valley reported 31 inpatient discharges related to reproductive health services. The following table lists inpatient reproductive health services by diagnostic related group (DRG) for CY 2017.

| REPRODUCTIVE HEALTH DISCHARGES | |
|--|-------------------|
| DRG | Discharges |
| 767-Vaginal Delivery W Sterilization &/Or D&C ¹ | 27 |
| 778-Threatened Abortion | 4 |
| 770-Abortion W D&C, Aspiration Curettage or Hysterotomy | 0 |
| 777-Ectopic Pregnancy | 0 |
| 779-Abortion W/O D&C | 0 |
| Total | 31 |

Source: CY 2017 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

Out of the five diagnostic related groups, DRG 767-Vaginal Delivery with Sterilization &/Or D&C has the highest number of reproductive health service inpatient discharges. The Seventh-day Adventist Church opposes abortion, assisted suicide, but approves contraception, sterilization, and in vitro fertilization.

Analysis of Adventist Health’s Hospital Market Share in Mendocino County

Mendocino County has over 89,800 residents and encompasses over 3,870 square miles. The map below depicts the location of the two Adventist Health hospitals located in Mendocino County, Adventist Health Ukiah Valley and Adventist Health Howard Memorial, and the two hospital’s respective service areas.



The following table lists hospitals where Mendocino County residents received inpatient care in calendar year (CY) 2017, the most recent data available from OSHPD, and their respective market share. Adventist Health Ukiah Valley is the inpatient market share leader (34.9%) in Mendocino County.

| MENDOCINO COUNTY MARKET SHARE BY HOSPITAL CY 2017 | | |
|--|--------------|--------------|
| Hospital | CY 2017 | |
| | Discharges | Market Share |
| Adventist Health Ukiah Valley | 3,220 | 34.9% |
| Adventist Health Howard Memorial | 1,373 | 14.9% |
| Mendocino Coast District Hospital | 994 | 10.8% |
| Santa Rosa Memorial Hospital-Montgomery | 757 | 8.2% |
| UCSF Medical Center | 547 | 5.9% |
| Adventist Health St. Helena | 509 | 5.5% |
| Sutter Santa Rosa Regional Hospital | 294 | 3.2% |
| Aurora Behavioral Healthcare-Santa Rosa, LLC | 130 | 1.4% |
| California Pacific Med Ctr-Pacific Campus | 115 | 1.2% |
| Children's Hospital and Research Center at Oakland | 107 | 1.2% |
| Queen of the Valley Medical Center | 100 | 1.1% |
| UC Davis Medical Center | 90 | 1.0% |
| Adventist Health Vallejo | 90 | 1.0% |
| Stanford Health Care | 85 | 0.9% |
| Restpadd Psychiatric Health Facility | 67 | 0.7% |
| Kaiser Foundation Hospital - Santa Rosa | 57 | 0.6% |
| California Pacific Med Ctr-Davies Campus | 39 | 0.4% |
| Lucile Salter Packard Children's Hosp. At Stanford | 30 | 0.3% |
| Marin General Hospital | 26 | 0.3% |
| All Other | 597 | 6.5% |
| Total Adventist Health Discharges | 5,206 | 56.4% |
| Total St. Joseph Health Discharges | 903 | 9.8% |
| Total Adventist Health and St. Joseph Health Discharges | 6,109 | 66.2% |
| Total Discharges | 9,227 | 100% |

Source: CY 2017 OSHPD Discharge Database

Note: Excludes normal newborns

- Adventist Health Howard Memorial has the second largest market share (14.9%) of Mendocino County inpatient discharges.

Analysis of Adventist Health Ukiah Valley Service Area

Service Area Definition

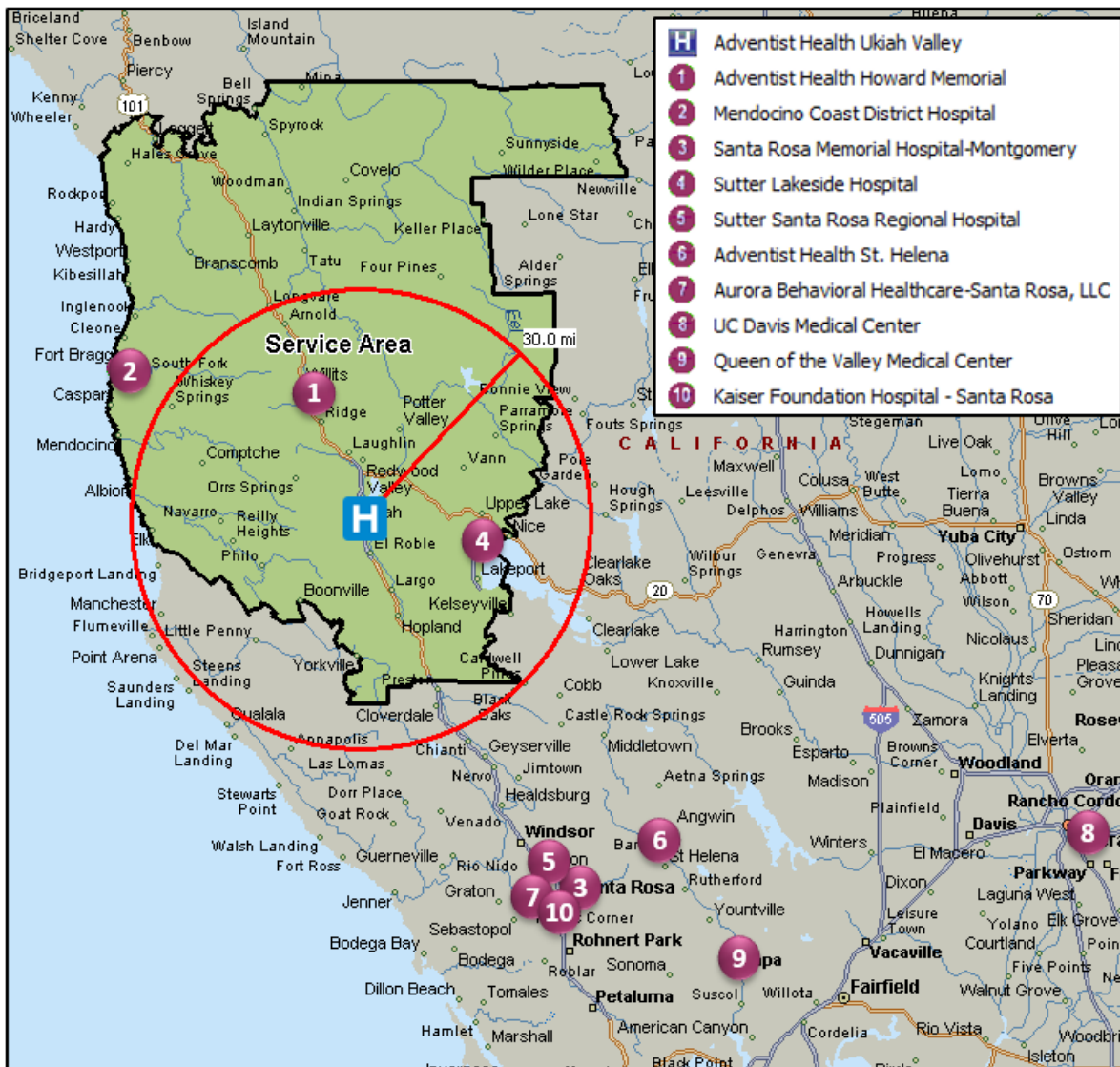
Adventist Health Ukiah Valley's service area is comprised of 23 ZIP Codes from which 91% of its inpatient discharges originated in CY 2017. Approximately 50% of Adventist Health Ukiah Valley's inpatient discharges originated from its top ZIP Code that is located in the city of Ukiah. Furthermore, 81% of Adventist Health Ukiah Valley's inpatient discharges were from the top seven ZIP Codes. In CY 2017, Adventist Health Ukiah Valley's market share in the service area was 32%.

| ADVENTIST HEALTH UKIAH PATIENT ORIGIN, CY 2017 | | | | | | |
|---|----------------|------------------|-----------------|----------------------------|-----------------------|--------------|
| ZIP Codes | Community | Total Discharges | % of Discharges | Cumulative % of Discharges | Total Area Discharges | Market Share |
| 95482 | Ukiah | 2,023 | 55.9% | 55.9% | 3,428 | 59.0% |
| 95470 | Redwood Valley | 299 | 8.3% | 64.2% | 581 | 51.5% |
| 95490 | Willits | 264 | 7.3% | 71.5% | 1,514 | 17.4% |
| 95449 | Hopland | 106 | 2.9% | 74.4% | 164 | 64.6% |
| 95428 | Covelo | 102 | 2.8% | 77.3% | 336 | 30.4% |
| 95437 | Fort Bragg | 66 | 1.8% | 79.1% | 1,478 | 4.5% |
| 95453 | Lakeport | 62 | 1.7% | 80.8% | 1,367 | 4.5% |
| 95481 | Talmage | 62 | 1.7% | 82.5% | 84 | 73.8% |
| 95415 | Boonville | 59 | 1.6% | 84.2% | 107 | 55.1% |
| 95469 | Potter Valley | 54 | 1.5% | 85.6% | 141 | 38.3% |
| 95454 | Laytonville | 45 | 1.2% | 86.9% | 239 | 18.8% |
| 95466 | Philo | 38 | 1.1% | 87.9% | 101 | 37.6% |
| 95418 | Calpella | 23 | 0.6% | 88.6% | 45 | 51.1% |
| 95485 | Upper Lake | 22 | 0.6% | 89.2% | 326 | 6.7% |
| 95460 | Mendocino | 19 | 0.5% | 89.7% | 243 | 7.8% |
| 95585 | Leggett | 13 | 0.4% | 90.1% | 57 | 22.8% |
| 95463 | Navarro | 5 | 0.1% | 90.2% | 13 | 38.5% |
| 95432 | Elk | 3 | 0.1% | 90.3% | 27 | 11.1% |
| 95456 | Littleriver | 2 | 0.1% | 90.3% | 58 | 3.4% |
| 95493 | Witter Springs | 2 | 0.1% | 90.4% | 26 | 7.7% |
| 95417 | Branscomb | 2 | 0.1% | 90.5% | 21 | 9.5% |
| 95427 | Comptche | 1 | 0.0% | 90.5% | 19 | 5.3% |
| 95420 | Caspar | 0 | 0.0% | 90.5% | 12 | 0.0% |
| Sub-Total | | 3,272 | 90.5% | 90.5% | 10,387 | 31.5% |
| Other ZIPs | | 344 | 9.5% | 100% | | |
| Total | | 3,616 | 100.0% | | | |

Note: Excludes normal newborns
Source: OSHPD Patient Discharge Database, CY 2017

Service Area Map

Adventist Health Ukiah Valley’s service area, with approximately 97,900 residents, includes the communities of Ukiah, Redwood Valley, Willits, Covelo, Hopland, Lakeport, Potter Valley, Laytonville, Talmage, Boonville, Fort Bragg, Philo, Calpella, Upper Lake, Mendocino, Leggett, Navarro, Comptche, Littleriver, Witter Springs, Caspar, Branscomb, and Elk. There are three other hospitals located within Adventist Health Ukiah Valley’s service area: Adventist Health Howard Memorial (22.2 miles from Adventist Health Ukiah Valley), Sutter Lakeside Hospital (31.0 miles from Adventist Health Ukiah Valley), and Mendocino Coast District Hospital (56.9 miles from Adventist Health Ukiah Valley). There are five other hospitals, located between 56.1 miles away and 90.2 miles away, that also provide services to Adventist Health Ukiah Valley’s service area: Sutter Santa Rosa Regional Hospital, Kaiser Foundation Hospital - Santa Rosa, Santa Rosa Memorial Hospital, Adventist Health St. Helena, and Queen of the Valley Medical Center. Adventist Health Ukiah Valley ranks first in inpatient market share in the service area.



Service Area Certified Stroke Centers

Adventist Health Ukiah Valley is the only certified stroke center in its service area. The next closest stroke centers are located nearly 60 miles away: Santa Rosa Memorial Hospital and Kaiser Foundation Hospital – Santa Rosa. Adventist Health Ukiah Valley is the only stroke center, certified by The Joint Commission, in Mendocino County.



-  = Adventist Health Ukiah Valley
-  = Service Area
-  = Advanced Primary Stroke Center
-  = Comprehensive Stroke Center (none shown)

Service Area Trauma Services

Adventist Health Ukiah Valley is a Level IV trauma center. Therefore, it is required to have emergency and surgical services available 24 hours a day and on-call coverage in place for select specialists. Other elements required for Level IV trauma designation include:

- Basic emergency department and 24-hour laboratory coverage including available trauma nurse(s);
- Provide surgery and critical-care services; and
- Established transfer agreements with area Level I or Level II trauma center(s) to transfer patients requiring more comprehensive care.

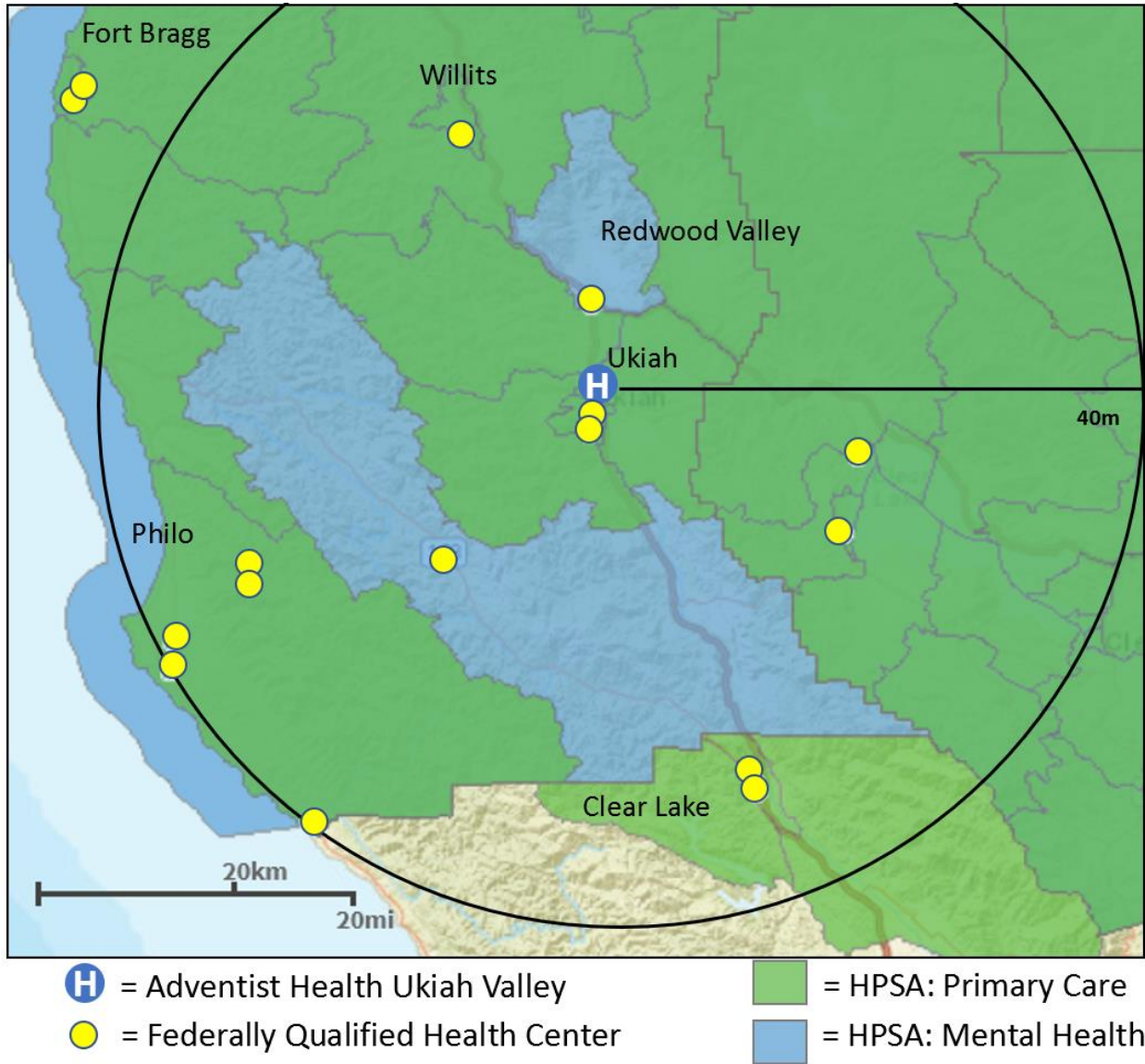


● = Level I Trauma Center
● = Level II Trauma Center

● = Level III Trauma Center
● = Level IV Trauma Center

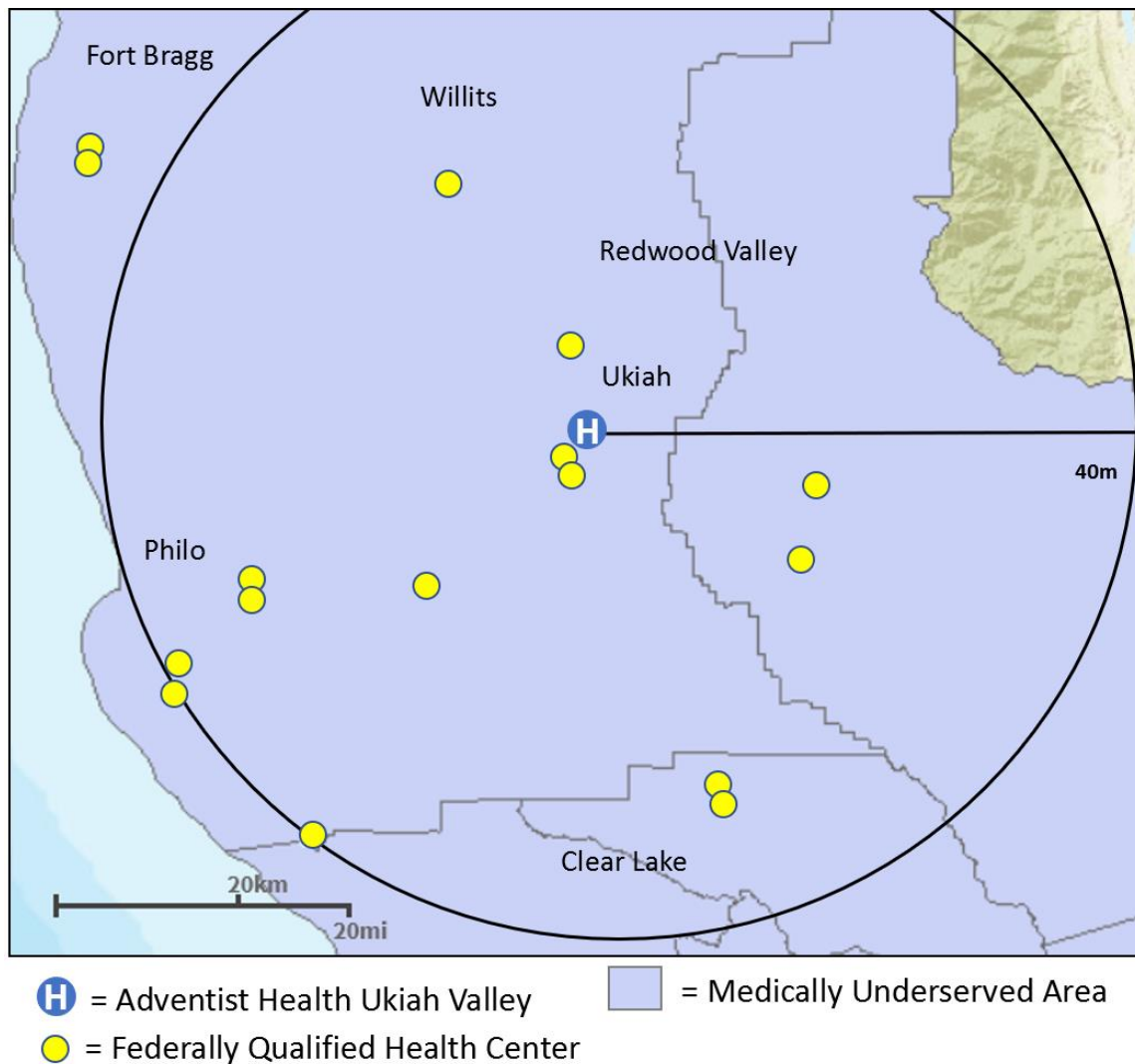
Health Professional Shortage Areas

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). Both Adventist Health Ukiah Valley and its entire service area are in designated shortage areas. The map below shows the shortage areas relative to Adventist Health Ukiah Valley's location.



Medically Underserved Area

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 Adventist Health Ukiah Valley's location.



