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Attorney General

State of California
DEPARTMENT OF JUSTICE



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January 9, 2019

Sent by Internet and U.S. Mail

John O. Chesley, Esq.
ROPES & GRAY LLP
Three Embarcadero Center
San Francisco, CA 94111-4006

RE: Proposed Sale of Parkview Community Hospital Medical Center to AHMC Healthcare, Inc. and Doctors Hospital of Riverside LLC

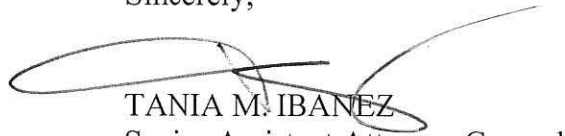
Dear Mr. Chesley:

Pursuant to Corporations Code section 5914 et seq., the Attorney General hereby conditionally consents to the Asset Purchase Agreement dated July 19, 2018, by and between Parkview Community Hospital Medical Center, a California nonprofit public benefit corporation, AHMC Healthcare Inc., a California corporation, and Parkview Community Hospital Foundation, a California nonprofit public benefit corporation, and the Assignment and Assumption of Asset Purchase Agreement dated October 24, 2018 by and between AHMC Healthcare Inc., and Doctors Hospital of Riverside LLC, a California limited liability company.

Corporations Code section 5917, and California Code of Regulations, title 11, section 999.5, subdivision (f), set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and another nonprofit corporation. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,


TANIA M. IBANEZ
Senior Assistant Attorney General

For XAVIER BECERRA
Attorney General

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Enclosures
Cc: Maan-Huei Hung, Esq.

Attorney General's Conditions to the Proposed Sale of Parkview Community Hospital Medical Center and Approval of the Asset Purchase Agreement by and between Parkview Community Hospital Medical Center and AHMC Healthcare, Inc. and Doctors Hospital of Riverside LLC.

I.

These Conditions shall be legally binding on the following entities: Parkview Community Hospital Medical Center, a California nonprofit public benefit corporation, Parkview Community Hospital Foundation, a California nonprofit public benefit corporation, AHMC Healthcare, Inc., AHMC Healthcare LP, Doctors Hospital of Riverside LLC, AHMC, Inc., any other subsidiary, parent, general partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of the Hospital or the real property on which the Hospital¹ is located, any and all current and future owners, lessees, licensees, or operators of the Hospital, and any and all current and future lessees and owners of the real property on which the Hospital is located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between Parkview Community Hospital Medical Center, Parkview Community Hospital Foundation, and AHMC Healthcare, Inc. dated July 19, 2018, the Assignment and Assumption of Asset Purchase Agreement by and between AHMC Healthcare Inc. and Doctors Hospital of Riverside LLC dated October 24, 2018, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to the Asset Purchase Agreement.

All the entities listed in Condition I shall fulfill the terms of these agreements or documents including, but not limited to, any exhibits, attachments, or schedules to the Asset Purchase Agreement and shall notify the Attorney General and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of the Asset Purchase Agreement or the Assignment and Assumption of Asset Purchase Agreement or any agreements or documents referenced in or attached thereto as an exhibit, attachment, or schedule. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

¹ Throughout this document, the term "Hospital" shall mean the 193 licensed-bed general acute care hospital licensed as "Parkview Community Hospital Medical Center" and located at 3865 Jackson Street, Riverside, California, 92503-3919., and any other clinics, laboratories, units, services, or beds included on the license issued to Parkview Community Hospital Medical Center by the California Department of Public Health, effective July 7, 2018, unless otherwise indicated.

III.

For ten years from the closing date of the Asset Purchase Agreement, all the parties listed in Condition I, shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, or otherwise dispose of the Hospital; or
- (b) Transfer control, responsibility, or governance of the Hospital. The substitution or addition of a new corporate member or members of any of the parties listed in Condition I that transfers the control of, responsibility for, or governance of the Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of any of the parties listed in Condition I or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of any of the parties listed in Condition I shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Affiliation Agreement, the Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency medical services at current² licensure and designation with the same types and/or levels of services as currently provided, including the following:

- a) 14 Emergency Treatment Stations until completion of the new Emergency Department expansion (expected in 2019);
- b) 28 Emergency Treatment Stations once the Emergency Department expansion is completed; and

V.

The Hospital's new Emergency Department expansion from 14 to 28 Emergency Treatment Stations will be completed by May 31, 2019.

VI.

