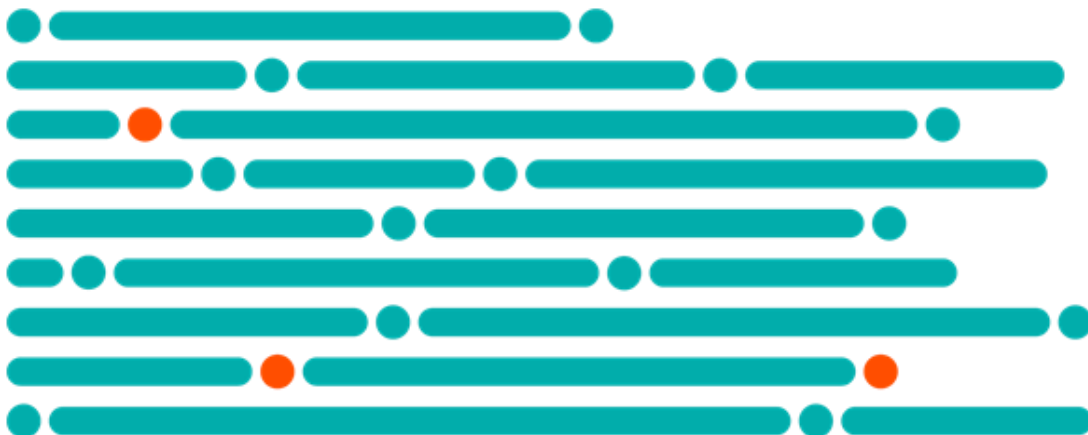


Effect of the Ministry Alignment Agreement  
between Dignity Health and Catholic Health  
Initiatives on the Availability and Accessibility of  
Healthcare Services to the Communities Served by  
Dignity Health's Hospitals Located in Kern County

Prepared for the Office of the California Attorney General

September 11, 2018



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## Introduction & Purpose

JD Healthcare, Inc. and Vizient, Inc. were retained by the Office of the California Attorney General to prepare this healthcare impact statement to assess the potential impact of the proposed Ministry Alignment Agreement by and between Dignity Health, a California nonprofit public benefit corporation, and Catholic Health Initiatives, a Colorado nonprofit corporation (CHI), on the availability and accessibility of healthcare services to the communities served by Dignity Health's hospitals located in Kern County. Dignity Health owns and operates 31 general acute care hospitals in California, including three in Kern County: Mercy Hospital, Mercy Southwest Hospital, and Bakersfield Memorial Hospital, all of which are located in the City of Bakersfield.

CHI is the parent organization of several nonprofit corporations that own and/or operate over 100 hospitals in 18 states. CHI neither owns, nor controls any general acute care hospitals or other facilities in California. CHI is a Catholic organization.

### *Introduction*

Catholic Health Care Federation (CHCF) is a public juridic person<sup>1</sup> within the meaning of Canon Law and the canonical sponsor<sup>2</sup> of CHI.

While Dignity Health is not a Catholic organization, its Catholic hospitals are sponsored by six congregations of Women Religious<sup>3</sup>. Dignity Health owns and operates 31 general acute care hospitals in California<sup>4</sup>. Nineteen of the 31 California hospitals are Catholic and 12 are non-Catholic hospitals (also referred to as community hospitals). Four of the 12 non-Catholic general acute care hospitals are owned by separately incorporated California nonprofit public benefit corporations that have Dignity Health as their sole corporate member<sup>5</sup>. Dignity Health also owns and operates five hospitals in Arizona and three hospitals in Nevada.

The following summary chart is a list of Dignity Health owned and operated hospitals<sup>6</sup>.

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<sup>1</sup> A public juridic person is a group or persons approved by the Roman Catholic Church to oversee and ensure that the mission of its healthcare organization is carried out according to Catholic principles.

<sup>2</sup> The Catholic Health Association has defined canonical sponsorship of a healthcare ministry as a formal relationship between an authorized Catholic organization and a legally formed system, hospital, clinic, nursing home (or other institution) entered into for the sake of promoting and sustaining Christ's healing ministry to people in need.

<sup>3</sup> A group of Roman Catholic women who dedicate their lives to the Gospel of Jesus Christ and take vows of poverty, chastity, obedience and service. The six congregations are: Sisters of Mercy of the Americas, Sister of Charity of the Incarnate Word, Dominican Sisters of San Rafael, Sisters of St. Francis of Penance and Christian Charity, Adrian Dominican Sisters and the Congregation of Sisters of St. Dominic of St. Catherine of Siena. Dignity Health's sponsorship council is comprised of one sister from each congregation.