Demographic Profile

Adventist Health Ukiah Valley’s service area population is projected to grow by 1.4% over the next five years. This is lower than the expected growth rate for Mendocino County (1.6%) and California state average (4.1%).

| SERVICE AREA POPULATION STATISTICS | | | |
|------------------------------------|----------|------------|--------|
| 2018-2023 | | | |
| | 2018 | 2023 | % |
| | Estimate | Projection | Change |
| Total Population | 97,896 | 99,291 | 1.4% |
| Households | 38,754 | 39,292 | 1.4% |
| Percentage Female | 49.8% | 49.5% | - |

Source: Esri

The median age of the population in the Adventist Health Ukiah Valley’s service area is 44.8 years and is higher than the state-wide average of 36.2 years. The fastest growing age group in the service area are individuals over the age of 65; increasing approximately by 17% over the next five years. The number of women of child-bearing age is expected to decrease by 2% over the next five years.

| SERVICE AREA POPULATION | | | | |
|-----------------------------|---------------|-------------|-----------------|-------------|
| AGE DISTRIBUTION: 2018-2023 | | | | |
| | 2018 Estimate | | 2023 Projection | |
| | Population | % of Total | Population | % of Total |
| Age 0-14 | 16,761 | 17.1% | 16,848 | 17.0% |
| Age 15-44 | 34,490 | 35.2% | 34,287 | 34.5% |
| Age 45-64 | 26,493 | 27.1% | 24,682 | 24.9% |
| Age 65+ | 20,152 | 20.6% | 23,474 | 23.6% |
| Total | 97,896 | 100% | 99,291 | 100% |
| Female 15-44 | 16,406 | 16.8% | 16,262 | 16.4% |
| Median Age | 44.8 | | 45.5 | |

Source: Esri

The largest population group in the Adventist Health Ukiah Valley’s service area are White (74%), Some Other Race (13%) and Asian Indian Alone (5%). Approximately 74% of the service area population is non-Hispanic or Latino Origin. This is higher than the California non-Hispanic population of approximately 60%.

| SERVICE AREA POPULATION RACE/ETHNICITY: 2018-2023 | | |
|--|------------------|--------------------|
| | 2018 Estimate | 2023 Projection |
| White | 73.7% | 71.4% |
| Black | 0.9% | 1.0% |
| Asian Indian Alone | 5.1% | 5.1% |
| Asian Alone | 2.0% | 2.2% |
| Pacific Islander Alone | 0.2% | 0.2% |
| Some Other Race Alone | 13.2% | 14.7% |
| Two or More Races | 5.0% | 5.5% |
| Total | 100% | 100% |
| Hispanic Ethnicity | 25.6% | 28.6% |
| Non-Hispanic or Latino | 74.4% | 71.4% |
| Total | 100% | 100% |

Source: Esri

Adventist Health Ukiah Valley’s service area households have a median household income of \$43,771, this is similar to the Mendocino County’s median household income of \$44,256 but 33% lower than the State of California median of \$65,223. The percentage of higher-income households (\$150,000+) in Adventist Health Ukiah Valley’s service area is projected to grow at the same rate to Mendocino County’s rate of 20% but lower than the State of California’s rate of approximately 25%.

| SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2018-2023 | | | | | | |
|--|-----------------|---------------------|-----------------|-----------------|---------------------|-----------------|
| | 2018 Estimate | | | 2023 Estimate | | |
| | Service Area | Mendocino County | California | Service Area | Mendocino County | California |
| \$0 - \$15,000 | 15.4% | 15.6% | 9.6% | 14.7% | 5.5% | 8.0% |
| \$15 - \$24,999 | 13.4% | 13.0% | 8.3% | 12.5% | 5.2% | 6.8% |
| \$25 - \$34,999 | 11.8% | 11.7% | 7.8% | 10.7% | 5.3% | 6.5% |
| \$35 - \$49,999 | 14.2% | 14.1% | 11.1% | 13.2% | 9.6% | 9.9% |
| \$50 - \$74,999 | 17.9% | 18.5% | 16.1% | 18.2% | 15.1% | 15.2% |
| \$75 - \$99,999 | 10.9% | 11.1% | 12.2% | 11.6% | 11.9% | 12.3% |
| \$100 - \$149,999 | 10.3% | 9.5% | 16.1% | 11.9% | 19.6% | 17.7% |
| \$150,000 - \$199,999 | 3.3% | 3.5% | 8.1% | 3.9% | 11.3% | 9.6% |
| \$200,000+ | 2.8% | 2.9% | 10.7% | 3.3% | 16.6% | 14.0% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |
| Median Household Income | \$43,771 | \$44,269 | \$65,223 | \$48,418 | \$49,061 | \$74,370 |

Source: Esri

Medi-Cal Eligibility

With the implementation of the ACA and the statewide expansion of Medi-Cal, 13.2 million of the State of California’s population are eligible for Medi-Cal (33% of California’s population). In Mendocino County, the California Department of Health Care Services estimated 42,587 people were eligible for Medi-Cal in August 2018 (47% of Mendocino County’s population). Out of the total estimated population in Mendocino County, 42% of the population was enrolled in Medi-Cal Managed Care. Since the population in Adventist Health Ukiah Valley’s service area is slightly poorer than Mendocino County, it is expected that the percent eligible for Medi-Cal would exceed 47%. Medi-Cal eligibility could be significantly affected in the coming years by the potential change or repeal of the ACA.

Selected Health Indicators

A review of health indicators for Mendocino County (deaths, diseases, and births) is shown below.

| NATALITY STATISTICS: 2019 | | |
|-------------------------------|------------------|---------------|
| Health Status Indicator | Mendocino County | National Goal |
| Low Birth Weight Infants | 7.10% | 7.80% |
| First Trimester Prenatal Care | 67.50% | 77.90% |
| Adequate/Adequate Plus Care | 76.80% | 77.60% |

Source: California Department of Public Health

Mendocino County had higher morbidity rates for one of the eight health status indicators than the State of California;

| 2019 MORBIDITY STATISTICS: RATE PER 100,000 POPULATION | | | |
|--|------------------|------------|--------------------|
| Health Status Indicator | Mendocino County | California | National Objective |
| HIV/AIDS Incidence (Age 13 and Over) ¹ | 240.8 | 397.7 | a |
| Chlamydia Incidence | 404.4 | 514.6 | c |
| Gonorrhea Incidence Female Age 15-44 | 451.3 | 252.4 | 251.9 |
| Gonorrhea Incidence Male Age 15-44 | 344.8 | 444.8 | 194.8 |
| Tuberculosis Incidence | 1.5* | 5.3 | 1 |
| Congenital Syphilis | NM* | 44.4 | 9.6 |
| Primary Secondary Syphilis Female | M* | 3.5 | 1.3 |
| Primary Secondary Syphilis Male | NM* | 26.2 | 6.7 |

Source: California Department of Public Health Notes Crude death rates, crude case rates, and age-adjusted death rates are per 100,000 population. Birth cohort infant death rates are per 1,000 live births. The age-specific birth rates are per 1,000 female population aged 15 to 19 years old. Previous refers to previous period rates. These periods vary by type of rate: Mortality 2012-2014, Morbidity 2012-2014, Infant Mortality 2011-2013, Natality 2012-2014, Census 2016.

* Rates are deemed unreliable based on fewer than 20 data elements.

¹ California Department of Public Health, Office of AIDS, Surveillance Section reporting periods are: Current Period 2014-2016, Previous Period 2011-2013.

#: Denotes a suppressed data element in accordance with Data De-Identification Guidelines. Please see County Health Status Profiles 2018, Technical Notes, Data Definitions.

a: Healthy People 2020 (HP 2020) National Objective has not been established.

b: National Objective is based on both underlying and contributing cause of death which requires use of multiple cause of death files. California's data exclude multiple/contributing causes of death.

c: Prevalence data are not available in all California counties to evaluate the Healthy People 2020 National Objective STD-1, as the Healthy People objective is restricted to females who are 15-24 years old and identified at a family planning clinic, and males and females under 24 years old who participate in a national job-training program.

Notes: Crude death rates, crude case rates, and age-adjusted death rates are per 100,000 population. Birth cohort infant death rates are per 1,000 live births. The age-specific birth rates are per 1,000 female population aged 15 to 19 years old. Previous refers to previous period rates. These periods vary by type of rate: Mortality 2012-2014, Morbidity 2012-2014, Infant Mortality 2011-2013, Natality 2012-2014, Census 2016.

M: Met (M) refers to the Healthy People 2020 National objectives only.

NM: Not Met (NM) refers to the Healthy People 2020 National objectives only.

The overall age-adjusted mortality rate for Mendocino County is higher than that of the State of California. Mendocino County reported higher age-adjusted mortality rates on 15 of the 18 causes.

| MORTALITY STATISTICS: 2019: RATE PER 100,000 POPULATION | | | | |
|---|------------------|-------------------------|--------------|---------------|
| Selected Cause | Mendocino County | | Age Adjusted | |
| | Crude Death Rate | Age Adjusted Death Rate | California | National Goal |
| All Causes | 970.6 | 727.1 | 610.3 | a |
| - All Cancers | 221.9 | 157.2 | 137.4 | 161.4 |
| - Colorectal Cancer | 18.0* | 13.9* | 12.5 | 14.5 |
| - Lung Cancer | 49.6 | 34 | 27.5 | 45.5 |
| - Female Breast Cancer | 30.9* | 19.9* | 18.9 | 20.7 |
| - Prostate Cancer | 32.2* | 27.9* | 19.4 | 21.8 |
| - Diabetes | 27.8* | 18.8 | 21.2 | b |
| - Alzheimer's Disease | 16.5* | 11.8* | 35.7 | a |
| - Coronary Heart Disease | 117.9 | 85 | 87.4 | 103.4 |
| - Cerebrovascular Disease (Stroke) | 49.6 | 37.2 | 36.3 | 34.8 |
| - Influenza/Pneumonia | 20.3* | 14.8* | 14.2 | a |
| - Chronic Lower Respiratory Disease | 55.6 | 40.1 | 32 | a |
| - Chronic Liver Disease and Cirrhosis | 13.1* | 9.3* | 12.2 | 8.2 |
| - Accidents (Unintentional Injuries) | 72.1 | 67.1 | 32.2 | 36.4 |
| - Motor Vehicle Traffic Crashes | 14.6* | 15.5* | 9.5 | 12.4 |
| - Suicide | 22.5 | 21.3 | 10.4 | 10.2 |
| - Homicide | 6.0* | 6.0* | 5.2 | 5.5 |
| - Firearm-Related Deaths | 16.1* | 14.3* | 7.9 | 9.3 |
| - Drug-Induced Deaths | 27 | 26.2 | 12.7 | 11.3 |

Source: California Department of Public Health

*Rates are deemed unreliable when based on 20 or fewer elements

a: Healthy People 2020 (HP 2020) National Objective has not been established.

b: National Objective is based on both underlying and contributing cause of death which requires use of multiple cause of death files. California's data exclude multiple/contributing causes of death.

c: Prevalence data are not available in all California counties to evaluate the Healthy People 2020 National Objective STD-1, as the Healthy People objective is restricted to females who are 15-24 years old and identified at a family planning clinic, and males and females under 24 years old who participate in a national job-training program.

2016 Community Health Needs Assessment

In an effort to understand the communities served by Adventist Health Ukiah Valley, their most critical healthcare needs, and the resources available to meet those needs, Adventist Health Ukiah Valley conducts a Community Health Needs Assessment every three years. Adventist Health Ukiah Valley's most recent 2016 needs assessment incorporated primary data collected through interviews, focus groups and surveys conducted by a six agency collaborative that included the Alliance for Rural Community Health, Adventist Health Howard Memorial, Mendocino County Health and Human Services Agency, North Coast Opportunities, Healthy Mendocino, and Adventist Health Ukiah Valley, and incorporated secondary data from a variety of studies and reports compiled by numerous organizations at the local, state, and national levels.

Based on feedback from community stakeholders, the following three priorities, in order of priority, were identified as the most important health and social needs affecting Mendocino County:

- **Improved economic opportunities:** In 2014, 20% of the Mendocino County's overall population, and approximately one-third each of the Hispanic, Native American and African American populations, were living below the Federal Poverty Level. Twenty-eight percent of children in the county live in poverty, and the percentage of households receiving cash assistance income is increasing;
- **Issues related to childhood obesity:** Over 40% of children in Mendocino County are classified as overweight. Childhood obesity can lead to diabetes and other serious chronic diseases, with consequences for both the quality of life and the cost of health care. Emphasis has been placed on improving access to healthy, affordable foods and physical activity resources, resulting in better health outcomes for Mendocino County's children; and
- **Poor mental health:** Nearly half of adults surveyed indicate that mental health issues are among the most important health issues facing Mendocino County. Poor mental health can both result from and contribute to other poor health and social conditions.

Hospital Supply, Demand & Market Share

There are four general acute care hospitals within the defined service area: Adventist Health Ukiah Valley, Adventist Health Howard Memorial, Sutter Lakeside Hospital, and Mendocino Coast District Hospital. In FY 2016, the service area hospitals had a combined total of 148 licensed beds and an aggregate occupancy rate of approximately 56%. In FY 2017, Adventist Health Ukiah Valley had 68 licensed beds that operated at an occupancy rate of nearly 51%. Furthermore, Adventist Health Ukiah Valley was responsible for nearly 44% of the service area discharges and approximately 42% of patient days.

An analysis of the services offered by Adventist Health Ukiah Valley 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 prominent area hospital available bed capacity by service.

| AREA HOSPITAL DATA FY 2017 | | | | | | | | | |
|--|-------------------------------------|--------------|---------------------|---------------|---------------|----------------|---------------|------------------|---------------------|
| Hospital | Ownership/Affiliation | City | Within Service Area | Licensed Beds | Discharges | Patient Days | Occupied Beds | Percent Occupied | Miles from Hospital |
| Adventist Health Ukiah Valley | Adventist Health | Ukiah | X | 68 | 3,552 | 12,549 | 34 | 50.6% | - |
| Adventist Health Howard Memorial | Adventist Health | Willits | X | 25 | 1,622 | 6,569 | 18 | 72.0% | 22.2 |
| Sutter Lakeside Hospital* | Sutter Health | Lakeport | X | 30 | 1,904 | 6,526 | 18 | 59.6% | 31.0 |
| Mendocino Coast District Hospital | Mendocino Coast Hospital District | Fort Bragg | X | 25 | 1,022 | 4,486 | 12 | 49.2% | 56.9 |
| SUB-TOTAL | | | | 148 | 8,100 | 30,130 | 83 | 55.8% | |
| Sutter Santa Rosa Regional Hospital* | Sutter Health | Santa Rosa | | 84 | 6,538 | 21,865 | 60 | 71.3% | 56.1 |
| Kaiser Foundation Hospital - Santa Rosa* | Kaiser Permanente | Santa Rosa | | 173 | 9,759 | 33,310 | 91 | 52.8% | 58.8 |
| Santa Rosa Memorial Hospital* | Providence St. Joseph Health System | Santa Rosa | | 278 | 12,017 | 69,835 | 191 | 68.8% | 61.3 |
| Adventist Health St. Helena | Adventist Health | St. Helena | | 152 | 7,769 | 27,706 | 76 | 49.9% | 71.1 |
| Queen of the Valley Medical Center* | Providence St. Joseph Health System | Napa | | 208 | 6,522 | 31,432 | 86 | 41.4% | 90.2 |
| TOTAL | | | | 1,043 | 50,705 | 214,278 | 587 | 56.3% | |

Source: OSHPD Disclosure Reports, FY 2017

*2017 Unaudited Data

Hospital Market Share

The table below illustrates service area hospital inpatient market share from CY 2013 to CY 2017:

| SERVICE AREA MARKET SHARE BY HOSPITAL, CY 2013- CY 2017 | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|-------|
| Hospital | 2013 | 2014 | 2015 | 2016 | 2017 | Trend |
| Adventist Health Ukiah Valley | 37.6% | 36.5% | 35.9% | 33.0% | 31.5% | ↘ |
| Adventist Health Howard Memorial | 13.0% | 12.9% | 9.7% | 12.8% | 13.4% | → |
| Mendocino Coast District Hospital | 11.1% | 11.0% | 10.3% | 9.7% | 8.6% | ↘ |
| Sutter Lakeside Hospital | 7.8% | 6.5% | 7.1% | 7.4% | 7.2% | → |
| Santa Rosa Memorial Hospital | 6.2% | 5.8% | 6.2% | 7.7% | 6.8% | → |
| Adventist Health St. Helena | 3.2% | 3.4% | 4.4% | 5.5% | 6.5% | ↗ |
| UCSF Medical Center | 4.6% | 4.7% | 4.3% | 5.1% | 5.6% | ↗ |
| Sutter Santa Rosa Regional Hospital | 4.1% | 3.4% | 3.2% | 3.0% | 3.3% | → |
| California Pacific Med Ctr-Pacific Campus | 1.4% | 1.6% | 1.6% | 1.4% | 1.7% | → |
| Aurora Behavioral Healthcare-Santa Rosa, LLC | 0.1% | 1.0% | 1.5% | 1.4% | 1.2% | → |
| Queen of the Valley Medical Center | 0.4% | 0.7% | 0.6% | 1.0% | 1.2% | → |
| Children's Hospital & Research Center at Oakland | 1.2% | 1.1% | 1.1% | 1.0% | 1.1% | → |
| UC Davis Medical Center | 0.4% | 0.9% | 1.2% | 1.4% | 1.0% | → |
| Adventist Health Vallejo | 0.4% | 0.4% | 0.5% | 0.4% | 0.9% | ↗ |
| Stanford Health Care | 1.0% | 1.1% | 1.1% | 0.8% | 0.9% | → |
| California Pacific Med Ctr-Davies Campus | 0.6% | 0.7% | 0.6% | 0.7% | 0.7% | → |
| Restpadd Psychiatric Health Facility | 0.0% | 0.3% | 0.6% | 0.9% | 0.6% | → |
| Kaiser Foundation Hospital - Santa Rosa | 0.6% | 0.4% | 0.6% | 0.5% | 0.6% | → |
| Adventist Health Clearlake | 0.2% | 0.2% | 0.3% | 0.4% | 0.3% | → |
| All Other | 6.0% | 7.2% | 9.2% | 6.1% | 6.8% | ↘ |
| Total Percentage | 100% | 100% | 100% | 100% | 100% | |
| Total Discharges | 9,837 | 9,741 | 9,763 | 9,891 | 10,387 | ↗ |

Source: OSHPD Patient Discharge Database, CY 2013- CY 2017

Note: Excludes normal newborns

- Between CY 2013 and CY 2017, the number of discharges in Adventist Health Ukiah Valley's service area increased by nearly 6%; and
- Adventist Health Ukiah Valley has consistently ranked first in market share for the service area based on discharges (32% in CY 2017). In CY 2017, Adventist Health Howard Memorial ranked second in inpatient discharges with over 13% market share.

Market Share by Payer Type

The following table shows inpatient market share by hospital and payer type for Adventist Health Ukiah Valley's service area for CY 2017.

| HOSPITAL MARKET SHARE BY PAYER, CY 2017 | | | | | | | | | | | |
|---|------------------|-------------------------------|----------------------------------|-----------------------------------|--------------------------|------------------------------|-----------------------------|---------------------|-------------------------------------|--------------|-------------|
| Payor Type | Total Discharges | Adventist Health Ukiah Valley | Adventist Health Howard Memorial | Mendocino Coast District Hospital | Sutter Lakeside Hospital | Santa Rosa Memorial Hospital | Adventist Health St. Helena | UCSF Medical Center | Sutter Santa Rosa Regional Hospital | All Others | Total |
| Medicare | 4,609 | 27.3% | 17.6% | 11.3% | 8.5% | 7.6% | 7.4% | 3.0% | 3.3% | 14.0% | 100% |
| Medi-Cal | 3,399 | 39.9% | 8.6% | 7.4% | 7.1% | 5.6% | 6.6% | 9.0% | 2.3% | 13.5% | 100% |
| Private Coverage | 1,869 | 30.2% | 12.8% | 5.6% | 5.1% | 6.8% | 4.9% | 7.4% | 4.8% | 22.5% | 100% |
| All Other | 442 | 16.5% | 8.4% | 3.4% | 2.7% | 8.4% | 4.3% | 0.9% | 5.2% | 50.2% | 100% |
| Self-Pay | 68 | 35.3% | 11.8% | 8.8% | 10.3% | 4.4% | 0.0% | 0.0% | 2.9% | 26.5% | 100% |
| Grand Total | 10,387 | 31.5% | 13.4% | 8.6% | 7.2% | 6.8% | 6.5% | 5.6% | 3.3% | 17.0% | 100% |

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

- The largest payer categories of service area inpatient discharges are Medicare with 4,609 inpatient discharges (44%), followed by Medi-Cal with 3,399 inpatient discharges (32%), and Private Coverage with 1,869 inpatient discharges (18%);
- Adventist Health Ukiah Valley is market share leader in Medicare (27%), Medi-Cal (40%), Private Coverage (30%), and Self Pay (35%); and
- Adventist Health Howard Memorial has significant market share in Medicare (18%) and Private Coverage (13%).