For five years from the closing date of the Asset Purchase Agreement, the Hospital shall maintain and provide the following medical services at current licensure, certification, and designation with the current types and/or levels of services:

- a) Perinatal services, including a minimum of 28 licensed perinatal beds;
- b) Intensive care services, including a minimum of 13 intensive care beds; and

² The term "current" or "currently" throughout this document means as of July 7, 2018.

- c) Intensive Care Newborn Nursery services, including a minimum of 12 licensed neonatal intensive care beds; and
- d) Certification as a Primary Stroke Center;

None of the above-listed licensed-bed capacity or services shall be placed in voluntary suspension, and the Hospital's license will not be surrendered for any of these beds or services.

VII.

For at least five years from the Closing Date of the Asset Purchase Agreement, the Hospital shall maintain currently provided women's healthcare services at current licensure and designation with the current types and/or levels of services including mammography services.

VIII.

For five years from the closing date of the Asset Purchase Agreement AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall:

- a) Be certified to participate in the Medi-Cal program at the Hospital;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and/or levels of emergency and non-emergency services at the Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated by either party for cause or not extended or renewed by a Medi-Cal Managed Care Plan on its own initiative without cause:
 - 1. Commercial Plan: Molina Healthcare, or its successor; and
 - 2. Local Initiative Plan: Inland Empire Health Plan, or its successor.
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and/or levels of emergency and non-emergency services at the Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these conditions.

IX.

For five years from the closing date of the Asset Purchase Agreement, AHMC Healthcare, Inc., Doctors Hospital of Riverside LLC shall maintain all contracts, including any successor or replacement contracts and any amendments and exhibits thereto, with the City of Riverside and the County of Riverside or their subdivision, departments, or agencies for services at the Hospital including the following:

- a. Laboratory Testing Services Agreement between the County of Riverside CHS/DPH Laboratory and the Hospital;

- b. Hospital Preparedness Program Agreement between the County of Riverside and the Hospital for disaster preparedness;
- c. Primary Stroke Center Designation Agreement between the County of Riverside and the Hospital;
- d. Intra-County Plan of Cooperation between Riverside County Department of Child Support Services and the Hospital to coordinate Title IV-D program services including the location of absent parents, determination of paternity and establishment and enforcement of child support obligations; and
- e. Riverside County Exclusive Provider Organization Hospital Agreement between the County of Riverside and the Hospital to participate in the County's Exclusive Provider Organization.

X.

AHMC Healthcare Inc., AHMC Healthcare LP and AHMC Inc. and Doctors Hospital of Riverside LLC shall commit the necessary investments at the Hospital required to meet and maintain Office of Statewide Health Planning Development (OSHPD) seismic compliance requirements until January 1, 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, §§129675-130070) and as such Acts may be subsequently amended, modified, or replaced.

XI.

AHMC Healthcare Inc., AHMC Healthcare LP, AHMC Inc. and Doctors Hospital of Riverside LLC must comply with the \$25 million "Capital Investment" commitment set forth in section 8.1 of the Asset Purchase Agreement.

XII.

AHMC Healthcare Inc., AHMC Healthcare LP, AHMC Inc., and Doctors Hospital of Riverside LLC must comply with the \$10 million commitment set forth in 2.5(g), Schedule 2.5(g) and Exhibit 9.9 entitled Donation Agreement. These contributions shall be used by Parkview Community Hospital Foundation, or its successor, to fund grants to other nonprofit organizations or sponsor government programs that promote health and wellness initiatives to benefit residents of the Hospital's service area. The Hospital's service area is defined as Zip Codes 91752, 92501, 92503-92509, 92518, 92521, 92551, 92553, 92555, 92557, 92570, 92571, 92860, and 92879-92882.

XIII.

For six fiscal years from the closing date of the Asset Purchase Agreement, AHMC Healthcare, Inc. and Doctors Hospital of Riverside LLC shall provide an annual amount of Charity Care at the Hospital equal to or greater than \$948,586 (the Minimum Charity Care Amount.) For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred in connection with the operation and provision of services at the Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating

“costs” shall be the same as that used by OSHPD for annual hospital reporting purposes. Charity care which entails free medical care services shall be provided by Doctors Hospital of Riverside LLC to patients who are uninsured, ineligible for governmental or other insurance coverage and who have family incomes not in excess of 250 percent of the Federal Poverty level. Partial Charity Care shall be provided to patients who have family incomes in excess of 250 percent but not to exceed 350 percent of the Federal Poverty level. A sliding scale discount for financially qualified patients shall be provided to individuals or family income from 251 to 500 percent of the Federal Poverty level. AHMC Healthcare Inc., and Doctors Hospital of Riverside LLC shall use and maintain a charity care policy that is not less favorable than AHMC Healthcare Inc.’s Charity Care Policy effective on January 1, 2007 and revised on January 1, 2015 and in compliance with California and Federal law.