<sup>4</sup> The California Department of Public Health has issued twenty-eight general acute care hospital licenses with respect to these 31 facilities. Marian Regional Medical Center, Arroyo Grande and Marian Regional Medical Center West operate under a consolidated license issued to Marian Regional Medical Center, and Mercy Southwest Hospital operates under a consolidated license issued to Mercy Hospital (in Bakersfield).

<sup>5</sup> The four facilities are Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial Hospital.

<sup>6</sup> St. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center are owned by Port City Operating Company, LLC, a joint venture between Kaiser Foundation Hospitals and Dignity Health. Dignity Health owns 80% of Port City Operating Company, LLC, and Kaiser Foundation Hospitals owns the remaining 20%.

# Dignity Health

## Arizona Hospitals

- Arizona General Hospital<sup>1\*</sup>
- Chandler Regional Medical Center\*
- Mercy Gilbert Medical Center
- St. Joseph's Hospital and Medical Center
- St. Joseph's Westgate Medical Center

## California Hospitals

### Dignity Health Owned Hospitals

- Dominican Hospital
- Marian Regional Medical Center
- Marian Regional Medical Center, Arroyo Grande\*
- Marian Regional Medical Center West
- Mercy General Hospital
- Mercy Hospital of Folsom
- Mercy Medical Center Merced
- Mercy Medical Center Mt. Shasta
- Mercy Medical Center Redding
- Mercy San Juan Medical Center
- Mercy Hospital
- Mercy Southwest Hospital
- St. Bernardine Medical Center
- St. Elizabeth Community Hospital
- St. John's Pleasant Valley Medical Center
- St. John's Regional Medical Center
- St. Joseph's Medical Center of Stockton
- St. Joseph's Behavioral Health Center
- St. Mary Medical Center
- St. Mary's Medical Center
- California Hospital Medical Center\*
- French Hospital Medical Center\*
- Glendale Memorial Hospital\*
- Methodist Hospital of Sacramento\*
- Northridge Hospital Medical Center\*
- Sequoia Hospital\*
- Woodland Memorial Hospital\*

### Subsidiary Hospitals

- Bakersfield Memorial Hospital\*
- Community Hospital of San Bernardino\*
- Saint Francis Memorial Hospital\*
- Sierra Nevada Memorial Hospital\*

## Nevada Hospitals

- St. Rose Dominican, Rose de Lima Campus
- St. Rose Dominican, San Martin Campus
- St. Rose Dominican, Siena Campus

\*Denotes non-Catholic hospitals. All other hospitals are ministries of the Catholic Church

<sup>1</sup>Arizona General Hospital is owned by a separate limited liability company of which Dignity Health is the sole corporate member

In addition to the hospitals listed above, Dignity Health has a management agreement with Mark Twain Medical Center Corporation, a California nonprofit public benefit corporation, to operate Mark Twain Medical Center, a 25-bed critical access hospital<sup>7</sup> located at 768 Mountain Ranch Road, San Andreas, California. Mark Twain Medical Center is leased by Mark Twain Medical Center Corporation from the Mark Twain Healthcare District. The current lease agreement with Mark Twain Healthcare District expires on December 31, 2019. On June 6, 2018, the voters in the Healthcare District approved Ballot Measure A to enter into a new 30-year lease for Mark Twain Medical Center.

<sup>7</sup> A critical access hospital is a designation given to eligible rural hospitals, or those grandfathered as rural, by the Centers for Medicare and Medicaid Services. Conditions to obtain a Critical Access Hospital designation include having less than or equal to 25 acute care beds, being located more than 35 miles from another hospital, maintaining an annual average length of stay of 96 hours or less for acute care patients and providing 24-hour emergency care services.

***Purpose***

This healthcare impact statement describes the potential effects that the proposed transaction may have on the availability and accessibility of healthcare services to the residents served by Mercy Hospital, Mercy Southwest Hospital, and Bakersfield Memorial Hospital.

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

- A review of the written notice delivered to the California Attorney General on March 29, 2018 and supplemental information subsequently provided by Dignity Health;
- A review of press releases and articles related to this and other hospital transactions;
- Interviews with representatives of Dignity Health;
- An analysis of financial, utilization, and service information provided by Dignity Health and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data related to service areas for Mercy Hospital, Mercy Southwest Hospital, and Bakersfield Memorial Hospital including hospital utilization rates and trends and hospital inpatient market share.