Market Share by Service Line

The following table shows inpatient market share by hospital and service line for Adventist Health Ukiah Valley's service area for CY 2017.

| HOSPITAL MARKET SHARE BY SERVICE LINE, CY 2017 | | | | | | | | | | | |
|--|------------------|-------------------------------|----------------------------------|-----------------------------------|--------------------------|------------------------------|-----------------------------|---------------------|-------------------------------------|--------------|-------------|
| Service Line | Total Discharges | Adventist Health Ukiah Valley | Adventist Health Howard Memorial | Mendocino Coast District Hospital | Sutter Lakeside Hospital | Santa Rosa Memorial Hospital | Adventist Health St. Helena | UCSF Medical Center | Sutter Santa Rosa Regional Hospital | All Others | Total |
| General Medicine | 3,396 | 36.0% | 14.7% | 12.2% | 10.3% | 4.5% | 4.9% | 2.8% | 1.7% | 12.8% | 100% |
| Orthopedics | 1,232 | 15.0% | 38.2% | 10.6% | 4.5% | 8.4% | 4.0% | 2.9% | 4.9% | 11.4% | 100% |
| Obstetrics | 1,141 | 65.7% | 0.3% | 8.9% | 11.6% | 1.8% | 0.4% | 4.9% | 3.9% | 2.5% | 100% |
| Cardiac Services | 1,007 | 27.6% | 8.7% | 6.2% | 4.5% | 13.9% | 19.7% | 2.1% | 6.9% | 10.5% | 100% |
| General Surgery | 883 | 31.5% | 15.2% | 4.4% | 6.5% | 5.9% | 3.1% | 9.4% | 5.1% | 19.0% | 100% |
| Behavioral Health | 649 | 4.6% | 2.0% | 3.2% | 1.4% | 0.3% | 20.6% | 1.1% | 0.2% | 66.6% | 100% |
| Neurology | 487 | 27.9% | 11.1% | 6.2% | 7.4% | 11.5% | 1.2% | 6.8% | 1.0% | 26.9% | 100% |
| Neonatology | 406 | 44.1% | 0.0% | 16.0% | 6.4% | 4.2% | 0.7% | 12.1% | 10.6% | 5.9% | 100% |
| Oncology/Hematology | 266 | 18.8% | 9.8% | 6.0% | 5.3% | 3.0% | 5.6% | 21.4% | 1.1% | 28.9% | 100% |
| Spine | 188 | 9.6% | 12.2% | 1.1% | 3.2% | 28.2% | 1.1% | 11.7% | 5.3% | 27.7% | 100% |
| Other | 150 | 14.7% | 12.7% | 2.7% | 2.7% | 29.3% | 12.7% | 4.0% | 0.7% | 20.7% | 100% |
| Vascular Services | 137 | 24.8% | 7.3% | 1.5% | 3.6% | 10.2% | 27.0% | 6.6% | 0.7% | 18.2% | 100% |
| Urology | 120 | 22.5% | 4.2% | 0.0% | 0.8% | 9.2% | 11.7% | 26.7% | 1.7% | 23.3% | 100% |
| ENT | 115 | 27.8% | 12.2% | 2.6% | 2.6% | 14.8% | 0.9% | 17.4% | 0.0% | 21.7% | 100% |
| Neurosurgery | 93 | 1.1% | 3.2% | 0.0% | 0.0% | 11.8% | 0.0% | 40.9% | 1.1% | 41.9% | 100% |
| Gynecology | 85 | 28.2% | 24.7% | 4.7% | 2.4% | 4.7% | 0.0% | 20.0% | 2.4% | 12.9% | 100% |
| No-match-found | 20 | 15.0% | 20.0% | 10.0% | 5.0% | 5.0% | 0.0% | 20.0% | 0.0% | 25.0% | 100% |
| Ophthalmology | 10 | 30.0% | 10.0% | 0.0% | 10.0% | 20.0% | 0.0% | 0.0% | 0.0% | 30.0% | 100% |
| Grand Total | 10,387 | 31.5% | 13.4% | 8.6% | 7.2% | 6.8% | 6.5% | 5.6% | 3.3% | 17.0% | 100% |

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

- Adventist Health Ukiah Valley is the service line leader in nine of 18 service lines: general medicine (36.0%), obstetrics (65.7%), cardiac services (27.6%), general surgery (31.5%), neurology (27.9%), neonatology (44.1%), ENT (27.8%), gynecology (28.2%) and ophthalmology (30.0%); and
- UCSF Medical Center is the service line in three of 18 service lines: oncology/hematology (21.4%), urology (26.7%) and neurosurgery (40.9%).

Market Share by ZIP Code

The following table shows hospital market share by ZIP Code in Adventist Health Ukiah Valley's service area for CY 2017.

| ADVENTIST HEALTH UKIAH VALLEY HOSPITAL MARKET SHARE BY ZIP CODE, CY 2017 | | | | | | | | | | | | |
|---|----------------|------------------|-------------------------------|----------------------------------|-----------------------------------|--------------------------|------------------------------|-----------------------------|---------------------|-------------------------------------|--------------|-------------|
| ZIP Code | Community | Total Discharges | Adventist Health Ukiah Valley | Adventist Health Howard Memorial | Mendocino Coast District Hospital | Sutter Lakeside Hospital | Santa Rosa Memorial Hospital | Adventist Health St. Helena | UCSF Medical Center | Sutter Santa Rosa Regional Hospital | All Others | Total |
| 95482 | Ukiah | 3,428 | 59.0% | 5.5% | 0.1% | 0.3% | 5.0% | 6.3% | 6.7% | 2.8% | 14.4% | 100% |
| 95490 | Willits | 1,514 | 17.4% | 47.9% | 0.1% | 0.4% | 6.3% | 7.0% | 5.0% | 1.9% | 14.1% | 100% |
| 95437 | Fort Bragg | 1,478 | 4.5% | 4.8% | 50.1% | 0.1% | 11.4% | 2.9% | 6.0% | 1.8% | 18.5% | 100% |
| 95453 | Lakeport | 1,367 | 4.5% | 2.0% | 0.1% | 43.2% | 6.0% | 9.9% | 3.7% | 7.5% | 23.0% | 100% |
| 95470 | Redwood Valley | 581 | 51.5% | 10.0% | 0.3% | 0.9% | 6.5% | 7.1% | 5.2% | 3.1% | 15.5% | 100% |
| 95428 | Covelo | 336 | 30.4% | 32.7% | 0.3% | 0.3% | 6.3% | 5.1% | 5.1% | 1.2% | 18.8% | 100% |
| 95485 | Upper Lake | 326 | 6.7% | 4.0% | 0.0% | 36.8% | 5.2% | 11.7% | 4.3% | 7.1% | 24.2% | 100% |
| 95460 | Mendocino | 243 | 7.8% | 5.3% | 44.9% | 0.4% | 10.3% | 4.9% | 4.9% | 2.9% | 18.5% | 100% |
| 95454 | Laytonville | 239 | 18.8% | 43.9% | 0.0% | 0.4% | 10.5% | 7.5% | 5.0% | 1.7% | 12.1% | 100% |
| 95449 | Hopland | 164 | 64.6% | 4.3% | 0.0% | 0.0% | 8.5% | 4.3% | 7.3% | 3.7% | 7.3% | 100% |
| 95469 | Potter Valley | 141 | 38.3% | 14.2% | 0.0% | 2.1% | 9.2% | 10.6% | 5.0% | 5.7% | 14.9% | 100% |
| 95415 | Boonville | 107 | 55.1% | 3.7% | 0.0% | 0.0% | 5.6% | 5.6% | 2.8% | 6.5% | 20.6% | 100% |
| 95466 | Philo | 101 | 37.6% | 7.9% | 5.0% | 0.0% | 8.9% | 3.0% | 16.8% | 3.0% | 17.8% | 100% |
| 95481 | Talmage | 84 | 73.8% | 1.2% | 0.0% | 0.0% | 7.1% | 1.2% | 7.1% | 0.0% | 9.5% | 100% |
| 95456 | Littleriver | 58 | 3.4% | 3.4% | 36.2% | 0.0% | 12.1% | 5.2% | 6.9% | 3.4% | 29.3% | 100% |
| 95585 | Leggett | 57 | 22.8% | 22.8% | 0.0% | 5.3% | 3.5% | 8.8% | 0.0% | 0.0% | 36.8% | 100% |
| 95418 | Calpella | 45 | 51.1% | 22.2% | 0.0% | 0.0% | 6.7% | 4.4% | 2.2% | 0.0% | 13.3% | 100% |
| 95432 | Elk | 27 | 11.1% | 0.0% | 25.9% | 0.0% | 7.4% | 3.7% | 14.8% | 11.1% | 25.9% | 100% |
| 95493 | Witter Springs | 26 | 7.7% | 3.8% | 0.0% | 23.1% | 3.8% | 19.2% | 3.8% | 15.4% | 23.1% | 100% |
| 95417 | Branscomb | 21 | 9.5% | 52.4% | 9.5% | 0.0% | 4.8% | 0.0% | 4.8% | 4.8% | 14.3% | 100% |
| 95427 | Comptche | 19 | 5.3% | 10.5% | 21.1% | 0.0% | 15.8% | 0.0% | 5.3% | 5.3% | 36.8% | 100% |
| 95463 | Navarro | 13 | 38.5% | 7.7% | 0.0% | 0.0% | 7.7% | 0.0% | 0.0% | 0.0% | 46.2% | 100% |
| 95420 | Caspar | 12 | 0.0% | 0.0% | 16.7% | 0.0% | 16.7% | 0.0% | 0.0% | 8.3% | 58.3% | 100% |
| Grand Total | | 10,387 | 31.5% | 13.4% | 8.6% | 7.2% | 6.8% | 6.5% | 5.6% | 3.3% | 17.0% | 100% |

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

- Adventist Health Ukiah Valley is the market share leader in 10 of the 23 service area ZIP Codes;
- Adventist Health Howard Memorial is the market share leader five of the 23 service area ZIP Codes; and
- Mendocino Coast District Hospital is the market share leader in six of the 23 service area ZIP Codes.

Service Availability by Bed Type

Using FY 2017 data, the tables on the following pages show Adventist Health Ukiah Valley's existing hospital bed capacity, occupancy, and availability for medical/surgical, intensive care, obstetrics, neonatal intensive care, and emergency services.

Medical/Surgical Capacity Analysis

The medical/surgical beds within Adventist Health Ukiah Valley's service area operated at an overall occupancy rate of approximately 54%. Adventist Health Ukiah Valley's 43 licensed medical/surgical beds represented approximately 44% of the medical/surgical beds in the service area.

| MEDICAL/SURGICAL BEDS FY 2017 | | | | | | | |
|--|---------------------|---------------------|---------------|---------------|----------------|----------------------|------------------|
| Hospital | Miles from Hospital | Within Service Area | Licensed Beds | Discharges | Patient Days | Average Daily Census | Percent Occupied |
| Adventist Health Ukiah Valley* | - | X | 43 | 1,965 | 7,911 | 21.7 | 50.4% |
| Adventist Health Howard Memorial* ¹ | 22.2 | X | 21 | 1,318 | 4,637 | 12.7 | 60.5% |
| Sutter Lakeside Hospital* | 31.0 | X | 21 | 1,485 | 4,489 | 12.3 | 58.6% |
| Mendocino Coast District Hospital | 56.9 | X | 13 | 632 | 2,139 | 5.9 | 45.1% |
| SUB-TOTAL | | | 98 | 5,400 | 19,176 | 52.5 | 53.6% |
| Sutter Santa Rosa Regional Hospital* | 56.1 | | 40 | 2,901 | 13,064 | 35.8 | 89.5% |
| Kaiser Foundation Hospital - Santa Rosa* | 58.8 | | 118 | 7,403 | 26,581 | 72.8 | 61.7% |
| Santa Rosa Memorial Hospital* | 61.3 | | 203 | 9,270 | 51,942 | 142.3 | 70.1% |
| Adventist Health St. Helena* | 71.1 | | 132 | 5,482 | 14,644 | 40.1 | 30.4% |
| Queen of the Valley Medical Center* | 90.2 | | 130 | 4,376 | 22,917 | 62.8 | 48.3% |
| TOTAL | | | 721 | 34,832 | 148,324 | 406.4 | 56.4% |

Source: OSHPD Disclosure Reports, FY 2017

*FY 2017 Unaudited Data

¹ Ten general acute care beds are swing beds approved for skilled nursing services.

- Adventist Health Ukiah Valley reported 1,965 hospital discharges and 7,911 patient days, resulting in an occupancy rate of approximately 50% and an average daily census of 22 patients; and
- The next closest hospital to Adventist Health Ukiah Valley, Adventist Health Howard Memorial located 22 miles away, runs at an occupancy rate of nearly 61% based on 16 licensed medical/surgical beds.

Intensive Care Unit Capacity Analysis

There were 18 intensive care unit beds within the service area that operated at an overall occupancy rate of 63%. Adventist Health Ukiah Valley had 6 licensed intensive care beds with an average occupancy rate of nearly 63% and an average daily census of 4 patients.

| INTENSIVE CARE UNIT BEDS FY 2017 | | | | | | | |
|--|----------------------------|----------------------------|----------------------|-------------------|---------------------|-----------------------------|-------------------------|
| Hospital | Miles from Hospital | Within Service Area | Licensed Beds | Discharges | Patient Days | Average Daily Census | Percent Occupied |
| Adventist Health Ukiah Valley | - | X | 6 | 342 | 1,375 | 3.8 | 62.6% |
| Adventist Health Howard Memorial | 22.2 | X | 4 | 163 | 1,045 | 2.9 | 71.4% |
| Sutter Lakeside Hospital* | 31.0 | X | 4 | 118 | 1,021 | 2.8 | 69.7% |
| Mendocino Coast District Hospital | 56.9 | X | 4 | 87 | 655 | 1.8 | 44.7% |
| SUB-TOTAL | | | 18 | 710 | 4,096 | 11.2 | 62.3% |
| Sutter Santa Rosa Regional Hospital* | 56.1 | | 22 | 1,199 | 5,334 | 14.6 | 66.4% |
| Kaiser Foundation Hospital - Santa Rosa* | 58.8 | | 20 | 194 | 579 | 1.6 | 7.9% |
| Santa Rosa Memorial Hospital* | 61.3 | | 20 | 194 | 579 | 1.6 | 7.9% |
| Adventist Health St. Helena | 71.1 | | 12 | 744 | 2,689 | 7.4 | 61.4% |
| Queen of the Valley Medical Center* | 90.2 | | 36 | 1,183 | 4,094 | 11.2 | 31.1% |
| TOTAL | | | 128 | 4,224 | 17,371 | 47.6 | 37.1% |

Source: OSHPD Disclosure Reports, FY 2017

*2017 Unaudited Data

- Among the service area hospitals, the average daily census was 11 patients based on 4,096 patient days; and
- Adventist Health Ukiah Valley provided 33% of the service area’s intensive care beds and approximately 48% of the discharges.

Perinatal/Obstetrics Capacity Analysis

As shown below, there were 21 perinatal beds providing obstetric services located in the service area with an aggregate occupancy rate of approximately 53%. Adventist Health Ukiah Valley reported 15 licensed perinatal beds with an occupancy rate of nearly 59% (average daily census of 9 patients).

| OBSTETRICS BEDS FY 2017 | | | | | | | |
|---|---------------------|---------------------|---------------|--------------|---------------|----------------------|------------------|
| Hospital | Miles from Hospital | Within Service Area | Licensed Beds | Discharges | Patient Days | Average Daily Census | Percent Occupied |
| Adventist Health Ukiah Valley¹ | - | X | 15 | 1,220 | 3,263 | 8.9 | 59.4% |
| Adventist Health Howard Memorial | 22.2 | X | - | - | - | - | - |
| Sutter Lakeside Hospital* ¹ | 31.0 | X | 3 | 266 | 484 | 1.3 | 44.1% |
| Mendocino Coast District Hospital | 56.9 | X | 3 | 122 | 281 | 0.8 | 25.6% |
| SUB-TOTAL | | | 21 | 1,608 | 4,028 | 11.0 | 52.6% |
| Sutter Santa Rosa Regional Hospital* | 56.1 | | 10 | 2,222 | 2,955 | 8.1 | 81.0% |
| Kaiser Foundation Hospital - Santa Rosa* ¹ | 58.8 | | 17 | 1,874 | 3,090 | 8.5 | 49.8% |
| Santa Rosa Memorial Hospital* | 61.3 | | 15 | 665 | 1,800 | 4.9 | 32.9% |
| Adventist Health St. Helena ¹ | 71.1 | | 7 | 272 | 487 | 1.3 | 19.1% |
| Queen of the Valley Medical Center* | 90.2 | | 22 | 684 | 1,742 | 4.8 | 21.6% |
| TOTAL | | | 92 | 7,325 | 14,102 | 38.6 | 41.9% |

Source: OSHPD Disclosure Reports, FY 2017, Google Maps

* 2017 Unaudited Data

¹ Alternative Birthing Center

- Adventist Health Ukiah Valley provided approximately 71% of licensed perinatal beds within its service area, and reported nearly 76% of the service area's 4,028 discharges;
- Sutter Lakeside Hospital and Mendocino Coast District Hospital, located 31 miles and 57 miles away from Adventist Health Ukiah Valley, are the next two closest service area hospitals providing licensed perinatal beds. Both hospitals operate small 3-bed obstetrics units that would likely be unable to absorb increased obstetrics volume if any disruption to Adventist Health Ukiah's Valley's obstetrics unit occurred; and
- The remaining two service area hospitals run at an occupancy rate of less than 50%: Sutter Lakeside Hospital (44% occupied), and Mendocino Coast District Hospital (26%).

Neonatal Intensive Care Capacity Analysis

Adventist Health Ukiah Valley's four licensed neonatal intensive care beds operated at an average occupancy rate of nearly 11% and an average daily census of less than one patient per day. Adventist Health Ukiah Valley's four beds constitute the only neonatal intensive care beds in the service area. The next closest service area neonatal intensive care beds are located over 55 miles away in the city of Santa Rosa.

| NEONATAL INTENSIVE CARE BEDS FY 2017 | | | | | | | |
|--------------------------------------|---------------------|---------------------|---------------|------------|--------------|----------------------|------------------|
| Hospital | Miles From Hospital | Within Service Area | Licensed Beds | Discharges | Patient Days | Average Daily Census | Percent Occupied |
| Adventist Health Ukiah Valley | - | X | 4 | 25 | 102 | 0.3 | 7.0% |
| Adventist Health Howard Memorial | 22.2 | X | - | - | - | - | - |
| Sutter Lakeside Hospital* | 31.0 | X | - | - | - | - | - |
| Mendocino Coast District Hospital | 56.9 | X | - | - | - | - | - |
| SUB-TOTAL | | | 4 | 25 | 102 | 0.3 | 7.0% |
| Sutter Santa Rosa Regional Hospital* | 56.1 | | 12 | 216 | 512 | 1.4 | 11.7% |
| Kaiser Fdn. Hospital - Santa Rosa* | 58.8 | | 11 | 52 | 1,066 | 2.9 | 26.6% |
| Santa Rosa Memorial Hospital* | 61.3 | | 12 | 121 | 1,342 | 3.7 | 30.6% |
| Adventist Health St. Helena | 71.1 | | - | - | - | - | - |
| Queen of the Valley Medical Center* | 90.2 | | 6 | 84 | 741 | 2.0 | 33.7% |
| TOTAL | | | 45 | 498 | 3,763 | 10.3 | 22.8% |

Source: OSHPD Disclosure Reports, FY 2017

*2017 Unaudited Data

- Among the hospitals within 90 miles of Adventist Health Ukiah Valley, the average daily census was 10 patients based on 3,763 patient days; and
- All the area hospitals have excess neonatal intensive care bed capacity and run at an occupancy rate of 23% or less.

Emergency Department Volume at Hospitals in the Service Area

In FY 2017, Adventist Health Ukiah Valley had 14 emergency treatment stations²⁵. In total, there were 43 emergency treatment stations among all service area hospitals. As shown below, Adventist Health Ukiah Valley reported 29,502 visits that totaled nearly 40% of all visits among the service area hospitals (73,901 visits).

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

| EMERGENCY DEPARTMENT VISITS BY CATEGORY 2017 | | | | | | | | | | | | |
|--|---------------------|---------------------|----------|------------|----------------|---------------|---------------|---------------|-------------------|-----------------|---------------------|--------------------|
| Hospital | Miles from Hospital | Within Service Area | ER Level | Stations | Total Visits | Minor | Low/Moderate | Moderate | Severe w/o Threat | Severe w/Threat | Percentage Admitted | Hours of Diversion |
| Adventist Health Ukiah Valley | - | X | Basic | 14 | 29,502 | 322 | 6,932 | 9,627 | 7,320 | 5,301 | 7.6% | 0 |
| Adventist Health Howard Memorial | 22.2 | X | Basic | 9 | 14,071 | 135 | 3,737 | 5,192 | 2,856 | 2,151 | 7.2% | 0 |
| Sutter Lakeside Hospital* | 31.0 | X | Basic | 12 | 20,329 | 211 | 1,869 | 8,231 | 5,503 | 4,515 | 2.2% | 0 |
| Mendocino Coast District Hospital* | 56.9 | X | Standby | 8 | 9,999 | 3 | 729 | 3,991 | 3,652 | 1,624 | 4.6% | 0 |
| SUBTOTAL | | | | 43 | 73,901 | 671 | 13,267 | 27,041 | 19,331 | 13,591 | 5.6% | 0 |
| Sutter Santa Rosa Regional Hospital | 56.1 | | Basic | 15 | 34,558 | 358 | 5,223 | 10,234 | 10,860 | 7,883 | 9.5% | 195 |
| Kaiser Foundation Hospital - Santa Rosa | 58.8 | | Basic | 34 | 59,197 | 7,744 | 19,883 | 10,131 | 13,897 | 7,542 | 10.4% | 396 |
| Santa Rosa Memorial Hospital | 61.3 | | Basic | 33 | 44,419 | 1,776 | 2,366 | 21,203 | 14,968 | 4,106 | 18.4% | 0 |
| Adventist Health St. Helena | 71.1 | | Standby | 16 | 8,147 | 71 | 1,058 | 3,208 | 2,225 | 1,585 | 14.6% | 0 |
| Queen of the Valley Medical Center | 90.2 | | Basic | 18 | 29,018 | 1,350 | 2,433 | 15,087 | 8,387 | 1,761 | 13.7% | 0 |
| TOTAL | | | | 159 | 249,240 | 11,970 | 44,230 | 86,904 | 69,668 | 36,468 | 10.8% | 591 |

Source: OSHPD ALIRTS Annual Utilization Reports, 2017

(1) The figures from OSHPD ALIRTS differ from the data provided by OSHPD Disclosure Reports and the Hospital

- Approximately 8% of Adventist Health Ukiah Valley's emergency department visits resulted in admission to the hospital; and
- Nearly 43% of Adventist Health Ukiah Valley's emergency department visits were classified as severe with/without threat, which was slightly lower than the service area average of approximately 45%.