AHMC Healthcare Inc., and Doctors Hospital of Riverside LLC’s obligation under this Condition shall be prorated on a daily basis if the closing date of the other than the first date of their fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Riverside-San Bernardino-Ontario, CA Consolidated Metropolitan Statistical Area Base Period: December 2017=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at the Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, AHMC Healthcare LP, AHMC Healthcare Inc., AHMC Inc. and Doctors Hospital of Riverside LLC’s shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in the Hospital’s service area as defined in Condition XII.

XIV.

Within 60 days from the Closing date of the transaction, AHMC Healthcare LP, AHMC Healthcare Inc., and Doctors Hospital of Riverside LLC shall take the following steps to ensure that patients at the Hospital are informed about the Hospital’s Financial Assistance Policy.

- a. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted in a prominent location in the emergency room, admissions area, and any other location in the Hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings. These notices shall be posted in English and Spanish.
- b. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on the Hospital’s website.
- c. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.

- d. On an annual basis, the Hospital will place an advertisement regarding the availability of financial assistance at the Hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the community served by the Hospital.
- e. The Hospital will work with community-based organizations, including but not limited to community clinics and other health care providers, to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at the Hospital.
- f. All staff that interacts with patients and their families concerning payment of services shall be given annual training to make patients and their families aware of and informed of the Hospital's Financial Assistance Policy.

XV.

For six fiscal years from the closing date of the Asset Purchase Agreement, AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall provide an annual amount of Community Benefit Services at the Hospital equal to or greater than \$757,436 (the "Minimum Community Benefit Services Amount").

For six fiscal years the Hospital will continue to support Childbirth and Family Education. The planning of, and any subsequent changes to, the community benefit services provided at the Hospital shall require consultation with the Hospital's Community Board.

AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Hospital's fiscal year.

AHMC Healthcare, Inc. and Doctors Hospital of Riverside LLC shall provide annual reports to the Attorney General for six fiscal years detailing the community benefits provided at the Hospital.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Riverside-San Bernardino-Ontario, CA Consolidated Metropolitan Statistical Area Base Period: December 2017=100 (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at the Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, AHMC Healthcare LP, AHMC Healthcare, Inc., AHMC Inc. and Doctors Hospital of Riverside LLC shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in the Hospital's service area as defined in Condition XII.. Such payment(s) shall be made within six months following the end of such fiscal year.

XVI.

For ten years from the closing date of the Asset Purchase Agreement, the Hospital shall have a Community Board. The Hospital shall seek to appoint members to the Community Board that have the skill mix, career and educational background to ensure full compliance with the Attorney General's conditions and to ensure effective operation of the Hospital. AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall endeavor to select members to the Community Board who also reflect the diversity of the communities served by the Hospital, including diversity based on race, gender, ethnic background, sexual orientation, age, religion, culture, veteran's status, and disability status. The members of the Hospital's Community Board shall include the Hospital's chief executive officer, a minimum of three medical staff members, the Chief of Staff, at least one member from a local healthcare advocacy or community group, and community representatives from the Hospital's service area as defined in Condition XII.. AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall consult with the Hospital's Community Board prior to making any changes to medical services, community benefit programs, and the Financial Assistance and collection policies at the Hospital. The Community Board will be responsible for medical staff credentialing, quality assurance and accreditation of the Hospital. The Community Board shall be provided with directors and officers' liability insurance coverage. Consultation with the Hospital's Community Board shall occur at least thirty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Hospital's Community Board's review and approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XVII.

For five years from the closing date of the Asset Purchase Agreement, AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall ensure the cultural opportunities and community activities at the Hospital including, but not limited to, the following:

- a. Continued support of the Hospital's African American Advisory Board and provide outreach programs supporting health and social issues germane to the African American community served by the Hospital;
- b. Continued support of an Asian American Advisory Board, and provide outreach programs to support health and social issues germane to the Asian American community served by the Hospital;
- c. Continued support of the Hospital's Latino Advisory Board. Continued support of the Latino Outreach Program to interface with Latino organizations and coordinate outreach programs to support health and social issues germane to the Latin American community served by the Hospital. The Hospital will continue to provide programs in Spanish and will also translate brochures, materials and parts of the Website into Spanish.
- e. Continue to provide available community space for the Latina Women's Conference; NAACP board meetings, youth meetings, and annual meetings; and Delta Sigma Theta monthly and annual meetings; and

f. Provide free weekly Tai Chi classes and other health fitness programs benefitting both the employees and the community served by the Hospital.