## Background & Description of the Transaction

### ***Background***

Dignity Health was formerly known as Catholic Healthcare West. Catholic Healthcare West was founded in 1986 when the Sisters of Mercy Burlingame Regional Community and the Sisters of Mercy Auburn Regional Community merged their healthcare ministries. In 2009, the United States Conference of Catholic Bishops changed the Ethical and Religious Directives<sup>8</sup> (ERDs) regarding partnerships between community and Catholic organizations. As a result of the changes to the ERDs, Catholic Healthcare West went through a process, between 2009 and 2011, to review its governance structure and its relationship to its owned and controlled non-Catholic community hospitals. In 2012, as a result of this review and based on discussions with its canonical sponsors, Catholic Healthcare West reorganized its governance structure and changed its name to Dignity Health. Dignity Health was no longer recognized as a Catholic organization, although many of its hospitals are Catholic. The restructure was designed to satisfy the requirements of the United States Conference of Catholic Bishops regarding partnerships with non-Catholic community hospitals while allowing Dignity Health to maintain its Catholic and non-Catholic hospitals under a single organization.

Following the 2012 reorganization, the six congregations of Women Religious began the exploration of alternative models for sponsorship of Dignity Health's Catholic hospitals, including the possibility for Dignity Health being recognized as a Catholic ministry. To facilitate this process, the Sponsors engaged a canon lawyer<sup>9</sup> to help explore all of the options, such as the creation of a new public juridic person or a merger with a Catholic healthcare system sponsored by an existing public juridic person. As further described below, the alignment discussions between Dignity Health and CHI revealed many significant potential strategic benefits for both organizations, including CHI's current sponsorship by a public juridic person known as Catholic Health Care Federation.

### ***Strategic Rationale, Transaction Process & Timing***

The leadership of Dignity Health and CHI had numerous partnership discussions over the previous ten years. In 2013, they explored potential affiliations between the two health systems. Dignity Health and CHI identified several opportunities to collaborate on programs and services, including telehealth, micro-hospitals, and precision medicine<sup>10</sup>. In September 2016, they formed a joint-venture named the Precision Medicine Alliance, LLC to create a large precision medicine program.

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<sup>8</sup> The Ethical and Religious Directives for Catholic Healthcare Services is a national code that guides Catholic healthcare providers on conformance with Christian theology.

<sup>9</sup> A canon lawyer is a lawyer who is knowledgeable of the ordinances and regulations made by ecclesiastical authority.

<sup>10</sup> Precision medicine is an emerging approach for disease treatment and prevention that uses extensive databases and takes into account individual variability in genes, environment, and lifestyle for each person.

In the spring of 2016, the executive leadership of Dignity Health and CHI began jointly exploring the potential for an alignment of their ministries. In March 2016, an outside advisor prepared a white paper<sup>11</sup> that analyzed the potential for an affiliation between Dignity Health and CHI that was shared with the boards of directors of Dignity Health and CHI in June 2016. The boards of directors of Dignity Health and CHI concluded that they:

- Share a vision of transformation for themselves and for the industry;
- Have highly complementary organizational missions, visions, and values;
- Serve complementary communities;
- Share strategic objectives in areas such as population health, quality, consumer focus, growth, and others; and
- Have multiple key complementary strengths – for example, CHI’s clinical excellence and Dignity Health’s operating model.

As a result, the boards of directors of Dignity Health and CHI requested that a business analysis for the aligned ministry be developed. That analysis identified the following potential synergies of aligned ministries:

- Enhancing clinical excellence;
- Improving patient experience;
- Ensuring care for the vulnerable and underserved;
- Developing talent and creating a learning organization;
- Improving access to care;
- Accelerating innovation and research; and
- Expanding the capabilities that support the health system of the future.

In addition, the white paper identified high level economic implications and synergies of an alignment that have the potential to:

- Provide the financial resources and complementary strengths to support the capabilities needed for a changing health system;

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<sup>11</sup> The white paper is entitled “Creating a Transformative Ministry in Response to the Signs of the Times, Cultural, Strategic, Business, and Financial Planning for an Aligned Ministry.”



- Extend the mission of social justice through a national platform for care that is accessible and equitable to all people, with particular attention to the vulnerable and underserved; and
- Develop new models for integrated, community focused care that combine clinical excellence, health improvement, and innovation.