²⁵ In 2018, Adventist Health Ukiah Valley expanded its emergency services from 14 beds to 19 private beds, including adding two trauma bays and a rooftop helipad.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, Adventist Health Ukiah Valley's emergency department was operating at approximately 105% of its 14-bed capacity.

| EMERGENCY DEPARTMENT CAPACITY 2017 | | | | | | | |
|---|---------------------|---------------------|----------|------------|----------------|----------------|--------------------|
| Hospital | Miles from Hospital | Within Service Area | ER Level | Stations | Total Visits | Capacity | Remaining Capacity |
| Adventist Health Ukiah Valley | - | X | Basic | 14 | 29,502 | 28,000 | (1,502) |
| Adventist Health Howard Memorial | 22.2 | X | Basic | 9 | 14,071 | 18,000 | 3,929 |
| Sutter Lakeside Hospital* | 31.0 | X | Basic | 12 | 20,329 | 24,000 | 3,671 |
| Mendocino Coast District Hospital* | 56.9 | X | Standby | 8 | 9,999 | 16,000 | 6,001 |
| SUBTOTAL | | | | 43 | 73,901 | 86,000 | 12,099 |
| Sutter Santa Rosa Regional Hospital | 56.1 | | Basic | 15 | 34,558 | 30,000 | (4,558) |
| Kaiser Foundation Hospital - Santa Rosa | 58.8 | | Basic | 34 | 59,197 | 68,000 | 8,803 |
| Santa Rosa Memorial Hospital | 61.3 | | Basic | 33 | 44,419 | 66,000 | 21,581 |
| Adventist Health St. Helena | 71.1 | | Standby | 16 | 8,147 | 32,000 | 23,853 |
| Queen of the Valley Medical Center | 90.2 | | Basic | 18 | 29,018 | 36,000 | 6,982 |
| TOTAL | | | | 159 | 249,240 | 318,000 | 68,760 |

Source: OSHPD Alerts Annual Utilization Reports, 2017

(1) The figures from OSHPD ALIRTS differ from the data provided by OSHPD Disclosure Reports and the Hospital

- Overall, the service area hospitals' emergency departments are operating at approximately 86% capacity; and
- The remaining service area hospitals, Adventist Health Howard Memorial, Sutter Lakeside Hospital, and Mendocino Coast District Hospital reported occupancy rates of approximately 78%, 85%, and 63%, respectively in 2017; and
- In 2018, Adventist Health Ukiah Valley expanded its emergency services from 14 beds to 19 private beds, including adding two trauma bays and a rooftop helipad. The expansion would increase the total emergency stations in the service area from 43 to 48.

Profile of Adventist Health Howard Memorial

Overview of Adventist Health Howard Memorial

Adventist Health operates Adventist Health Howard Memorial, a 25 licensed-bed general acute care facility, located at 1 Marcela Drive, CA 95490, in Willits. Adventist Health Howard Memorial has a “basic” emergency department²⁶ with nine licensed treatment stations and four surgical operating rooms.

| BED DISTRIBUTION 2018 | |
|----------------------------|----------------|
| Bed Type | Number of Beds |
| General Acute Care | 21 |
| Intensive Care | 4 |
| Total Licensed Beds | 25 |

Source: Hospital License 2018

Key Statistics

| KEY STATISTICS: FY 2014 - 2017 | | | | |
|--|---------|---------|---------|---------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Inpatient Discharges | 1,489 | 1,398 | 1,473 | 1,622 |
| Licensed Beds | 25 | 25 | 25 | 25 |
| Patient Days | 5,707 | 5,535 | 6,062 | 6,569 |
| Average Daily Census | 16 | 15 | 17 | 18 |
| Occupancy | 62.5% | 60.7% | 66.4% | 72.0% |
| Average Length of Stay | 3.8 | 4.0 | 4.1 | 4.0 |
| Emergency Services Visits ¹ | 10,165 | 11,706 | 12,876 | 14,071 |

Sources: OSHPD Disclosure Reports, FY 2014-2017

¹ OSHPD Alirts Annual Utilization Reports

Adventist Health Howard Memorial reported 1,622 inpatient discharges, 6,569 patient days, and an average daily census of 18 patients (a 72% occupancy) for FY 2017.

- Since FY 2014, both inpatient discharges and patient days have increased by approximately 9% and 15%, respectively; and
- In FY 2017, 14,032 emergency service visits were reported, a 49% increase from FY 2014.

²⁶ 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.

Programs & Services

Adventist Health Howard Hospital offers a broad spectrum of medical services, including imaging, respiratory care and emergency services.

- Emergency services include: 24-hour “basic” emergency department licensed for treatment stations and a Level IV Trauma Center;
- Imaging services include: digital mammography and breast health services, CT Scan, Bone Densitometry (DEXA) Scan and MRI services;
- Intensive care services include: four beds in the intensive care unit to care for critically ill patients;
- Home care services include: skilled nursing, home health aide, physical & occupational therapists, speech therapy, social worker and spiritual care;
- Laboratory services include: Inpatient and outpatient laboratory services that include phlebotomy services;
- Orthopedic services include: Orthopedic surgery, sports medicine, spine, total joint replacement for hips, partial knee replacement, and treatment for orthopedic disorders and injuries, including hand and wrist injuries;
- Physical therapy services include: independent gym program, vestibular balance program, women’s health, orthopedic rehab, neurological rehab, sports rehab, wound care, fall prevention, orthotic fitting;
- Respiratory therapy services include: therapy for COPD, bronchitis, pneumonia and other breathing problems; and
- Surgical Services include: general surgery procedures, women’s gynecology, neurospine, general orthopedic, joint replacement, gastroenterology

Accreditations, Certifications, & Awards

Adventist Health Howard Memorial is accredited as a Critical Access Hospital²⁷ by the Joint Commission, effective February 2019, for three years. Over the years, Adventist Health Howard Memorial received numerous awards and accolades as a provider of quality care, some of which include the following for the Critical Access Hospital:

- Accredited by the Joint Commission for the hospital's Laboratory Program, effective November 2018 through July 2018;
- In 2015, Centers for Medicare & Medicaid Services (CMS) assigned Adventist Health Howard Memorial five stars based on how patients graded their stay. The hospital was one of only eight hospitals in California that received five stars and the only hospital to receive this distinction in the Bay Area; and
- Level IV Trauma Center: Mendocino County Emergency Services has approved Adventist Health Howard Memorial as a Level IV trauma center effective December 1, 2016. Accreditation as a Level IV trauma center indicates a hospital staff's ability to provide advanced trauma life support prior to transfer of patients to a higher-level trauma center.

²⁷ Critical Access Hospital is a designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services (CMS). Congress created the Critical Access Hospital is a designation given through the Balanced Budget Act of 1997 in response to a string of rural hospital closures during the 1980s and early 1990s. The designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. To accomplish this goal, Critical Access Hospital's receive certain benefits, such as cost-based reimbursement for Medicare services. Eligible hospitals must meet the following conditions obtain Critical Access Hospital designation 1) have 25 or fewer acute care inpatient beds; 2) be located more than 35 miles from another hospital; 3) maintain an annual average length of stay of 96 hours or less for acute care patients; and 4) provide 24/7 emergency care services.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the 2010 Federal Patient Protection and Affordable Care Act (ACA) in 2012, encourages hospitals to improve the quality and safety of care. The Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on four domains that reflect hospital quality: the clinical process of care and outcomes domain, the patient and caregiver centered experience of care/care coordination domain, the safety domain, and the efficiency and cost reduction domain. As a critical access hospital, Adventist Health Howard Memorial is ineligible to participate in the Hospital Value-Based Purchasing Program.

According to the Centers for Medicare & Medicaid Services' Hospital Compare, Adventist Health Howard Memorial's overall hospital quality rating is four stars out of five stars. This is based on Adventist Health Howard Memorial's performance compared to all hospitals across the nation for the seven categories that comprise Hospital Compare's overall quality rating, including mortality, safety of care, readmission, patient experience, effectiveness of care, timeliness of care, and efficient use of medical imaging.

| QUALITY MEASURES | |
|----------------------------------|------------------------------|
| Condition/Procedure | National Average |
| Mortality | Same as National Average |
| Safety of Care | Below the National Average |
| Readmission | Same as the National Average |
| Patient Experience | Below the National Average |
| Effectiveness of Care | Same as the National Average |
| Timeliness of Care | Same as the National Average |
| Effective Use of Medical Imaging | Same as the National Average |

Source: Medicare.gov Hospital Compare, April 2019

The Hospital Readmissions Reduction Program²⁸, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. 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. As a critical access hospital, Adventist Health Howard Memorial is exempt from the Hospital Readmissions Reduction Program.

²⁸ The formula for determining hospital reimbursement payments under the Hospital Readmissions Reduction Program is complicated, varies by hospital and geographic location, and may not correspond directly to state and national hospital averages.

The following graph shows Adventist Health Howard Memorial’s 30-day readmission rates for chronic obstructive pulmonary disease, heart failure, pneumonia, and all causes hospital-wide.

| 30-DAY READMISSION RATES | | |
|---------------------------------------|----------------------------------|------------------|
| Condition/Procedure | Adventist Health Howard Memorial | National Average |
| Chronic Obstructive Pulmonary Disease | 19.0% | 19.6% |
| Heart Failure | 20.1% | 21.7% |
| Pneumonia | 16.7% | 16.7% |
| Hospital-Wide | 14.9% | 15.3% |

Source: Medicare.gov Hospital Compare, July 2018

Seismic Issues

Using the HAZUS seismic criteria²⁹, Adventist Health Howard Memorial’s structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as shown in the table below. These classifications require that Adventist Health Howard Memorial’s structures undergo construction to comply with the California Office of Statewide Health Planning and Development’s seismic safety standards.

| SEISMIC OVERVIEW | | |
|------------------|-------------------|-------------------|
| | SPC | NPC |
| Building | Compliance Rating | Compliance Rating |
| Main Building | 5 | 4 |
| Mechanical Yard | - | 4 |

Source: OSHPD

- Adventist Health Howard Memorial has one building rated as SPC-5. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used without restriction to January 1, 2030, and beyond; and
- Adventist Health Howard Memorial has two buildings rated as NPC-4. The building meets the criteria for NPC-3 and all architectural, mechanical, electrical systems, components and equipment, and hospital equipment meet the bracing and anchorage requirements of Part 2, Title 24 of the California Building Code. This category for this classification is used for the purposes of the Office of Emergency Services. The deadline to meet the requirement is January 1, 2020 or 2030 depending on the Seismic Design Category and extension request requirements.

²⁹ OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 patient volume trends at Adventist Health Howard Memorial.

| SERVICE VOLUMES: FY 2013-2017 | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| PATIENT DAYS | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Medical/Surgical | 4,156 | 4,113 | 3,998 | 4,345 | 4,637 |
| Intensive Care | 543 | 548 | 579 | 684 | 1,045 |
| Skilled Nursing | 785 | 1,046 | 958 | 1,033 | - |
| Sub-Acute Care | - | - | - | - | 887 |
| Total | 5,484 | 5,707 | 5,535 | 6,062 | 6,569 |
| DISCHARGES | | | | | |
| Medical/Surgical | 1,243 | 1,213 | 1,126 | 1,208 | 1,318 |
| Intensive Care | 125 | 104 | 97 | 104 | 163 |
| Skilled Nursing | 110 | 172 | 175 | 161 | - |
| Sub-Acute Care | - | - | - | - | 141 |
| Total | 1,478 | 1,489 | 1,398 | 1,473 | 1,622 |
| AVERAGE LENGTH OF STAY | | | | | |
| Medical/Surgical | 3.3 | 3.4 | 3.6 | 3.6 | 3.5 |
| Intensive Care | 4.3 | 5.3 | 6.0 | 6.6 | 6.4 |
| Skilled Nursing | 7.1 | 6.1 | 5.5 | 6.4 | - |
| Sub-Acute Care | - | - | - | - | 6.3 |
| Total | 3.7 | 3.8 | 4.0 | 4.1 | 4.0 |
| AVERAGE DAILY CENSUS | | | | | |
| Medical/Surgical | 11.4 | 11.3 | 11.0 | 11.9 | 12.7 |
| Intensive Care | 1.5 | 1.5 | 1.6 | 1.9 | 2.9 |
| Skilled Nursing | 2.2 | 2.9 | 2.6 | 2.8 | - |
| Sub-Acute Care | - | - | - | - | 2.4 |
| Total | 15.0 | 15.6 | 15.2 | 16.6 | 18.0 |
| OTHER SERVICES | | | | | |
| Inpatient Surgeries | 776 | 782 | 739 | 755 | 838 |
| Outpatient Surgeries | 693 | 741 | 745 | 727 | 548 |
| Emergency Services Visits ¹ | 9,152 | 10,165 | 11,706 | 12,876 | 14,071 |
| Obstetric Deliveries | - | - | - | - | - |

Sources: OSHPD Disclosure Reports, FY 2013-2017

¹ OSHPD Alerts Annual Utilization Reports

A review of Adventist Health Howard Memorial historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

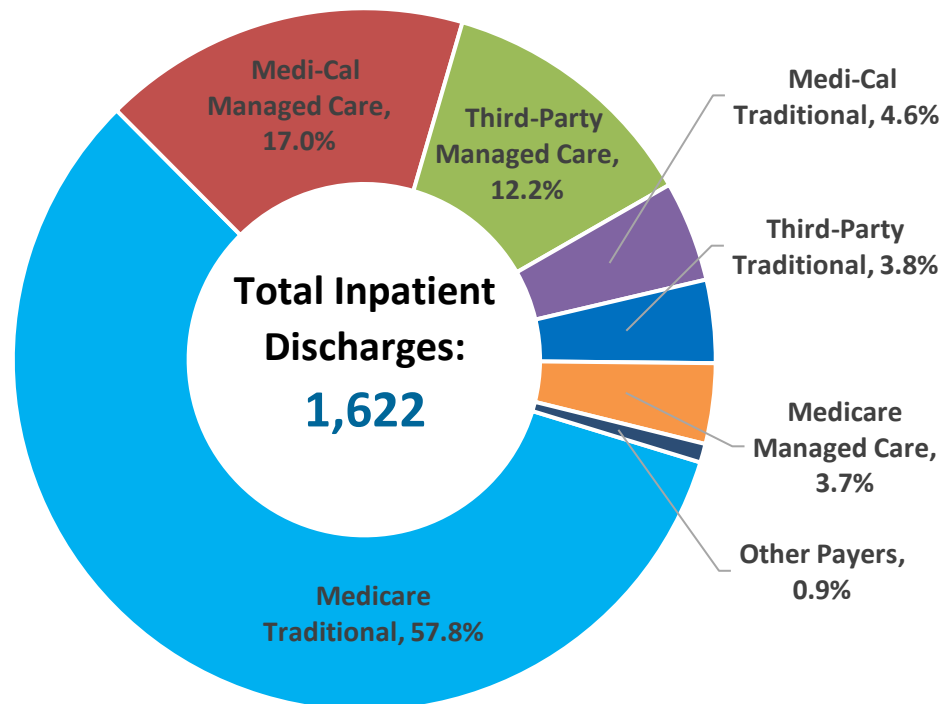
- Patient days increased by 20% over the five-year period;
- Inpatient discharges have increased 10% to 1,622;

- The average daily census has increased by 20% from 15 patients in FY 2013 to 18 patients in FY 2017; and
- Inpatient surgeries increased by 8%, to 838.

Payer Mix

In FY 2017, approximately 62% of Adventist Health Howard Memorial’s inpatient payer mix consisted of Medicare Traditional (58%) and Medicare Managed Care (4%) patients. Approximately 16% of Adventist Health St. Helena’s inpatient payer mix consisted of Third-Party Managed Care (12%) and Third-Party Traditional (4%) patients. The remaining 22% of the inpatient discharges consisted of Medi-Cal Managed Care (17%), Medi-Cal Traditional (4%), and Other Payers*.

Adventist Health Howard Memorial Payer Mix, FY 2017



* Other Payers includes self-pay, workers’ compensation, other government, and other payers. Source: OSHPD Financial Disclosure Report, FY 2017 (based on inpatient discharges).

The following table illustrates Adventist Health Howard Memorial’s inpatient discharge payer mix compared to Mendocino County and the State of California for FY 2017. The comparison shows that Adventist Health Howard Memorial has higher percentages of Medicare Traditional and Third-Party Managed Care and lower percentages of Third Party Traditional and Medi-Cal Traditional relative to other hospitals in Mendocino County and California.

| PAYER MIX COMPARISON, FY 2017 | | | | | | |
|---------------------------------------|-----------------------------------|--------------|------------------|--------------|------------------|--------------|
| | Adventist Health Howard Memorial* | | Mendocino County | | California | |
| | Discharges | % of Total | Discharges | % of Total | Discharges | % of Total |
| Medi-Cal Traditional | 75 | 3.5% | 394 | 6.4% | 379,332 | 13.2% |
| Medi-Cal Managed Care | 275 | 19.8% | 1,729 | 27.9% | 611,389 | 21.3% |
| Medi-Cal Total | 350 | 23.3% | 2,123 | 34.3% | 990,721 | 34.6% |
| Medicare Traditional | 938 | 59.1% | 2,882 | 46.5% | 821,181 | 28.7% |
| Medicare Managed Care | 60 | 3.7% | 158 | 2.6% | 321,579 | 11.2% |
| Medicare Total | 998 | 62.9% | 3,040 | 49.1% | 1,142,760 | 39.9% |
| Third-Party Managed Care | 198 | 10.5% | 241 | 3.9% | 95,981 | 3.3% |
| Third-Party Managed Care Total | 198 | 10.5% | 718 | 11.6% | 574,058 | 20.0% |
| Third-Party Traditional | 62 | 3.0% | 959 | 15.5% | 670,039 | 23.4% |
| Other Payers | 14 | 0.1% | 73 | 1.2% | 40,046 | 1.4% |
| Other Indigent | 0 | 0.2% | 1 | 0.0% | 14,881 | 0.5% |
| County Indigent | 0 | 0.0% | 0 | 0.0% | 6,746 | 0.2% |
| Other Total | 76 | 3.3% | 74 | 1.2% | 61,673 | 2.2% |
| Total | 1,622 | 100% | 6,196 | 100% | 2,865,193 | 100% |

Source: OSHPD Disclosure Reports, FY 2017

* 2017 Unaudited Data

Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Nearly 10.7 million Medi-Cal beneficiaries in all 58 counties in California receive their healthcare through six models of managed care, including: County Organized Health System, the Two-Plan Model, Geographic Managed Care, the Regional Model, the Imperial Model, and the San Benito Model.

Mendocino County has a County Organized Health System, a local agency created by the County Board of Supervisors. The County Organized Health System contracts with the Medi-Cal Managed Care program. In FY 2016, Mendocino County reported approximately 3,123 inpatient discharges from either Medi-Cal Traditional (96%) or Medi-Cal Managed Care (4%) coverage. The number of Mendocino County residents enrolled in Medi-Cal Managed Care has increased by 92% from 19,986 enrollees in December 2012 to 38,295 enrollees as of December 2018.

In Mendocino County, the County Organized Health System plan is provided by Partnership Health Plan of California. Currently, Adventist Health Howard Memorial is contracted with Partnership Health Plan of California to provide services for Medi-Cal Managed Care patients.

Medical Staff

Adventist Health Howard Memorial has 72 medical staff members representing multiple specialties. The five largest specialties, comprising 51% of the medical staff, include: Pathology, Internal Medicine, Nuclear Medicine, Cardiovascular Diseases, and Radiology.

| MEDICAL STAFF PROFILE | | |
|---------------------------|-----------|-------------|
| Specialty | Count | % of Total |
| Cardiovascular Diseases | 5 | 6.9% |
| Gastroenterology | 1 | 1.4% |
| General/Family Practice | 4 | 5.6% |
| General Surgery | 3 | 4.2% |
| Internal Medicine | 8 | 11.1% |
| Neurology | 1 | 1.4% |
| Nuclear Medicine | 8 | 11.1% |
| Obstetrics and Gynecology | 1 | 1.4% |
| Ophthalmology | 1 | 1.4% |
| Orthopedic Surgery | 3 | 4.2% |
| Pathology | 11 | 15.3% |
| Podiatry | 2 | 2.8% |
| Pulmonary Disease | 3 | 4.2% |
| Radiology | 5 | 6.9% |
| Urology | 2 | 2.8% |
| Vascular Disease | 2 | 2.8% |
| Other Specialties | 12 | 16.7% |
| Total | 72 | 100% |

Source: OSHPD Disclosure Report, FY 2017

Financial Profile

Over the last five fiscal years, Adventist Health Howard Memorial's net income has fluctuated from a high of \$5.7 million in FY 2013 to a loss of \$854,813 in FY 2016. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 40% and 39% respectively. Over the same period, the hospital's total operating expenses increased by 45% from \$41.9 million in FY 2013 to \$60.5 million in FY 2017. Other operating revenue decreased by 27% over the five-year period from \$726,830 in FY 2013 to \$533,780 in FY 2017.