XVIII.

Within ninety days of the closing date of the Asset Purchase Agreement, Parkview Community Hospital Foundation (Parkview Foundation) shall amend its Articles of Incorporation, to change the specific purpose of Parkview Foundation from that of supporting the Hospital to promoting healthcare services through grant-making or through the provision of direct health and social wellness programs. Parkview Foundation will change the Articles of Incorporation as follows:

SECOND: The purposes for which this corporation is formed are:

(a) Parkview Foundation will fund, support or provide healthcare programs to benefit residents of the Hospital's service area defined as Zip Codes 91752, 92501, 92503-92509, 92518, 92521, 92551, 92553, 92555, 92557, 92570, 92571, 92860, and 92879-92882.

(b) Parkview Foundation will support healthcare services through grant-making to other nonprofit organizations, and/or grant-making to government sponsored programs and/or through the provision of direct programs. In a manner that complies with all applicable Internal Revenue Service rules, regulations and guidelines, Parkview Foundation may also provide direct grants to fund healthcare related expenses incurred by financially needy individuals facing high medical expenses residing in the Service Area.

(c) For the benefit of residents within the Service Area, Parkview Foundation will use the net proceeds from the sale of Parkview Community Hospital Medical Center to fund, support or directly provide programs or services that address the social determinants of health within the Service Area, including but not limited to the following: healthcare services, grants for needy individuals, homeless services, mental and physical health screening programs, prevention and treatment of obesity, respiratory illness, diabetes, tobacco cessation, behavioral health, alcohol and substance abuse, child and family wellness services, eldercare services, and wellness services to promote opportunities for socialization and physical activity for senior citizens, persons with disabilities and persons suffering from chronic illness in the community across all ages.

Within ninety days of the closing date of the Asset Purchase Agreement, Parkview Foundation shall amend its Bylaws to change the specific purpose of Parkview Foundation from that of supporting the Hospital to promoting healthcare services through grant-making or through the provision of direct health and social wellness programs. The Bylaws, Article I, Section 2, shall be amended as follows:

(a) Parkview Foundation will fund, support or provide healthcare programs to benefit residents of the Hospital's service area defined as Zip Codes 91752, 92501, 92503-92509, 92518, 92521, 92551, 92553, 92555, 92557, 92570, 92571, 92860, and 92879-92882.

(b) Parkview Foundation will support healthcare services through grant-making to other nonprofit organizations, and/or grant-making to government sponsored programs and/or through the provision of direct programs. In a manner that complies with all applicable Internal Revenue Service rules, regulations and guidelines, Parkview Foundation may also provide direct grants to fund healthcare related expenses incurred by financially needy individuals facing high medical expenses residing in the Service Area.

(c) For the benefit of residents within the Service Area, Parkview Foundation will use the net proceeds from the sale of Parkview Community Hospital Medical Center to fund, support or directly provide programs or services that address the social determinants of health within the Service Area including but not limited to the following: healthcare services, grants for needy individuals, homeless services, mental and physical health screening programs, prevention and treatment of obesity, respiratory illness, diabetes, tobacco cessation, behavioral health, alcohol and substance abuse, child and family wellness services, eldercare services, and wellness services to promote opportunities for socialization and physical activity for senior citizens, persons with disabilities and persons suffering from chronic illness in the community across all ages.

Copies of Parkview Foundation's Amended Bylaws and Articles of Incorporation shall be provided to the Attorney General within 120 days from the closing date of the Asset Purchase Agreement. For ten fiscal years, no later than four months after the conclusion of each fiscal year, Parkview Foundation shall provide an annual report to the Attorney General's Office providing information about the grants and programs funded that year. The Chief Executive Officer or President of Parkview Foundation shall certify that the annual report is true, accurate, and complete and provide documentation of the review and approval of the report by the Board of Directors of Parkview Foundation.

XIX.

AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall maintain privileges for current medical staff at the Hospital who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at the Hospital.

XX.

There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at the Hospital. This prohibition must be explicitly set forth in Doctors Hospital of Riverside LLC's written policies, adhered to, and strictly enforced.

XXI.

For ten years from the closing date of the Asset Purchase Agreement, AHMC Healthcare, Inc., and Doctors Hospital of Riverside LLC shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with

each Condition set forth herein. The Chief Executive Officer of Doctors Hospital of Riverside LLC and the Chief Executive Officer or President of the Community Advisory Board, shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Board of Directors of the Hospital's Community Board.

XXII.

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

XXIII.

Once the Asset Purchase Agreement is closed, all the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.