The hospital's current ratio has increased over the last five years from 3.76 in FY 2013 to 8.26 in FY 2017. The California average in FY 2016 was 1.56. The hospital's FY 2017 percentage of bad debt is 1.3% and is higher than the state average (0.8%).

| FINANCIAL AND RATIO ANALYSIS: FY 2013-2017 | | | | | | |
|--|--------------|--------------|--------------|--------------|-------------------------------|------|
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | |
| Patient Days | 5,484 | 5,707 | 5,535 | 6,062 | 6,569 | |
| Discharges | 1,478 | 1,489 | 1,398 | 1,473 | 1,622 | |
| ALOS | 3.7 | 3.8 | 4.0 | 4.1 | 4.0 | |
| Net Patient Revenue | \$46,120,651 | \$49,313,080 | \$55,524,109 | \$59,814,411 | \$64,658,964 | |
| Other Operating Revenue | \$726,830 | \$801,192 | \$603,099 | \$342,536 | \$533,780 | |
| Total Operating Revenue | \$46,847,481 | \$50,114,272 | \$56,127,208 | \$60,156,947 | \$65,192,744 | |
| Operating Expenses | \$41,865,154 | \$45,072,426 | \$51,569,466 | \$60,649,609 | \$60,506,192 | |
| Net from Operations | \$4,982,327 | \$5,041,846 | \$4,557,742 | (\$492,662) | \$4,686,552 | |
| Net Non-Operating Revenue | \$696,134 | \$686,283 | \$449,484 | (\$362,151) | (\$1,047,420) | |
| Net Income | \$5,678,461 | \$5,728,129 | \$5,007,226 | (\$854,813) | \$3,639,132 | |
| | | | | | 2017 California Average | |
| Current Ratio | 3.76 | 3.85 | 3.98 | 3.90 | 8.26 | 1.56 |
| Days in A/R | 58.8 | 53.4 | 58.6 | 45.4 | 46.3 | 54.6 |
| Bad Debt Rate | 1.9% | 1.2% | 1.1% | 0.1% | 1.3% | 0.8% |
| Operating Margin | 10.6% | 10.1% | 8.1% | -0.8% | 7.2% | 3.1% |

Source: OSHPD Disclosure Reports, FY 2013-2017

Cost of Hospital Services

Adventist Health Howard Memorial’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 50% of total costs were associated with Medicare, followed by 27% with Medi-Cal, and 21% for Third Party.

| COST OF SERVICES | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| BY PAYER CATEGORY FY 2013-2017 | | | | | |
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017* |
| Operating Expenses | \$41,865,154 | \$45,072,426 | \$51,569,466 | \$60,649,609 | \$60,506,192 |
| Cost of Services By Payer: | | | | | |
| Medicare | \$20,308,979 | \$22,947,740 | \$24,855,077 | \$29,860,429 | \$29,998,423 |
| Medi-Cal | \$8,341,920 | \$10,717,564 | \$16,342,228 | \$16,730,777 | \$16,282,229 |
| County Indigent | \$3,879,367 | \$0 | \$0 | \$0 | \$0 |
| Third Party | \$7,526,326 | \$10,254,792 | \$8,419,955 | \$12,859,773 | \$12,906,010 |
| Other Indigent | \$419,069 | \$29,977 | \$558,319 | \$780,480 | \$0 |
| Other Payers | \$1,389,493 | \$1,122,353 | \$1,393,888 | \$418,150 | \$1,319,530 |

Source: OSHPD Disclosure Reports, FY 2013-2017

* 2017 Unaudited Data

Charity Care

The following table shows a comparison of charity care and bad debt for Adventist Health Howard Memorial to all general acute care hospitals in the State of California. The five-year (FY 2013- FY 2017) average of charity care and bad, as a percentage of gross patient revenue, was 2.6% and higher than the four- year statewide average of 2.3%. 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 2013 to FY 2017 (In Thousands) | | | | | | | | | | | |
| | FY 2013 | | FY 2014 | | FY 2015 | | FY 2016 | | FY 2017 | | |
| | Hospital | CA | Hospital | CA | Hospital | CA | Hospital | CA | Hospital | CA | |
| Gross Patient Revenue | \$119,620 | \$320,382,471 | \$132,961 | \$338,322,364 | \$145,419 | \$365,501,463 | \$162,233 | \$396,427,743 | \$178,855 | \$408,188,146 | |
| Charity | \$2,119 | \$6,563,487 | \$1,387 | \$5,113,965 | \$2,444 | \$3,441,227 | \$2,088 | \$3,457,868 | \$2,997 | \$2,864,615 | |
| Bad Debt | \$1,972 | \$5,891,632 | \$1,680 | \$4,365,936 | \$1,584 | \$3,262,642 | \$201 | \$3,108,971 | \$2,326 | \$2,762,692 | |
| Total | \$4,091 | \$12,455,119 | \$3,067 | \$9,479,902 | \$4,029 | \$6,703,869 | \$2,288 | \$6,566,839 | \$5,323 | \$5,627,307 | |
| Charity as a % of Gross Rev. | 1.8% | 2.0% | 1.0% | 1.5% | 1.7% | 0.9% | 1.3% | 0.9% | 1.7% | 0.7% | |
| Bad Debt as a % of Gross Rev. | 1.6% | 1.8% | 1.3% | 1.3% | 1.1% | 0.9% | 0.1% | 0.8% | 1.3% | 0.7% | |
| Total as a % of Gross Rev. | 3.4% | 3.9% | 2.3% | 2.8% | 2.8% | 1.8% | 1.4% | 1.7% | 3.0% | 1.4% | |
| Uncompensated Care | | | | | | | | | | | |
| Cost to Charge Ratio | 34.4% | 24.5% | 33.3% | 23.6% | 35.0% | 24.1% | 37.2% | 23.8% | 33.5% | 23.0% | |
| Cost of Charity | \$729 | \$1,608,711 | \$462 | \$1,207,919 | \$857 | \$828,647 | \$776 | \$822,627 | \$1,005 | \$658,891 | |
| Cost of Bad Debt | \$678 | \$1,444,039 | \$559 | \$1,031,234 | \$555 | \$785,644 | \$75 | \$739,624 | \$780 | \$635,448 | |
| Total | \$1,407 | \$3,052,750 | \$1,021 | \$2,239,153 | \$1,412 | \$1,614,292 | \$851 | \$1,562,251 | \$1,785 | \$1,294,339 | |

Source: OSHPD Disclosure Reports, FY 2013-2017

The table below shows Adventist Health Howard Memorial’s historical costs for charity care as reported by OSHPD. Charity care costs increased from \$625,510 in FY 2013 to \$1,004,052 in FY 2017. The average cost of charity care for the last five – year period was \$744,847, while the three – year average cost of charity care was \$879,939.

| COST OF CHARITY CARE | | | |
|----------------------------------|----------------------|----------------------|--------------------------------------|
| Year | Charity Care Charges | Cost to Charge Ratio | Cost of Charity Care to the Hospital |
| FY 2017 | \$2,997,169 | 33.5% | \$1,004,052 |
| FY 2016 | \$2,087,723 | 37.2% | \$776,072 |
| FY 2015 | \$2,444,349 | 35.0% | \$856,693 |
| FY 2014 | \$1,387,269 | 33.3% | \$461,911 |
| FY 2013 | \$1,818,830 | 34.4% | \$625,510 |
| FY 2015 - FY 2017 Average | | | \$878,939 |
| FY 2013 - FY 2017 Average | | | \$744,847 |

Source: OSHPD Disclosure Reports, FY 2013-2017

In the written notice to the California Attorney General, Adventist Health Howard Memorial reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room visits. Note that these totals are different than what was reported to OSHPD. The hospital's Charity Care and Discount Policy states that household income or qualifying assets must not be more than 200% of the federal poverty level to receive free emergency and medically necessary care. Persons with family income between the 201% and 300% federal poverty level qualify to receive Discounted Care for emergency and medically necessary services at 50% of the Amount Generally Billed. Persons with family income between the 301% and 400% federal poverty level qualify to receive Discounted Care for emergency and medically necessary services at 75% of the Amount Generally Billed.

| COST OF CHARITY CARE BY SERVICE | | | | |
|---------------------------------|-----------|------------|----------------|-------------|
| | Inpatient | Outpatient | Emergency Room | Total Costs |
| 2017: | | | | |
| Cost of Charity | \$291,530 | \$113,532 | \$124,721 | \$529,783 |
| Visits/Discharges | 1,623 | 40,495 | 14,032 | \$56,150 |
| 2016: | | | | |
| Cost of Charity | \$423,054 | \$168,008 | \$185,010 | \$776,072 |
| Visits/Discharges | 1,473 | 38,730 | 13,206 | \$53,409 |
| 2015: | | | | |
| Cost of Charity | \$472,594 | \$199,446 | \$184,653 | \$856,693 |
| Visits/Discharges | 1,398 | 31,259 | 11,143 | \$43,800 |
| 2014: | | | | |
| Cost of Charity | \$253,077 | \$106,579 | \$102,255 | \$461,911 |
| Visits/Discharges | 1,489 | 25,963 | 8,567 | \$36,019 |
| 2013: | | | | |
| Cost of Charity | \$425,049 | \$157,202 | \$146,337 | \$728,588 |
| Visits/Discharges | 1,478 | 23,573 | 8,338 | \$33,389 |

Source: Adventist Health

Community Benefit Services

Over the last five fiscal years, Adventist Health Howard Memorial has provided several community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years was \$249,331.

| ADVENTIST HEALTH HOWARD MEMORIAL COMMUNITY BENEFIT SERVICES | | | | | | | |
|---|-----------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Community Benefit Programs | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | 5-Year Average | Total |
| Benefits for Persons Living in Poverty | \$34,885 | \$149,143 | \$32,012 | \$150,797 | \$113,982 | \$96,164 | \$480,819 |
| Benefits for Broader Community | \$20,000 | \$20,000 | \$198,936 | \$407,224 | \$119,677 | \$153,167 | \$765,837 |
| Total | \$54,885 | \$169,143 | \$230,948 | \$558,021 | \$233,659 | \$249,331 | \$1,246,656 |

Source: Adventist Health

The following table lists Adventist Health Howard Memorial's community benefit services over the past five fiscal years that cost over \$10,000, followed by descriptions of these community benefit service:

| COST OF COMMUNITY BENEFIT SERVICES FY 2014-2018 | | | | | |
|---|-----------|------------|------------|------------|------------|
| Services over \$10,000 in cost: | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| Cash contributions | \$ 34,885 | \$ 149,143 | \$ 32,012 | \$ 104,300 | \$ 113,550 |
| Health Professions Education | \$ 20,000 | \$ 20,000 | \$ 181,675 | \$ 307,358 | \$ 24,751 |
| School Based Screenings | \$ - | \$ - | \$ - | \$ 11,024 | \$ 21,332 |
| Enrollment Assistance | \$ - | \$ - | \$ - | \$ - | \$ 29,257 |

Source: Adventist Health

Adventist Health Howard Memorial community benefit services have supported many programs for the community, including various outreach efforts targeting the poor and vulnerable, health screenings, insurance enrollment assistance, and others as described below:

- **Diabetes Management and Education Classes:** This program provides a four-week education teaches community members how to manage their diabetes;
- **Health Professions Education:** This hospital strongly supports Mendocino College Nursing Program by providing education around nursing careers and ongoing support to address shortage in nurses. The hospital also provides hundreds of hours of time annually training nursing students and student interns;
- **Smoking Cessation Classes:** The hospital provides access to free educational classes on smoking cessation; and
- **Cash Contributions:** Provides financial support to Willits High School, Willits Education Foundation and Rotary Scholarship Fund and Sports program including Mendocino Soccer Academy, Willits High School Football, and the Baechtel Grove Gym Project.

Reproductive Health

For CY 2017, Adventist Health Ukiah Valley reported two inpatient discharges related to reproductive health services. The following table lists inpatient reproductive health services by diagnostic related group (DRG) for CY 2017.

| REPRODUCTIVE HEALTH DISCHARGES | |
|--|------------|
| DRG | Discharges |
| 777-Ectopic Pregnancy | 2 |
| 778-Threatened Abortion | 0 |
| 767-Vaginal Delivery W Sterilization &/Or D&C ¹ | 0 |
| 770-Abortion W D&C, Aspiration Curettage or Hysterotomy | 0 |
| 779-Abortion W/O D&C | 0 |
| Total | 2 |

Source: CY 2017 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

Out of the five diagnostic related groups, DRG 777-Ectopic Pregnancy was the only inpatient reproductive health service reported at Adventist Health Ukiah Valley.

Analysis of Adventist Health Howard Memorial Service Area

Service Area Definition

Adventist Health Howard Memorial’s service area is comprised of 16 ZIP Codes where 83% of its inpatient discharges originated in CY 2017. Approximately 55% of the hospital’s discharges originated from its top two ZIP Codes, in the Cities of Willits and Ukiah. Furthermore, 81% of the hospital’s inpatient discharges were from the top eight ZIP Codes. In CY 2016, the hospital’s market share in the service area was 15.4%.

| PATIENT ORIGIN, CY 2017 | | | | | | |
|-------------------------|----------------|------------------|-----------------|----------------------------|-----------------------|--------------|
| ZIP Codes | Community | Total Discharges | % of Discharges | Cumulative % of Discharges | Total Area Discharges | Market Share |
| 95490 | Willits | 725 | 45.3% | 45.3% | 1,514 | 47.9% |
| 95482 | Ukiah | 187 | 11.7% | 57.0% | 3,428 | 5.5% |
| 95428 | Covelo | 110 | 6.9% | 63.8% | 336 | 32.7% |
| 95454 | Laytonville | 105 | 6.6% | 70.4% | 239 | 43.9% |
| 95437 | Fort Bragg | 71 | 4.4% | 74.8% | 1,478 | 4.8% |
| 95470 | Redwood Valley | 58 | 3.6% | 78.5% | 581 | 10.0% |
| 95469 | Potter Valley | 20 | 1.2% | 79.7% | 141 | 14.2% |
| 95460 | Mendocino | 13 | 0.8% | 80.5% | 243 | 5.3% |
| 95485 | Upper Lake | 13 | 0.8% | 81.3% | 326 | 4.0% |
| 95429 | Dos Rios | 10 | 0.6% | 81.9% | 13 | 76.9% |
| 95410 | Albion | 7 | 0.4% | 82.4% | 78 | 9.0% |
| 95456 | Littleriver | 2 | 0.1% | 82.5% | 58 | 3.4% |
| 95427 | Comptche | 2 | 0.1% | 82.6% | 19 | 10.5% |
| 95481 | Talmage | 1 | 0.1% | 82.7% | 84 | 1.2% |
| 95488 | Westport | 1 | 0.1% | 82.8% | 32 | 3.1% |
| 95493 | Witter Springs | 1 | 0.1% | 82.8% | 26 | 3.8% |
| Subtotal | | 1,326 | 82.8% | 82.8% | 8,596 | 15.4% |
| Other ZIPs | | 275 | 17.2% | 100% | | |
| Total | | 1,601 | 100% | | | |

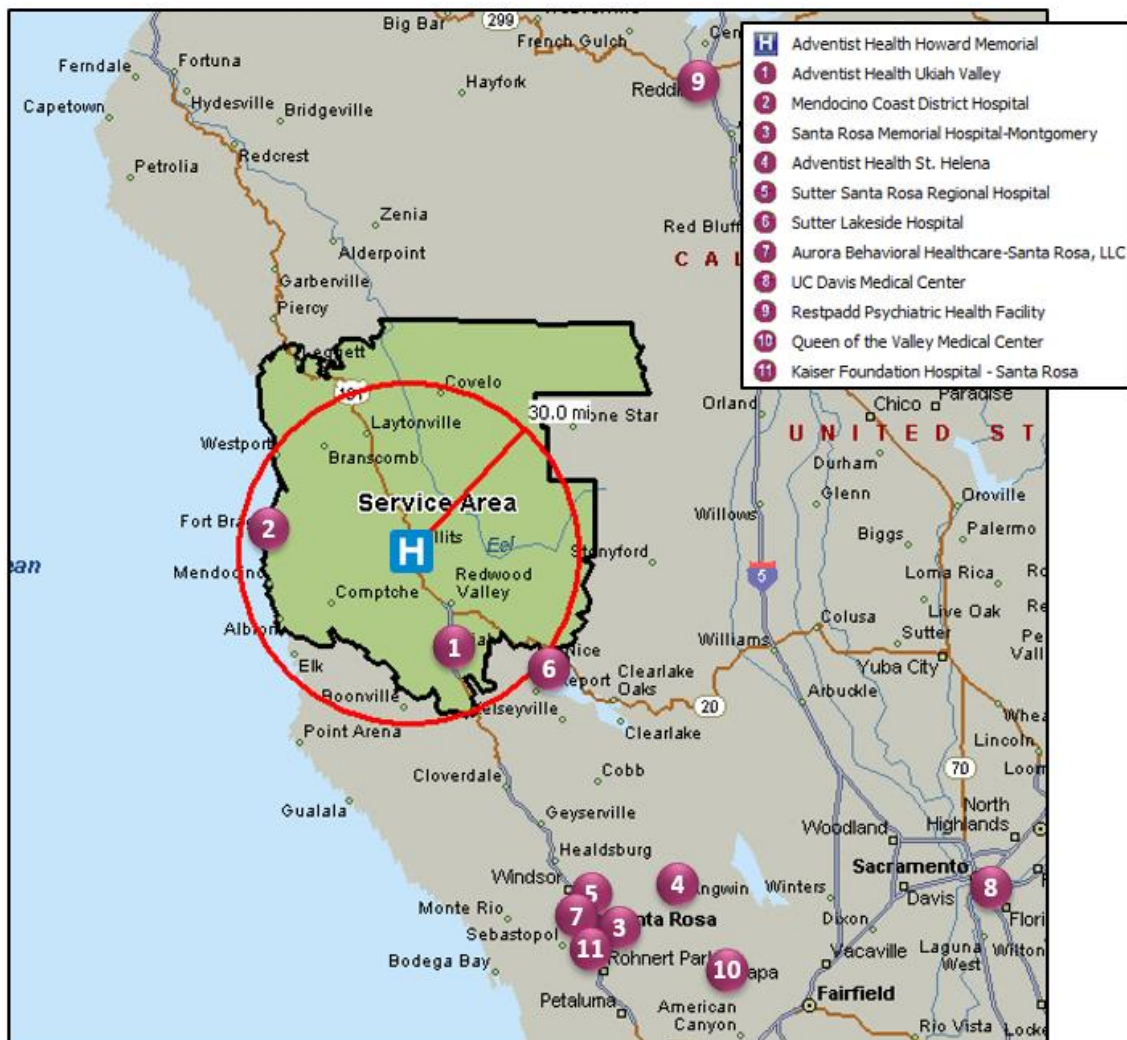
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

Service Area Map

Adventist Health Howard Memorial's service area has approximately 81,700 residents. The service area includes the communities of Willits, Ukiah, Laytonville, Covelo, Redwood Valley, Fort Bragg, Mendocino, Potter Valley, Talmage, Littleriver, Upper Lake, Albion, Comptche, Dos Rios, Westport, and Witter Springs.

There are two other hospitals located within Adventist Health Howard Memorial's service area: Adventist Health Ukiah Valley (22.2 miles from Adventist Health Howard Memorial), and Mendocino Coast District Hospital (35.5 miles from Adventist Health Howard Memorial). There are several other hospitals outside the service area, located over 90 miles away in and around Santa Rosa, that also provide services to Adventist Health Howard Memorial's service area: Sutter Lakeside Hospital, UC Davis Medical Center, Adventist Health St. Helena, Santa Rosa Memorial Hospital, Sutter Santa Rosa Regional Hospital, Kaiser Foundation Hospital - Santa Rosa, and Queen of the Valley Medical Center. Adventist Health Howard Memorial ranks second in inpatient market share in the service area.



Demographic Profile

Adventist Health Howard Memorial’s service area population is projected to grow by 1.6% over the next five years. This is the same as Mendocino County’s (1.6%) but lower than the California state average (4.1%).

| SERVICE AREA POPULATION STATISTICS | | | |
|------------------------------------|----------|------------|--------|
| 2018-2023 | | | |
| | 2018 | 2023 | % |
| | Estimate | Projection | Change |
| Total Population | 81,724 | 82,992 | 1.6% |
| Households | 32,370 | 32,856 | 1.5% |
| Percentage Female | 50.0% | 49.7% | - |

Source: Esri

The median age of the population in Adventist Health Howard Memorial’s service area is 42.5 years and is higher than the state-wide average of 36.2 years. The fastest growing age group in the service area are individuals over the age of 65; increasing approximately by 17% over the next five years. The number of women of child-bearing age is expected to decrease by 1% over the next five years.

| SERVICE AREA POPULATION | | | | |
|-----------------------------|---------------|-------------|-----------------|-------------|
| AGE DISTRIBUTION: 2018-2023 | | | | |
| | 2018 Estimate | | 2023 Projection | |
| | Population | % of Total | Population | % of Total |
| Age 0-14 | 14,113 | 17.3% | 14,194 | 17.1% |
| Age 15-44 | 29,044 | 35.5% | 28,890 | 34.8% |
| Age 45-64 | 21,977 | 26.9% | 20,500 | 24.7% |
| Age 65+ | 16,590 | 20.3% | 19,408 | 23.4% |
| Total | 81,724 | 100% | 82,992 | 100% |
| Female 15-44 | 13,911 | 17.0% | 13,799 | 16.6% |
| Median Age | 42.5 | | 45.1 | |

Source: Esri

The largest population group in the hospital’s service area are White (74%), Some Other Race (13%), Asian Indian Alone (5%) and Two or More Races (5%). Approximately 75% of the service area population is non-Hispanic or Latino Origin. This is higher than the California non-Hispanic population of approximately 60%.

| SERVICE AREA POPULATION RACE/ETHNICITY: 2018-2023 | | |
|--|------------------|--------------------|
| | 2018 Estimate | 2023 Projection |
| White | 73.6% | 71.3% |
| Black | 0.9% | 1.0% |
| Asian Indian Alone | 5.2% | 5.2% |
| Asian Alone | 2.1% | 2.4% |
| Pacific Islander Alone | 0.2% | 0.2% |
| Some Other Race Alone | 12.9% | 14.4% |
| Two or More Races | 5.2% | 5.6% |
| Total | 100% | 100% |
| Hispanic Ethnicity | 73.2% | 74.4% |
| Non-Hispanic or Latino | 26.8% | 25.6% |
| Total | 100% | 100% |

Service area households have a median household income of \$44,020. This is 0.5% lower than Mendocino County’s median household income of \$44,256 and 33% lower than the State of California median of \$65,223. The percentage of higher-income households (\$150,000+) in the Adventist Health Howard Memorial service area is projected to grow at 20%, the same rate compared to Mendocino County but lower than the State of California’s growth rate of approximately 25%.

| SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2018-2023 | | | | | | |
|--|-----------------|---------------------|-----------------|-----------------|---------------------|-----------------|
| | 2018 Estimate | | | 2023 Estimate | | |
| | Service Area | Mendocino County | California | Service Area | Mendocino County | California |
| \$0 - \$15,000 | 16.0% | 15.6% | 9.6% | 14.7% | 5.5% | 8.0% |
| \$15 - \$24,999 | 13.2% | 13.0% | 8.3% | 12.5% | 5.2% | 6.8% |
| \$25 - \$34,999 | 11.9% | 11.7% | 7.8% | 10.7% | 5.3% | 6.5% |
| \$35 - \$49,999 | 13.9% | 14.1% | 11.1% | 13.2% | 9.6% | 9.9% |
| \$50 - \$74,999 | 18.3% | 18.5% | 16.1% | 18.2% | 15.1% | 15.2% |
| \$75 - \$99,999 | 11.0% | 11.1% | 12.2% | 11.6% | 11.9% | 12.3% |
| \$100 - \$149,999 | 9.6% | 9.5% | 16.1% | 11.9% | 19.6% | 17.7% |
| \$150,000 - \$199,999 | 3.3% | 3.5% | 8.1% | 3.9% | 11.3% | 9.6% |
| \$200,000+ | 2.7% | 2.9% | 10.7% | 3.3% | 16.6% | 14.0% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |
| Average Household Income | \$44,020 | \$44,269 | \$65,223 | \$48,418 | \$49,061 | \$74,370 |

Source: Esri

Medi-Cal Eligibility

With the implementation of the ACA and the statewide expansion of Medi-Cal, 13.2 million of the State of California's population are eligible for Medi-Cal (33% of California's population). In Mendocino County, the California Department of Health Care Services estimated 42,587 people were eligible for Medi-Cal in August 2018 (47% of Mendocino County's population). Out of the total estimated population in Mendocino County, 42% of the population was enrolled in Medi-Cal Managed Care. Since the population in the hospital's service area is poorer than Mendocino County, it is expected that the percent eligible for Medi-Cal would exceed 47%. Medi-Cal eligibility could be significantly affected in the coming years by the potential change or repeal of the ACA.

Selected Health Indicators

A review of health indicators for Mendocino County (deaths, diseases, and births) is shown below.

| NATALITY STATISTICS: 2019 | | |
|-------------------------------|------------------|---------------|
| Health Status Indicator | Mendocino County | National Goal |
| Low Birth Weight Infants | 7.10% | 7.80% |
| First Trimester Prenatal Care | 67.50% | 77.90% |
| Adequate/Adequate Plus Care | 76.80% | 77.60% |

Source: California Department of Public Health

Mendocino County had higher morbidity rates for one of the eight health status indicators than the State of California;

| 2019 MORBIDITY STATISTICS: RATE PER 100,000 POPULATION | | | |
|--|------------------|------------|--------------------|
| Health Status Indicator | Mendocino County | California | National Objective |
| HIV/AIDS Incidence (Age 13 and Over) ¹ | 240.8 | 397.7 | a |
| Chlamydia Incidence | 404.4 | 514.6 | c |
| Gonorrhea Incidence Female Age 15-44 | 451.3 | 252.4 | 251.9 |
| Gonorrhea Incidence Male Age 15-44 | 344.8 | 444.8 | 194.8 |
| Tuberculosis Incidence | 1.5* | 5.3 | 1 |
| Congenital Syphilis | NM* | 44.4 | 9.6 |
| Primary Secondary Syphilis Female | M* | 3.5 | 1.3 |
| Primary Secondary Syphilis Male | NM* | 26.2 | 6.7 |

Source: California Department of Public Health Notes Crude death rates, crude case rates, and age-adjusted death rates are per 100,000 population. Birth cohort infant death rates are per 1,000 live births. The age-specific birth rates are per 1,000 female population aged 15 to 19 years old. Previous refers to previous period rates. These periods vary by type of rate: Mortality 2012-2014, Morbidity 2012-2014, Infant Mortality 2011-2013, Natality 2012-2014, Census 2016.

* Rates are deemed unreliable based on fewer than 20 data elements.

¹ California Department of Public Health, Office of AIDS, Surveillance Section reporting periods are: Current Period 2014-2016, Previous Period 2011-2013.

#: Denotes a suppressed data element in accordance with Data De-Identification Guidelines. Please see County Health Status Profiles 2018, Technical Notes, Data Definitions.

a: Healthy People 2020 (HP 2020) National Objective has not been established.

b: National Objective is based on both underlying and contributing cause of death which requires use of multiple cause of death files. California's data exclude multiple/contributing causes of death.

c: Prevalence data are not available in all California counties to evaluate the Healthy People 2020 National Objective STD-1, as the Healthy People objective is restricted to females who are 15-24 years old and identified at a family planning clinic, and males and females under 24 years old who participate in a national job-training program.

Notes: Crude death rates, crude case rates, and age-adjusted death rates are per 100,000 population. Birth cohort infant death rates are per 1,000 live births. The age-specific birth rates are per 1,000 female population aged 15 to 19 years old. Previous refers to previous period rates. These periods vary by type of rate: Mortality 2012-2014, Morbidity 2012-2014, Infant Mortality 2011-2013, Natality 2012-2014, Census 2016.

M: Met (M) refers to the Healthy People 2020 National objectives only.

NM: Not Met (NM) refers to the Healthy People 2020 National objectives only.

The overall age-adjusted mortality rate for Mendocino County is higher than that of the State of California. Mendocino County reported higher age-adjusted mortality rates on 15 of the 18 causes.

| MORTALITY STATISTICS: 2019: RATE PER 100,000 POPULATION | | | | |
|---|------------------|-------------------------|--------------|---------------|
| Selected Cause | Mendocino County | | Age Adjusted | |
| | Crude Death Rate | Age Adjusted Death Rate | California | National Goal |
| All Causes | 970.6 | 727.1 | 610.3 | a |
| - All Cancers | 221.9 | 157.2 | 137.4 | 161.4 |
| - Colorectal Cancer | 18.0* | 13.9* | 12.5 | 14.5 |
| - Lung Cancer | 49.6 | 34 | 27.5 | 45.5 |
| - Female Breast Cancer | 30.9* | 19.9* | 18.9 | 20.7 |
| - Prostate Cancer | 32.2* | 27.9* | 19.4 | 21.8 |
| - Diabetes | 27.8* | 18.8 | 21.2 | b |
| - Alzheimer's Disease | 16.5* | 11.8* | 35.7 | a |
| - Coronary Heart Disease | 117.9 | 85 | 87.4 | 103.4 |
| - Cerebrovascular Disease (Stroke) | 49.6 | 37.2 | 36.3 | 34.8 |
| - Influenza/Pneumonia | 20.3* | 14.8* | 14.2 | a |
| - Chronic Lower Respiratory Disease | 55.6 | 40.1 | 32 | a |
| - Chronic Liver Disease and Cirrhosis | 13.1* | 9.3* | 12.2 | 8.2 |
| - Accidents (Unintentional Injuries) | 72.1 | 67.1 | 32.2 | 36.4 |
| - Motor Vehicle Traffic Crashes | 14.6* | 15.5* | 9.5 | 12.4 |
| - Suicide | 22.5 | 21.3 | 10.4 | 10.2 |
| - Homicide | 6.0* | 6.0* | 5.2 | 5.5 |
| - Firearm-Related Deaths | 16.1* | 14.3* | 7.9 | 9.3 |
| - Drug-Induced Deaths | 27 | 26.2 | 12.7 | 11.3 |

Source: California Department of Public Health

*Rates are deemed unreliable when based on 20 or fewer elements

a: Healthy People 2020 (HP 2020) National Objective has not been established.

b: National Objective is based on both underlying and contributing cause of death which requires use of multiple cause of death files. California's data exclude multiple/contributing causes of death.

c: Prevalence data are not available in all California counties to evaluate the Healthy People 2020 National Objective STD-1, as the Healthy People objective is restricted to females who are 15-24 years old and identified at a family planning clinic, and males and females under 24 years old who participate in a national job-training program.

2016 Community Health Needs Assessment

In an effort to understand the communities served by Adventist Health Howard Memorial, its most critical healthcare needs, and the resources available to meet those needs, Adventist Health Howard Memorial conducts a Community Health Needs Assessment every three years. Adventist Health Howard Memorial's most recent 2016 needs assessment incorporated primary data collected through interviews, focus groups and surveys in collaboration with Healthy Mendocino, and incorporated secondary data from a variety of studies and reports compiled by numerous organizations at the local, state, and national levels.

Based on feedback from community stakeholders, the following priorities were identified as the most important health and social issues affecting Mendocino County:

- **Aging population:** According to the California Department of Finance, the Mendocino County adult population 60+ increased by over 30% between 2000 and 2010, whereas the adult population, age 30-59, decreased by 7% over the same time period.
- **Chronic disease:** Chronic diseases account for the four leading causes of death in Mendocino County with cancer and heart disease causing over 50% of all deaths followed by stroke and chronic lower respiratory disease;
- **Poor mental health:** The suicide death rate for Mendocino County (23.7 per 100,000 population) is significantly worse than the suicide rate in California (9.6 per 100,000 population) and the Healthy People 2020 goal (4.8 or less per 100,000 population);
- **Arthritis:** Approximately 28% of Mendocino residents were diagnosed with arthritis compared to 19% for the state of California; and
- **Lifestyle habits:** In 2009, 17% of Mendocino County adults were current smokers and 38% of adults engaged in binge drinking.

Hospital Supply, Demand & Market Share

There are three general acute care hospitals within the defined service area: Adventist Health Howard Memorial, Adventist Health Ukiah Valley, and Mendocino Coast District Hospital. In FY 2017, the service area hospitals had a combined total of 118 licensed beds and an aggregate occupancy rate of approximately 55%. In FY 2017, Adventist Health Howard Memorial had 25 licensed beds that operated at an occupancy rate of nearly 72%. Furthermore, Adventist Health Howard Memorial was responsible for nearly 26% of the service area discharges and approximately 28% of patient days.

An analysis of the services offered by Adventist Health Howard Memorial 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.

| SERVICE AREA HOSPITAL DATA FY 2017 | | | | | | | | | |
|---|-------------------------------------|----------------|----------------------------|----------------------|-------------------|---------------------|----------------------|-------------------------|----------------------------|
| Hospital | Ownership/Affiliation | City | Within Service Area | Licensed Beds | Discharges | Patient Days | Occupied Beds | Percent Occupied | Miles from Hospital |
| Adventist Health Howard Memorial | Adventist Health | Willits | X | 25 | 1,622 | 6,569 | 18 | 72.0% | - |
| Adventist Health Ukiah Valley | Adventist Health | Ukiah | X | 68 | 3,552 | 12,549 | 34 | 50.6% | 21.9 |
| Mendocino Coast District Hospital | Mendocino Coast Hospital District | Fort Bragg | X | 25 | 1,022 | 4,486 | 12 | 49.2% | 35.6 |
| SUB-TOTAL | | | | 118 | 6,196 | 23,604 | 65 | 54.8% | |
| Sutter Lakeside Hospital* | Sutter Health | Lakeport | | 30 | 1,904 | 6,526 | 18 | 59.6% | 39.1 |
| Adventist Health Clear Lake | Adventist Health | Clearlake | | 25 | 1,430 | 5,836 | 16 | 64.0% | 67.3 |
| Sutter Santa Rosa Regional Hospital* | Sutter Health | Santa Rosa | | 84 | 6,538 | 21,353 | 59 | 69.6% | 76.9 |
| Kaiser Foundation Hospital - Santa Rosa* | Kaiser Permanente | Santa Rosa | | 173 | 9,759 | 33,310 | 91 | 52.8% | 79.5 |
| Adventist Health St. Helena | Adventist Health | St. Helena | | 152 | 7,769 | 27,706 | 76 | 49.9% | 91.9 |
| Queen of the Valley Medical Center* | Providence St. Joseph Health System | Napa | | 208 | 6,522 | 30,691 | 84 | 40.4% | 111.0 |
| TOTAL | | | | 790 | 40,118 | 149,026 | 408 | 51.7% | |

Source: OSHPD Disclosure Reports, FY 2017

*FY 2017 Unaudited Data

Hospital Market Share

The following table shows inpatient market share by hospital for Adventist Health Howard Memorial's service area.

| SERVICE AREA MARKET SHARE BY HOSPITAL, CY 2013 – 2017 | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|-------|
| Hospital | 2013 | 2014 | 2015 | 2016 | 2017 | Trend |
| Adventist Health Ukiah Valley | 41.5% | 39.6% | 39.0% | 36.2% | 34.5% | ↘ |
| Adventist Health Howard Memorial | 14.5% | 14.4% | 10.9% | 14.9% | 15.4% | ↗ |
| Mendocino Coast District Hospital | 13.2% | 13.3% | 13.0% | 11.5% | 10.7% | ↘ |
| Santa Rosa Memorial Hospital-Montgomery | 6.1% | 5.7% | 6.1% | 7.6% | 7.0% | ↗ |
| Adventist Health St. Helena | 2.7% | 3.1% | 3.9% | 4.8% | 6.0% | ↗ |
| UCSF Medical Center | 4.8% | 4.9% | 4.2% | 5.4% | 5.9% | ↗ |
| Sutter Santa Rosa Regional Hospital | 3.4% | 2.6% | 2.5% | 2.3% | 2.6% | → |
| Sutter Lakeside Hospital | 2.0% | 1.6% | 1.8% | 1.7% | 1.8% | → |
| California Pacific Med Ctr-Pacific Campus | 1.3% | 1.5% | 1.4% | 1.4% | 1.4% | → |
| Aurora Behavioral Healthcare-Santa Rosa, LLC | 0.1% | 1.1% | 1.6% | 1.5% | 1.4% | → |
| Children's Hospital & Research Center at Oakland | 1.2% | 1.1% | 1.0% | 1.0% | 1.2% | → |
| Queen of the Valley Medical Center | 0.2% | 0.4% | 0.3% | 0.8% | 1.0% | ↗ |
| Adventist Health Vallejo | 0.4% | 0.4% | 0.5% | 0.5% | 1.0% | ↗ |
| UC Davis Medical Center | 0.3% | 1.0% | 1.3% | 1.3% | 1.0% | → |
| Stanford Health Care | 1.1% | 1.1% | 1.2% | 0.9% | 0.9% | → |
| Restpadd Psychiatric Health Facility | 0.0% | 0.3% | 0.7% | 1.0% | 0.7% | → |
| Kaiser Foundation Hospital - Santa Rosa | 0.6% | 0.4% | 0.6% | 0.5% | 0.5% | → |
| California Pacific Med Ctr-Davies Campus | 0.5% | 0.5% | 0.3% | 0.5% | 0.5% | → |
| All Other | 6.0% | 7.0% | 9.5% | 6.2% | 6.4% | ↘ |
| Total Percentage | 100% | 100% | 100% | 100% | 100% | |
| Total Discharges | 8,293 | 8,250 | 8,142 | 8,116 | 8,596 | ↗ |

Source: OSHPD Discharge Database, CY 2013- CY 2017

Note: Excludes normal newborns

- Between CY 2013 and CY 2017, the number of discharges in Adventist Health Howard Memorial's service area increased by 4%; and
- Adventist Health Howard Memorial ranks second in market share for the service area based on discharges (approximately 15% in CY 2017). In CY 2017, Adventist Health Ukiah Valley ranked first in inpatient discharges with over 35% market share.

Market Share by Payer Type

The following table shows inpatient market share by hospital and payer type for Adventist Health Howard Memorial's service area for CY 2017.

| HOSPITAL MARKET SHARE BY PAYER, CY 2017 | | | | | | | | | | | |
|---|------------------|-------------------------------|----------------------------------|-----------------------------------|---|-----------------------------|---------------------|-------------------------------------|--------------------------|--------------|-------------|
| Payer Type | Total Discharges | Adventist Health Ukiah Valley | Adventist Health Howard Memorial | Mendocino Coast District Hospital | Santa Rosa Memorial Hospital-Montgomery | Adventist Health St. Helena | UCSF Medical Center | Sutter Santa Rosa Regional Hospital | Sutter Lakeside Hospital | All Others | Total |
| Medicare | 3,749 | 30.7% | 20.4% | 14.3% | 8.1% | 6.5% | 3.0% | 2.4% | 1.9% | 12.8% | 100% |
| Medi-Cal | 2,848 | 42.5% | 10.0% | 9.1% | 5.7% | 6.7% | 9.5% | 1.5% | 2.0% | 13.0% | 100% |
| Private Coverage | 1,577 | 32.8% | 14.8% | 6.7% | 6.7% | 4.7% | 7.4% | 4.8% | 1.3% | 20.8% | 100% |
| All Other | 374 | 17.9% | 9.9% | 4.0% | 7.8% | 2.9% | 1.1% | 4.3% | 0.8% | 51.3% | 100% |
| Self-Pay | 48 | 43.8% | 16.7% | 12.5% | 0.0% | 0.0% | 0.0% | 4.2% | 2.1% | 20.8% | 100% |
| Total Discharges | 8,596 | 34.5% | 15.4% | 10.7% | 7.0% | 6.0% | 5.9% | 2.6% | 1.8% | 16.1% | 100% |

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

- The largest payer categories of service area inpatient discharges are Medicare with approximately 3,749 inpatient discharges (44%), followed by Medi-Cal with 2,848 inpatient discharges (33%), and Private Coverage with 1,577 inpatient discharges (18%);
- Adventist Health Ukiah Valley is inpatient market share leader for all payers: Medicare (30.7%), Medi-Cal (42.5%), Private Coverage (32.8%), and Self-Pay (43.8%); and
- Adventist Health Howard Memorial has significant inpatient market share in Medicare (20.4%) and Private Coverage (14.8%).

Market Share by Service Line

The following table shows inpatient market share by hospital and service line for Adventist Health Howard Memorial's service area for CY 2017.

| SERVICE AREA MARKET SHARE BY SERVICE LINE, CY 2017 | | | | | | | | | | | |
|--|------------------|-------------------------------|----------------------------------|-----------------------------------|---|-----------------------------|---------------------|-------------------------------------|--------------------------|--------------|-------------|
| Service Line | Total Discharges | Adventist Health Ukiah Valley | Adventist Health Howard Memorial | Mendocino Coast District Hospital | Santa Rosa Memorial Hospital-Montgomery | Adventist Health St. Helena | UCSF Medical Center | Sutter Santa Rosa Regional Hospital | Sutter Lakeside Hospital | All Others | Total |
| General Medicine | 2,766 | 40.2% | 17.5% | 15.4% | 4.9% | 4.6% | 2.9% | 1.0% | 2.4% | 11.1% | 100% |
| Orthopedics | 1,034 | 16.3% | 42.1% | 13.1% | 7.1% | 3.5% | 2.8% | 3.6% | 0.7% | 10.9% | 100% |
| Obstetrics | 937 | 72.5% | 0.3% | 10.7% | 2.1% | 0.2% | 5.4% | 4.2% | 2.8% | 1.8% | 100% |
| Cardiac Services | 818 | 30.8% | 10.4% | 7.2% | 15.8% | 18.7% | 2.6% | 4.8% | 1.1% | 8.7% | 100% |
| General Surgery | 729 | 34.0% | 17.8% | 6.0% | 5.2% | 2.9% | 9.7% | 3.6% | 2.3% | 18.4% | 100% |
| Behavioral Health | 592 | 4.7% | 2.0% | 3.9% | 0.3% | 20.1% | 0.8% | 0.2% | 0.3% | 67.6% | 100% |
| Neurology | 405 | 31.1% | 13.1% | 7.4% | 12.8% | 1.0% | 6.4% | 1.0% | 2.5% | 24.7% | 100% |
| Neonatology | 344 | 47.4% | 0.0% | 18.9% | 4.4% | 0.0% | 12.8% | 10.2% | 1.5% | 4.9% | 100% |
| Oncology/Hematology | 206 | 20.9% | 11.7% | 10.7% | 1.9% | 4.9% | 21.4% | 1.5% | 1.9% | 25.2% | 100% |
| Spine | 160 | 11.3% | 12.5% | 1.3% | 31.3% | 0.0% | 12.5% | 6.3% | 1.9% | 23.1% | 100% |
| Other | 131 | 15.3% | 14.5% | 3.8% | 27.5% | 11.5% | 4.6% | 0.8% | 0.8% | 21.4% | 100% |
| Vascular Services | 111 | 27.9% | 9.0% | 1.8% | 9.9% | 23.4% | 9.9% | 0.0% | 0.9% | 17.1% | 100% |
| ENT | 102 | 29.4% | 13.7% | 2.9% | 11.8% | 1.0% | 19.6% | 0.0% | 1.0% | 20.6% | 100% |
| Urology | 89 | 25.8% | 5.6% | 0.0% | 9.0% | 6.7% | 29.2% | 0.0% | 0.0% | 23.6% | 100% |
| Neurosurgery | 72 | 0.0% | 4.2% | 0.0% | 11.1% | 0.0% | 45.8% | 1.4% | 0.0% | 37.5% | 100% |
| Gynecology | 70 | 27.1% | 30.0% | 2.9% | 5.7% | 0.0% | 20.0% | 2.9% | 1.4% | 10.0% | 100% |
| No-match-found | 20 | 15.0% | 30.0% | 10.0% | 5.0% | 0.0% | 20.0% | 0.0% | 0.0% | 20.0% | 100% |
| Ophthalmology | 8 | 25.0% | 12.5% | 0.0% | 25.0% | 0.0% | 0.0% | 0.0% | 0.0% | 37.5% | 100% |
| Total Discharges | 8,594 | 34.5% | 15.4% | 10.7% | 7.0% | 6.0% | 5.9% | 2.6% | 1.8% | 16.0% | 100% |

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

- Adventist Health Howard Memorial is the service line leader in two of 16 service lines: orthopedics (42.1%) and gynecology (30.0%);
- Adventist Health Ukiah Valley is the market share leader in eight of 16 service lines: general medicine (40.2%), obstetrics (72.5%), cardiac services (30.8%), general surgery (34.0%), neurology (31.1%), neonatology (47.4%), vascular services (27.9%), and ENT (29.4%); and
- UCSF Medical Center is the market share leader in three of 16 service lines: oncology/hematology (21.4%), urology (29.2%), and neurosurgery (45.8%).

Market Share by ZIP Code

The following table shows hospital market share by ZIP Code in Adventist Health Howard Memorial's service area for CY 2017.

| HOSPITAL MARKET SHARE BY ZIP CODE, CY 2017 | | | | | | | | | | | | | |
|--|----------------|------------------|-------------------------------|----------------------------------|-----------------------------------|---|-----------------------------|---------------------|-------------------------------------|--------------------------|------------|--------------|-------------|
| ZIP Code | Community | Total Discharges | Adventist Health Ukiah Valley | Adventist Health Howard Memorial | Mendocino Coast District Hospital | Santa Rosa Memorial Hospital-Montgomery | Adventist Health St. Helena | UCSF Medical Center | Sutter Santa Rosa Regional Hospital | Sutter Lakeside Hospital | All Others | Total | |
| 95482 | Ukiah | 3,428 | 59.0% | 5.4% | 0.1% | 5.0% | 6.3% | 6.7% | 2.8% | 0.3% | 14.5% | 100% | |
| 95490 | Willits | 1,514 | 17.4% | 47.9% | 0.1% | 6.3% | 7.0% | 5.0% | 1.9% | 0.4% | 14.1% | 100% | |
| 95437 | Fort Bragg | 1,478 | 4.5% | 4.8% | 50.1% | 11.4% | 2.9% | 6.0% | 1.8% | 0.1% | 18.5% | 100% | |
| 95470 | Redwood Valley | 581 | 51.5% | 10.0% | 0.3% | 6.5% | 7.1% | 5.2% | 3.1% | 0.9% | 15.5% | 100% | |
| 95428 | Covelo | 336 | 30.4% | 32.7% | 0.3% | 6.3% | 5.1% | 5.1% | 1.2% | 0.3% | 18.8% | 100% | |
| 95485 | Upper Lake | 326 | 6.7% | 4.0% | 0.0% | 5.2% | 11.7% | 4.3% | 7.1% | 36.8% | 24.2% | 100% | |
| 95460 | Mendocino | 243 | 7.8% | 5.3% | 44.9% | 10.3% | 4.9% | 4.9% | 2.9% | 0.4% | 18.5% | 100% | |
| 95454 | Laytonville | 239 | 18.8% | 43.9% | 0.0% | 10.5% | 7.5% | 5.0% | 1.7% | 0.4% | 12.1% | 100% | |
| 95469 | Potter Valley | 141 | 38.3% | 14.2% | 0.0% | 9.2% | 10.6% | 5.0% | 5.7% | 2.1% | 14.9% | 100% | |
| 95481 | Talmage | 84 | 73.8% | 1.2% | 0.0% | 7.1% | 1.2% | 7.1% | 0.0% | 0.0% | 9.5% | 100% | |
| 95410 | Albion | 78 | 3.8% | 9.0% | 34.6% | 7.7% | 3.8% | 7.7% | 3.8% | 0.0% | 29.5% | 100% | |
| 95456 | Littleriver | 58 | 3.4% | 3.4% | 36.2% | 12.1% | 5.2% | 6.9% | 3.4% | 0.0% | 29.3% | 100% | |
| 95488 | Westport | 32 | 3.1% | 3.1% | 40.6% | 12.5% | 3.1% | 3.1% | 3.1% | 0.0% | 31.3% | 100% | |
| 95493 | Witter Springs | 26 | 7.7% | 3.8% | 0.0% | 3.8% | 19.2% | 3.8% | 15.4% | 23.1% | 23.1% | 100% | |
| 95427 | Comptche | 19 | 5.3% | 10.5% | 21.1% | 15.8% | 0.0% | 5.3% | 5.3% | 0.0% | 36.8% | 100% | |
| 95429 | Dos Rios | 13 | 7.7% | 76.9% | 0.0% | 7.7% | 0.0% | 0.0% | 0.0% | 0.0% | 7.7% | 100% | |
| Total Discharges | | | 8,596 | 2,966 | 1,326 | 920 | 600 | 519 | 504 | 226 | 154 | 1,381 | 100% |

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, CY 2017

- Adventist Health Howard Memorial is the market share leader in four of the 16 service area ZIP Codes;
- Adventist Health Ukiah Valley is the market share leader in four of the 16 service area ZIP Codes; and
- Mendocino Coast District Hospital is the market share leader in six of the 16 service area ZIP Codes.

Service Availability by Bed Type

Using FY 2017 data, the tables on the following pages show Adventist Health Howard Memorial's existing hospital bed capacity, occupancy, and availability for medical/surgical, intensive care, and emergency services.

Medical/Surgical Capacity Analysis

The medical/surgical beds within Adventist Health Howard Memorial's service area operated at an overall occupancy rate of approximately 52%. Adventist Health Howard Memorial's 21 licensed medical/surgical beds represented approximately 27% of the medical/surgical beds in the service area.

| MEDICAL/SURGICAL BEDS FY 2017 | | | | | | | |
|---|---------------------|---------------------|---------------|---------------|----------------|----------------------|------------------|
| Hospital | Miles From Hospital | Within Service Area | Licensed Beds | Discharges | Patient Days | Average Daily Census | Percent Occupied |
| Adventist Health Howard Memorial¹ | - | X | 21 | 1,318 | 4,637 | 12.7 | 60.5% |
| Adventist Health Ukiah Valley | 21.9 | X | 43 | 1,965 | 7,911 | 21.7 | 50.4% |
| Mendocino Coast District Hospital | 35.6 | X | 13 | 632 | 2,139 | 5.9 | 45.1% |
| SUB-TOTAL | | | 77 | 3,915 | 14,687 | 40.2 | 52.3% |
| Sutter Lakeside Hospital* | 39.1 | | 21 | 1,485 | 4,489 | 12.3 | 58.6% |
| Adventist Health Clear Lake | 67.3 | | 13 | 948 | 3,618 | 9.9 | 76.2% |
| Sutter Santa Rosa Regional Hospital* | 76.9 | | 40 | 2,901 | 13,064 | 35.8 | 89.5% |
| Kaiser Foundation Hospital - Santa Rosa* | 79.5 | | 118 | 7,403 | 26,581 | 72.8 | 61.7% |
| Adventist Health St. Helena | 91.9 | | 132 | 5,482 | 14,644 | 40.1 | 30.4% |
| Queen of the Valley Medical Center* | 111.0 | | 130 | 4,376 | 22,917 | 62.8 | 48.3% |
| TOTAL | | | 531 | 26,510 | 100,000 | 274.0 | 51.6% |

Source: OSHPD Disclosure Reports, FY 2017

*FY 2017 Unaudited Data

¹ Ten general acute care beds are swing beds approved for skilled nursing services.

- Adventist Health Howard Memorial reported 1,318 hospital discharges and 4,637 patient days, resulting in an occupancy rate of approximately 61% and an average daily census of 13 patients.

Intensive Care Unit Capacity Analysis

There were 14 intensive care unit beds within the service area that operated at an overall occupancy rate of 60%. Adventist Health Howard Memorial had 4 licensed intensive care beds with an average occupancy rate of nearly 72% and an average daily census of 2 patients.

| INTENSIVE CARE UNIT BEDS FY 2017 | | | | | | | |
|--|----------------------------|----------------------------|----------------------|-------------------|---------------------|-----------------------------|-------------------------|
| Hospital | Miles from Hospital | Within Service Area | Licensed Beds | Discharges | Patient Days | Average Daily Census | Percent Occupied |
| Adventist Health Howard Memorial | - | X | 4 | 163 | 1,045 | 2.9 | 71.6% |
| Adventist Health Ukiah Valley | 21.9 | X | 6 | 342 | 1,375 | 3.8 | 62.8% |
| Mendocino Coast District Hospital | 35.6 | X | 4 | 87 | 655 | 1.8 | 44.9% |
| SUB-TOTAL | | | 14 | 592 | 3,075 | 8.4 | 60.2% |
| Sutter Lakeside Hospital* | 39.1 | | 4 | 118 | 1,021 | 2.8 | 69.9% |
| Adventist Health Clear Lake | 67.3 | | 4 | 234 | 1,313 | 3.6 | 89.9% |
| Sutter Santa Rosa Regional Hospital* | 76.9 | | 22 | 1,199 | 5,334 | 14.6 | 66.4% |
| Kaiser Foundation Hospital - Santa Rosa* | 79.5 | | 20 | 194 | 579 | 1.6 | 7.9% |
| Adventist Health St. Helena | 91.9 | | 12 | 744 | 2,689 | 7.4 | 61.4% |
| Queen of the Valley Medical Center* | 111.0 | | 36 | 1,183 | 4,094 | 11.2 | 31.2% |
| TOTAL | | | 112 | 4,264 | 18,105 | 49.6 | 44.3% |

Source: OSHPD Disclosure Reports, FY 2017
 *FY 2017 Unaudited Data

- Among the service area hospitals, the average daily census was 8 patients based on 3,075 patient days; and
- Adventist Health Howard Memorial provided 29% of the service area’s intensive care beds and approximately 28% of the discharges.

Emergency Department Volume at Hospitals in the Service Area

Adventist Health Howard Memorial has nine emergency treatment stations. In total, there were 31 emergency treatment stations among all service area hospitals. As shown below, Adventist Health Howard Memorial reported 14,071 visits that totaled nearly 26% of all visits among the service area hospitals (53,572 visits).

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

| EMERGENCY DEPARTMENT VISITS BY CATEGORY 2017 | | | | | | | | | | | | | |
|--|---------------------|---------------------|--------------|----------|------------|----------------|---------------|---------------|---------------|-------------------|---------------|---------------------|--------------------|
| Hospital | Miles from Hospital | Within Service Area | | ER Level | Stations | Total Visits | Minor | Low/Moderate | Moderate | Severe w/o Threat | | Percentage Admitted | Hours of Diversion |
| | | Area | | | | | | | | Threat | Threat | | |
| Adventist Health Howard Memorial | - | X | Basic | | 9 | 14,071 | 135 | 3,737 | 5,192 | 2,856 | 2,151 | 7.2% | 0 |
| Adventist Health Ukiah Valley | 21.9 | X | Basic | | 14 | 29,502 | 322 | 6,932 | 9,627 | 7,320 | 5,301 | 7.6% | 0 |
| Mendocino Coast District Hospital | 35.6 | X | Standby | | 8 | 9,999 | 3 | 729 | 3,991 | 3,652 | 1,624 | 4.6% | 0 |
| SUBTOTAL | | | | | 31 | 53,572 | 460 | 11,398 | 18,810 | 13,828 | 9,076 | 6.9% | 0 |
| Sutter Lakeside Hospital | 39.1 | | Basic | | 12 | 20,329 | 211 | 1,869 | 8,231 | 5,503 | 4,515 | 2.2% | 0 |
| Adventist Health Clear Lake | 67.3 | | Standby | | 8 | 22,230 | 213 | 3,204 | 8,805 | 5,476 | 4,532 | 6.0% | 0 |
| Sutter Santa Rosa Regional Hospital | 76.9 | | Basic | | 15 | 34,558 | 358 | 5,223 | 10,234 | 10,860 | 7,883 | 9.5% | 195 |
| Kaiser Foundation Hospital - Santa Rosa | 79.5 | | Basic | | 34 | 59,197 | 7,744 | 19,883 | 10,131 | 13,897 | 7,542 | 10.4% | 396 |
| Adventist Health St. Helena | 91.9 | | Standby | | 16 | 8,147 | 71 | 1,058 | 3,208 | 2,225 | 1,585 | 14.6% | 0 |
| Queen of the Valley Medical Center | 111.0 | | Basic | | 18 | 29,018 | 1,350 | 2,433 | 15,087 | 8,387 | 1,761 | 13.7% | 0 |
| TOTAL | | | | | 134 | 227,051 | 10,407 | 45,068 | 74,506 | 60,176 | 36,894 | 8.8% | 591 |

Source: OSHPD ALIRTS Annual Utilization Reports, 2017

(1) The figures from OSHPD ALIRTS differ from the data provided by OSHPD Disclosure Reports and the Hospital

- Approximately 7% of Adventist Health Howard Memorial's emergency department visits resulted in admission to the hospital; and
- Nearly 36% of Adventist Health Howard Memorial's emergency department visits were classified as severe with/without threat, which was lower than the service area average of approximately 42%.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, Adventist Health Howard Memorial's emergency department was operating at approximately 78% of its nine-bed capacity.

| EMERGENCY DEPARTMENT CAPACITY 2017 | | | | | | | |
|---|---------------------|--------------|----------|------------|----------------|----------------|--------------------|
| Hospital | Within | | | Stations | Total Visits | Capacity | Remaining Capacity |
| | Miles from Hospital | Service Area | ER Level | | | | |
| Adventist Health Howard Memorial | - | X | Basic | 9 | 14,071 | 18,000 | 3,929 |
| Adventist Health Ukiah Valley | 21.9 | X | Basic | 14 | 29,502 | 28,000 | (1,502) |
| Mendocino Coast District Hospital | 35.6 | X | Standby | 8 | 9,999 | 16,000 | 6,001 |
| SUB-TOTAL | | | | 31 | 53,572 | 62,000 | 8,428 |
| Sutter Lakeside Hospital | 39.1 | | Basic | 12 | 20,329 | 24,000 | 3,671 |
| Adventist Health Clear Lake | 67.3 | | Standby | 8 | 22,230 | 16,000 | (6,230) |
| Sutter Santa Rosa Regional Hospital | 76.9 | | Basic | 15 | 34,558 | 30,000 | (4,558) |
| Kaiser Foundation Hospital - Santa Rosa | 79.5 | | Basic | 34 | 59,197 | 68,000 | 8,803 |
| Adventist Health St. Helena | 91.9 | | Standby | 16 | 8,147 | 32,000 | 23,853 |
| Queen of the Valley Medical Center | 111.0 | | Basic | 18 | 29,018 | 36,000 | 6,982 |
| TOTAL | | | | 134 | 227,051 | 268,000 | 40,949 |

Source: OSHPD ALIRTS Annual Utilization Reports, 2017

(1) The figures from OSHPD ALIRTS differ from the data provided by OSHPD Disclosure Reports and the Hospital

- Overall, the service area hospitals' emergency departments are operating at approximately 86% capacity;
- The remaining service area hospitals, Adventist Health Ukiah Valley and Mendocino Coast District Hospital, reported occupancy rates of approximately 105% and 63%, respectively in 2017; and
- In 2018, Adventist Health Ukiah Valley expanded its emergency services from 14 beds to 19 private beds, including adding two trauma bays and a rooftop helipad. The expansion would increase the total emergency stations in the service area from 31 to 36.

Summary of Interviews

Between August 2018 and June 2019, both in-person and telephone interviews were conducted with representatives of Adventist Health, St. Joseph Health, Adventist Health Ukiah Valley and Adventist Health Howard Memorial as well as physicians and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding any potential impact on healthcare availability and accessibility as a result of the proposed transaction. The list of individuals who were interviewed is in the Appendix of this report. The major findings of the interviews are summarized below.

Reasons for the Proposed Transaction

Members of Adventist Health's management team, Board members and medical staff cited several reasons for forming the JOC including the following:

- The opportunity to partner with another Northern California health system with similar mission, vision, and values would help to ensure the financial ability to continue to serve patients especially those that are uninsured and under-insured;
- By working together in the JOC, Adventist Health and St. Joseph Health would more effectively recruit and retain physicians by:
 - Cooperating to offer support to recruit new physicians;
 - Providing more patient volume to support physician specialists that are difficult to recruit;
 - Sharing medical specialists among participating hospitals for emergency on-call coverage and specialty services (e.g., cardiac surgery); and
 - Recruiting subspecialists that may be impractical for one hospital to recruit alone.
- Leveraging the different clinical strengths of Adventist Health and St. Joseph Health would create an opportunity for sharing and mutual learning regarding clinical best practices, data, population health practices, community benefits, and charity care;
- Forming a larger, more geographically integrated network would provide improved access to healthcare throughout the Northern California region especially for the poor and vulnerable;
- Together Adventist Health and St. Joseph Health would be better able to serve the Medi-Cal managed care membership of Partnership Health Plan;

- Sharing an integrated electronic medical record system would help reduce costs by avoiding duplication of diagnostic and treatment services;
- Working on population health initiatives would be more effective together than separately;
- The JOC would be better able to make capital and planning decisions, thereby avoiding duplication of services and facilities;
- The expanded resources of the JOC will better allow Adventist Health and St. Joseph Health to respond to the needs of the community by jointly planning new services, consolidating duplicative services, achieving better economies of scale, and developing or centralizing shared centers of excellence for clinical services; and
- The JOC would be in a stronger position for negotiating payer and vendor contracts.

Importance of Adventist Health and St. Joseph Health to the Community

According to the representatives who were interviewed, all believed Adventist Health and St. Joseph Health are both important health systems to their local communities and their service areas.

Adventist Health Ukiah Valley

Some of the programs and services that were mentioned in the interviews as being especially important at Adventist Health Ukiah Valley include the following:

- Emergency services, including designation as a Primary Stroke Center, SART and designation as a Level IV Trauma Center;
- Imaging Services;
- Medical Oncology;
- Street Medicine;
- Intensive Care Unit;
- Community Benefit Services;
- Women’s health services, including obstetrics and the Level II Nursery;
- Clinically Integrated Network (CIN); and
- New Primary Care Residency program starting July 2020.

Adventist Health Howard Memorial

Some of the programs and services that were mentioned in the interviews as being especially important at Adventist Health Howard Memorial include the following:

- General Surgery;
- Orthopedic services.
- Emergency services, including a Level IV Trauma designation;
- Total Joint Replacement;
- Intensive Care Unit; and
- Community Benefit Services;

Representatives from the community believed that Adventist Health Ukiah Valley and Adventist Health Howard Memorial are very important providers of healthcare to the residents of their service areas. Collectively, all believed that all current services and designations that are currently at the hospital should be retained. If Adventist Health Ukiah Valley and Adventist Health Howard Memorial do not maintain these services, accessibility and availability issues would be created for the residents of the surrounding communities, especially for the underinsured and uninsured.

Selection of St. Joseph Health for the JOC

The management teams of Adventist Health Ukiah Valley and Adventist Health Howard Memorial community members and providers believe there are significant opportunities to provide care closer to home for more patients by creating a broader and deeper value-based provider network in the region and coordinating hospital and physician services across both health systems. Representatives interviewed also stated that the JOC should be able to reduce the outmigration and better compete with neighboring health systems such as Sutter Health. Those interviewed believed that the geographic locations of Adventist Health and St. Joseph Health facilities when acting together would provide improved access for the patient population. Furthermore, the JOC will allow Adventist Health to regionalize services, reduce costs and provide opportunities to better support managed care populations including Medi-Cal and Medicare Advantage³⁰.

Members of the Adventist Health's management team indicated that a number of factors were considered in choosing St. Joseph Health to enter into a JOC including the following:

- The complimentary geographic locations of the hospitals;
- The improved ability of the proposed JOC to recruit and retain physicians;
- The commitment to provide expanded healthcare services locally;
- The ability to develop additional clinical expertise and enhance subspecialties;
- The ability to share services and develop centers of excellence serving both organizations;

³⁰ Medicare Advantage plans are offered by private insurance companies, approved by Medicare, to cover Medicare benefits.

- The ability to participate in initiatives to improve population health;
- The ability to jointly achieve efficiencies and economies of scale; and
- Enhanced brand and reputation.

Adventist Health's management team explained that the transaction would provide an opportunity for the hospitals to be better positioned to improve the health of the population in the service area.

All of those interviewed from Adventist Health Ukiah Valley and Adventist Health Howard Memorial were supportive of the proposed JOC and the selection of St. Joseph Health as a partner.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the proposed JOC would improve the accessibility and/or availability of healthcare services. Many also believed that the JOC would create the opportunity to expand existing programs and improve clinical centers of excellence.

Opposition to the Affiliation

No one interviewed expressed opposition to the JOC. Representatives of the commercial insurance companies expressed optimism that a broader network could result in more successful population health initiatives, better cost effectiveness, and improved access. However, representatives of the commercial insurance companies also expressed concern about the potential for the JOC to use its enhanced market leverage to negotiate higher priced service contracts.

Alternatives

Almost all believed that the proposed agreement would create greater opportunities for improving operational, financial, and clinical performance. Those interviewed believed that combining efforts with another financially strong, faith-based health system would ensure that fulfilling the mission of caring for the poor and vulnerable would continue to remain a priority. Almost all who were interviewed believed that there would not be an alternative partner for the proposed JOC.

Assessment of Potential Issues Associated with the Availability or Accessibility of Healthcare Services

Adventist Health Ukiah Valley:

Continuation as a General Acute Care Facility

The transaction is not expected to cause any reductions in the availability or accessibility of healthcare services at Adventist Health Ukiah Valley. It is expected that as a result of the transaction, the hospital will operate in a similar manner as in the past, with additional access to significant expertise, services, and resources provided by the newly formed JOC.

Emergency and Trauma Services

Adventist Health Ukiah Valley is an important provider of emergency services to residents of the surrounding rural communities. In FY 2017, Adventist Health Ukiah Valley reported 29,502 visits to its 14 emergency treatment stations and operated at a capacity of 105% (based on a standard of 2,000 visits per station per year). The next closest hospital, Adventist Health Howard Memorial, operated at 78.2% of capacity. As a result of the uncertainties of the future of the ACA and healthcare reform, aging demographics, and with the entire service area designated as having a shortage of primary care physicians, utilization of the emergency department could be expected to increase within the service area.

Medical/Surgical Services

Adventist Health Ukiah Valley has an occupancy rate of 50.3%, on its 43 licensed medical/surgical beds. The next closest hospital is nearly 22 miles away and is operating at almost 61% capacity. Keeping the hospital's medical/surgical services open and with the same number of beds is important to meeting the medical/surgical service needs in the hospital's service area.

Intensive Care Services

In FY 2017, Adventist Health Ukiah Valley reported an occupancy rate of approximately 63% on its six licensed intensive care beds. This service is an important resource for supporting emergency services and other medical and surgical services at Adventist Health Ukiah Valley.

Perinatal/Obstetrics Services

In FY 2017, Adventist Health Ukiah Valley reported an occupancy rate of about 59% on its 4 licensed perinatal beds, based on an average daily census of 9 patients. With 764 deliveries in FY 2017, the hospital is an important provider of obstetrics services for service area

residents. Because the hospital management intends to continue its services at its current capacity, no adverse effect on the availability and accessibility of these healthcare services in the community is expected.

Neonatal Intensive Care Services

In FY 2017, the hospital reported four neonatal intensive care beds with only 25 discharges and an average daily census of 0.3 patients. Sutter Santa Rosa Regional Hospital located approximately 56 miles away from the hospital, is the closest general acute care hospital providing neonatal intensive care services.

Reproductive Health Services

The Master Formation Agreement states that the proposed transaction does not make any changes in the scope or type of any reproductive health care services currently provided by each of the participating hospital in the JOC. As a result, no adverse impact on availability or accessibility is expected. The table below shows inpatient reproductive-related healthcare procedures that the hospital provided in CY 2017:

| REPRODUCTIVE HEALTH DISCHARGES | |
|---|------------|
| DRG | Discharges |
| 767-Vaginal Delivery with Sterilization &/Or D&C ¹ | 27 |
| 777-Ectopic Pregnancy | 4 |
| 770-Abortion W D&C, Aspiration Curettage or Hysterotomy | 0 |
| 778-Threatened Abortion | 0 |
| 779-Abortion W/O D&C | 0 |
| Total | 31 |

Source: CY 2017 OSHPD Patient Discharge Database
¹D&C is an abbreviation for Dilation and Curettage

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

Approximately 82% of the Adventist Health Ukiah Valley inpatients are reimbursed through Medicare (39%) and Medi-Cal (43%). The hospital currently participates in the Medicare and Medi-Cal program, and contracts with Partnership Health Plan of California. If the hospital did not participate in the Medicare and Medi-Cal programs, eligible patients could be denied access to non-emergency healthcare services.

Effects on the Level and Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on Adventist Health Ukiah Valley for healthcare services. Adventist Health’s policies on charity and indigent care, for patients needing emergency or medical necessary care, include providing free care to

families with an income at or below 200% of the Federal Poverty Level³¹. The hospital's average charity care and bad debt as a percentage of gross patient revenue is 2.9% compared to the State of California average of 2.3%. Over the last five years, Adventist Health Ukiah Valley has historically provided a significant amount of charity care costs, averaging approximately \$2.4 million per year.

Effects on Community Benefit Programs

Adventist Health Ukiah Valley historically has provided a significant amount of community benefit services, averaging approximately \$1,825,817 per year over the last five years.

Effects on Staffing and Employee Rights

The Master Formation Agreement states that all non-executive employees of Adventist Health and St. Joseph Health System shall remain employees of their current health system, with compensation and benefits established by their respective organization. These contracts will be maintained and nothing in the agreement shall alter or affect the participant's status with their staff.

Effects on Medical Staff

The Master Formation Agreement states that there will be no effect of physician rights or privileges. The medical staff of each Joint Operating Company entity will remain independent and will continue to be responsible for maintaining its own medical staff for its facilities. Each Joint Operating Company participant is also responsible for the decisions on admitting and clinical privileges and medical staff memberships at each facility.

Alternatives

If the proposed Master Formation Agreement is not approved, Adventist Health may look for future joint ventures; however, none are evident at this time.

³¹ The Federal Poverty Levels is used to determine eligibility and benefits for certain Federal programs and services.

Adventist Health Howard Memorial:

Continuation as a General Acute Care Facility

The transaction is not expected to cause any reductions in the availability or accessibility of healthcare services at Adventist Health Howard Memorial. It is expected that as a result of the transaction, the hospital will operate in a similar manner as in the past, with additional access to significant expertise, services, and resources provided by the newly formed JOC.

Emergency and Trauma Services

Adventist Health Howard Memorial is an important providers of emergency services to residents of the surrounding rural communities. In FY 2017, Adventist Health Ukiah Valley reported 14,071 visits to its nine emergency treatment stations and operated at a capacity of 82% (based on a standard of 2,000 visits per station per year). The next closest hospital Adventist Health Ukiah Valley, which operated at 105% capacity. As a result of the uncertainties of the future of the ACA and healthcare reform, aging demographics, and with the entire service area designated as having a shortage of primary care physicians, utilization of the emergency department could be expected increase within the service area.

Medical/Surgical Services

Adventist Health Howard Memorial had an occupancy rate of 60.5%, on its 21 licensed medical/surgical beds. The next closest hospital is nearly 22 miles away is Adventist Health Ukiah Valley. Because Adventist Health Howard Memorial is classified as a critical access hospital, keeping the hospital's medical/surgical services open and with the same number of beds is critical to meeting the medical/surgical service needs in the hospital's service area.

Intensive Care Services

In FY 2017, Adventist Health Howard Memorial reported an occupancy rate of approximately 72% on its four licensed intensive care beds. This service is an important resource for supporting emergency services and other medical and surgical services at Adventist Health Clear Lake.

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

Approximately 86% of the Adventist Health Howard Memorial inpatients are reimbursed through Medicare (63%) and Medi-Cal (23%). The hospital currently participates in the Medicare and Medi-Cal program, and contracts with Partnership Health Plan of California. If the hospital did not participate in the Medicare and Medi-Cal programs, eligible patients could be denied access to non-emergency healthcare services.

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

Approximately 86% of the Adventist Health Ukiah Valley inpatients are reimbursed through Medicare (63%) and Medi-Cal (23%). The hospital currently participates in the Medicare and Medi-Cal program, and contracts with Partnership Health Plan of California. If the hospital did not participate in the Medicare and Medi-Cal programs, eligible patients could be denied access to non-emergency healthcare services.

Effects on the Level and Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on Adventist Health Howard Memorial for healthcare services. Adventist Health's policies on charity and indigent care, for patients needing emergency or medical necessary care, include providing free care to families with an income at or below 200% of the Federal Poverty Level. The hospital's average charity care and bad debt as a percentage of gross patient revenue is 2.6% compared to the State of California average of 2.3%. Over the last five years, Adventist Health Howard Memorial has historically provided a significant amount of charity care costs, averaging approximately \$745,000 per year.

Effects on Community Benefit Programs

Adventist Health Howard Memorial historically has provided a significant amount of community benefit services, averaging approximately \$249,331 per year over the last five years.

Effects on Staffing and Employee Rights

The Master Formation Agreement states that all non-executive employees of Adventist Health and St. Joseph Health System shall remain employees of their current health system, with compensation and benefits established by their respective organization. These contracts will be maintained and nothing in the agreement shall alter or affect the participant's status with their staff.

Effects on Medical Staff

The Master Formation Agreement states that there will be no effect of physician rights or privileges. The medical staff of each Joint Operating Company entity will remain independent and will continue to be responsible for maintaining its own medical staff for its facilities. Each Joint Operating Company participant is also responsible for the decisions on admitting and clinical privileges and medical staff memberships at each facility.

Alternatives

If the proposed Master Formation Agreement is not approved, Adventist Health may look for future joint ventures; however, none are evident at this time.

Conclusions

Potential Conditions for Transaction Approval by the California Attorney General

Based on the Adventist Health's commitments outlined in the Master Formation Agreement and their subsequent correspondence to the Office of the Attorney General, the proposed Master Formation Agreement is likely to continue the availability and accessibility of healthcare services to the communities served for at least five years. It is anticipated that access for Medi-Cal, Medicare, uninsured and other classes of patients will either remain unchanged or be improved. Furthermore, the JOC plans to invest in services, programs and medical staff development that is expected to lead to improvements in healthcare delivery and access.

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

Adventist Health Ukiah Valley

1. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall continue to operate as a general acute care hospital;
2. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall maintain 24-hour emergency services at no less than its current licensure of 19 treatment stations and designation with the same types and/or levels of services including:
 - a. Certification as a Primary Stroke Center; and
 - b. Level IV Trauma Designation.
3. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive care services, including a minimum of 6 intensive care beds; and
 - b. Perinatal services, including a minimum of 15 licensed perinatal beds.
4. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall maintain currently provided women's healthcare services, as well as the mammography services, currently located at 1050 North State Street, Ukiah California;
5. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall maintain the rural health clinics provided at its listed address below or a similar location with equivalent services:

- a. Rural Health Clinic, located at 487 South Main Street, Lakeport California;
 - b. Rural Health Clinic, located at 850 Sequoia Circle, Fort Bragg California;
 - c. Rural Health Clinic, located at 1050 North State Street, Ukiah California; and
 - d. Rural Health Clinic, located at 260 Hospital Drive, Ukiah California.
6. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law, and shall provide an annual amount of charity care equal to or greater than \$2,384,715 (the "Minimum Charity Care Amount"). For purposes herein, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by the hospital in connection with the operations and provision of services at the hospital. The definition and methodology for calculating "Charity Care" and the methodology for calculating "cost" shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics);
 7. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall continue to expend no less than \$1,825,817 annually in community benefit services. This amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California;
 8. For at least ten years from the Closing Date of the Master Formation Agreement, 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;
 9. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall be certified to participate in the Medi-Cal program, providing the same type, and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries;
 10. For at least ten years from the Closing Date of the Master Formation Agreement, Adventist Health St. Helena 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 contract:
 - a. County Organized Health Systems Plan: Partnership Health Plan or its successor.

11. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall maintain its current county contracts for the programs listed below subject to the request of the county:
 - a. MOU for coordinated and managed care – Mendocino County; and
 - b. EMS Base Hospital Agreement – Mendocino County.

Adventist Health Howard Memorial

1. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall continue to operate as a general acute care hospital;
2. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall maintain 24-hour emergency services at no less than its current licensure of nine treatment stations and designation with the same types and/or levels of services including:
 - a. Level IV Trauma designation; and
 - b. Sexual Assault Response Team.
3. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive care services, including a minimum of 4 intensive care beds.
4. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall maintain currently provided women’s healthcare services, as well as the mammography services, currently located at the hospital;
5. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law, and shall provide an annual amount of charity care equal to or greater than \$744,847 (the “Minimum Charity Care Amount”). For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by the hospital in connection with the operations and provision of services at the hospital. The definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics);

6. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall continue to expend no less than \$249,331 annually in community benefit services. This amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California;
7. For at least ten years from the Closing Date of the Master Formation Agreement, 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;
8. For at least ten years from the Closing Date of the Master Formation Agreement, the hospital shall be certified to participate in the Medi-Cal program, providing the same type, and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries;
9. For at least ten years from the Closing Date of the Master Formation Agreement, Adventist Health Howard Memorial 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 contract:
 - a. County Organized Health Systems Plan: Partnership Health Plan or its successor.
10. For at least five years from the Closing Date of the Master Formation Agreement, the hospital shall maintain its current city/county contracts for the programs listed below subject to the request of the appropriate city/county:
 - a. EMS: Trauma Designation – County of Sonoma; Coastal Valley;
 - b. EMS Base Hospital Agreement – County of Mendocino;
 - c. MOU for Mental Health – Mendocino County Behavioral Health and Recovery Services; Redwood Quality Management Company;
 - d. MOU for SART – Mendocino County Sheriff’s Department; Fort Bragg Police Department; Willits Police Department;
 - e. MOU for 340B – County of Mendocino;
 - f. Student Affiliation: Medical Assistant – Mendocino County Office of Education;
 - g. Student Affiliation: EMT – Mendocino County Office of Education;
 - h. Grant for Angel Fund – The Community Foundation of Mendocino County; and
 - i. Letter of Agreement Separate Fee Schedule – County of Mendocino.

Appendix

List of Interviewees

| Last Name | First Name | Position | Affiliation |
|--------------|------------|--|--|
| Anonymous | | Vice President | "Health Plan" |
| Barash, MD | Ace | Chief Medical Officer | Adventist Health Howard Memorial |
| Bowen, MD | Bill | Physician, Governing Board Member and Foundation Board | Adventist Health Howard Memorial |
| Damian | Jill | Chief Operating Officer | Mendocino Community Health Clinic |
| Eller | Jeff | President | Adventist Health/ Northern California Network |
| Faucher, MD | Kimberly | Governing Board Member | Adventist Health Howard Memorial |
| Gibboney | Liz | Chief Executive Officer | Partnership Health Plan |
| Givens | Linda | Patient Care Executive | Adventist Health Howard Memorial |
| Howe | Judson | Chief Financial Officer | Adventist Health Howard Memorial |
| Howes | Barbara | Director of Mendocino County Public Health | Mendocino Public Health |
| Klockenga | Kevin | Executive Vice President/ Chief Executive Officer | St. Joseph Health System/ Northern California Region |
| Luoto, MD | Mark | Regional EMS Director | Coastal Valley EMS Agency |
| Marks | Debbie | Physician | Adventist Health Ukiah Valley |
| Mason | Sue | Chief Nursing Officer | Adventist Health Ukiah Valley |
| Matens | Richard | Executive Director | Consolidated Tribal Health Project |
| Matheson, MD | Mills | Family Practice Physician | Baechtel Creek Clinic |
| Matthews | Gwen | Chief Executive Officer | Adventist Health Ukiah Valley |
| Ploss, MD | David | Physician | Adventist Health Ukiah Valley |
| Quattlebaum | Ryan | Chief Financial Officer | Adventist Health Ukiah Valley |
| Rollins | Michelle | Director of Legal Affairs | Partnership Health Plan |
| Spencer | Lindsey | Patient Care Executive | Adventist Health Ukiah Valley |
| Trotter, MD | Marvin | Chief Medical Officer | Adventist Health Ukiah Valley |
| Weis | David | Chief Operating Officer | Adventist Health Ukiah Valley |
| Wells | Jason | Chief Executive Officer | Adventist Health Howard Memorial |
| Willsher | Heidi | Obstetrics Representative | Adventist Health Ukiah Valley |

Adventist Health Ukiah Valley Hospital License

License: 110000095

Effective: 03/03/2019

Expires: 03/02/2020

Licensed Capacity: 68

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

Ukiah Adventist Hospital

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

Adventist Health Ukiah Valley

275 Hospital Dr
Ukiah, CA 95482-4531

Bed Classifications/Services

- 68 General Acute Care
- 15 Perinatal
- 6 Intensive Care
- 4 Intensive Care Newborn Nursery
- 43 Unspecified General Acute Care

Other Approved Services

- Basic Emergency Medical
- Mobile Unit - Positron Emission Tomography
- Nuclear Medicine
- Outpatient Services - Ambulatory Surgery at 245 Hospital Drive, Ukiah
- Outpatient Services - Cardiology at 475 N. Forbes, Lakeport
- Outpatient Services - Gastroenterology at 234 Hospital Drive, Suite A & B, Ukiah
- Outpatient Services - Hematology and Oncology at 260 Hospital Drive, Suite 207, Ukiah
- Outpatient Services - Nephrology or Urology at 260 Hospital Drive, Suite 201, Ukiah
- Outpatient Services - Occupational Medicine at 232 B Hospital Drive, Ukiah
- Outpatient Services - Ophthalmology at 248 B Hospital Drive, Ukiah
- Outpatient Services - Otolaryngology (Ear, Nose & Throat) at 1165 S. Dora Street, Suite C-2, Ukiah
- Outpatient Services - Radiology or Imaging at 1165 S. Dora Street, Suite D-1, Ukiah
- Outpatient Services - Radiology or Imaging at 245 Hospital Drive, Suite 100, Ukiah
- Outpatient Services - Radiology or Imaging at 275 Hospital Drive, Ukiah

(Additional Information Listed on License Addendum)

State of California
Department of Public Health
License Addendum

License: 11000095
Effective: 03/03/2019
Expires: 03/02/2020
Licensed Capacity: 68

Adventist Health Ukiah Valley (Continued)
275 Hospital Dr
Ukiah, CA 95482-4531

Other Approved Services (cont'd)

Outpatient Services - Rehabilitation – Physical,
Occupational, or Speech Therapy at 271
Observatory Avenue, Ukiah
Outpatient Services - Rehabilitation – Physical,
Occupational, or Speech Therapy at 3101
South State Street, Ukiah
Outpatient Services - RHC at Family Practice
Clinic, 487 S. Main Street, Lakeport
Outpatient Services - Rural Health at 1050 N.
State Street, Ukiah
Outpatient Services - Rural Health at 260
Hospital Drive, Suite 102, 103, 107, 204 &
209, Ukiah
Outpatient Services - Rural Health at 487 S.
Main Street, Lakeport
Outpatient Services - Rural Health at 850
Sequoia Circle, Fort Bragg
Outpatient Services - Surgery at 246 Hospital
Drive, Ukiah
Outpatient Services - Wound Care at 415
Hospital Drive, Ukiah
Physical Therapy
Radiation Therapy
Respiratory Care Services

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

State of California
Department of Public Health
License Addendum

License: 11000095
Effective: 03/03/2019
Expires: 03/02/2020
Licensed Capacity: 68

Adventist Health Ukiah Valley (Continued)
275 Hospital Dr
Ukiah, CA 95482-4531

Approved Other Certifiable Parts

Rural Health Clinic
Adventist Health Ukiah Valley
850 Sequoia Cir
Fort Bragg, CA 95437-5490

Rural Health Clinic
Adventist Health Ukiah Valley
487 S Main St
Lakeport, CA 95453-5315

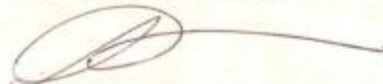
Rural Health Clinic
Adventist Health Ukiah Valley
1050 N State St
Ukiah, CA 95482-3414

Rural Health Clinic
Adventist Health Ukiah Valley
260 Hospital Dr
Ukiah, CA 95482-4533

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
MOBILE PET/CT UNIT-HCD # 19283 VIN# 1S9FS482861183045
FACILITY I.C. NEWBORN NURSERY LICENSED FOR MAXIMUM CAPACITY OF 10 LEVEL I and II CARE INFANTS.
OUTPATIENT PAVILION SERVICES INCLUDE: MRI, LABORATORY, MAMMOGRAPHY, ECHOCARDIOGRAM, DIGITAL RADIOLOGY, ULTRASOUND, DEXASCAN.
Mobile Computerized Tomography Unit - HCD # - 25058 VIN # - 1PT011AJ6V9005314

Karen L. Smith, MD, MPH

State Public Health Officer & Director



Stephanie Devlin, Staff Service Manager I

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)676-6775

Adventist Health Howard Memorial Hospital License

License: 11000013
Effective: 11/01/2018
Expires: 10/31/2019
Licensed Capacity: 25

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

Willits Hospital Inc.

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

Adventist Health Howard Memorial

1 Marcela Drive
Willits, CA 95490-4225

Bed Classifications/Services

25 General Acute Care
4 Intensive Care
21 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical
Outpatient Services - General Laboratory
Outpatient Services - Imaging - MRI
Outpatient Services - Rehabilitation - Physical,
Occupational, or Speech Therapy at 3
Marcela Drive, Willits
Outpatient Services - Rural Health at 3 Marcela
Drive, Willits
Outpatient Services - Surgery
Physical Therapy
Respiratory Care Services


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

CRITICAL ACCESS HOSPITAL DESIGNATION EFFECTIVE 5/1/02.

10 Unspecified Gen Acute Care beds are swing beds approved for skilled nursing services as of 05/01/2002

Karen L. Smith, MD, MPH

Director and State Public Health Officer


Stephanie Devlin, Staff Service Manager I

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