On October 24, 2016, the boards of directors of Dignity Health and CHI announced the signing of a non-binding letter of intent to explore aligning the organizations. After the signing of the letter of intent, independent advisors from Kaufman Hall Associates, PricewaterhouseCoopers, McKinsey & Company, and Dentons US LLP provided analyses regarding the strategic, cultural, financial, legal, operational, and structural aspects of the alignment of the organizations. A steering committee, comprised of executives from both organizations, was formed to negotiate the terms of the Ministry Alignment Agreement. In March 2017, Dignity Health and CHI sought a moral analysis<sup>12</sup> from several Catholic theologians for the purposes of obtaining a *nihil obstat*<sup>13</sup> from Archbishop Aquila of the Denver Archdiocese and Archbishop Cordileone of the San Francisco Archdiocese. On April 20, 2017, the boards of directors of Dignity Health passed a resolution authorizing and approving the execution of the Ministry Alignment Agreement subject to the moral analysis. The resolution cited the intention to combine Dignity Health and CHI into a new nationwide health system that would:

- Serve as an unprecedented platform to further Catholic identity and the Catholic health ministry;
- Provide an opportunity for Dignity Health and CHI’s employees, physicians, partners, and people in the communities served by Dignity Health and CHI to experience and participate in the enhanced Catholic health ministry;
- Enhance and expand access to care and the healthcare services performed for the poor and underserved;
- Possess a strong voice for social justice and promote advocacy at local, state and national levels;
- Be a leader in healthcare’s transformation;
- Promote clinical efficiency and effectiveness in the delivery of healthcare and medical services; and
- Provide a platform to accomplish other goals, objectives, and benefits for the communities served by the CHI and Dignity Health.

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<sup>12</sup> A formal report by a Catholic theologian on the appropriate application of Catholic moral teachings.

<sup>13</sup>A Roman Catholic Church certification by an official censor that something is not objectionable on doctrinal or moral grounds.

The *nihil obstats* were received in October 2017. The Ministry Alignment Agreement was signed by Dignity Health and CHI on December 6, 2017. On March 29, 2018, Dignity Health submitted the written notice to the California Attorney General's Office and requested the California Attorney General's consent to the Ministry Alignment Agreement.

### ***Summary of the Ministry Alignment Agreement***

The Ministry Alignment Agreement will be implemented primarily through the reorganization and renaming of CHI's current corporation. This reorganized entity will become the parent organization (henceforth referred to as "System Corporation") over the new health system and will be renamed before the Closing Date<sup>14</sup> of the transaction. The governing board of the System Corporation will initially be comprised of six directors each from the legacy boards of directors of Dignity Health and CHI, and the Chief Executive Officers from each organization (i.e., a total of 14 directors).

As part of the transaction, Dignity Health formed a separate Colorado nonprofit corporation named Integrated Healthcare Operations (IHO). As of the Effective Date<sup>15</sup> of the transaction, Dignity Health will transfer the assets of its eight non-Catholic owned hospitals (seven of which are in California and one in Arizona) to IHO. IHO will also become the sole corporate member of Dignity Health's four subsidiary hospitals in California for a total of 12 hospitals. The System Corporation is not a member of IHO. However, the System Corporation approves the majority of the IHO board from nominees selected by the IHO board and holds reserve powers over certain actions to be taken by IHO. IHO will not be Catholic, and the eleven California non-Catholic hospitals<sup>16</sup> transferred to IHO from Dignity Health and one Arizona non-Catholic hospital will remain non-Catholic and not subject to the ERDs. The 12 non-Catholic Dignity Health hospitals are not obligated to alter, restrict, or terminate any clinical medical service or program that was permitted on the effective date of the transaction by reason of Catholic doctrine or theology or any amendments to the Statement of Common Values<sup>17</sup> or Designated Procedures<sup>18</sup> that increases or expands prohibited services. The 12 non-Catholic Dignity Health hospitals will be provided with the same benefits, systems, services, and programs, and on the same terms as all other hospitals in System Corporation. The 12 non-Catholic Dignity Health hospitals will retain or adopt Dignity Health's Statement of Common Values.

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<sup>14</sup> The Closing Date is the date the parties exchange all signed documents pursuant to the conditions precedent set forth in the Ministry Alignment Agreement. One of those conditions precedent requires the Attorney General's consent.

<sup>15</sup> As of 12:00:01am on the day immediately after the "Closing Date".

<sup>16</sup> Marian Regional Medical Center, Arroyo Grande is and will remain a non-Catholic general acute care hospital. It operates under a consolidated license issued to a Catholic general acute care hospital, Marian Regional Medical Center. Marian Regional Medical Center, Arroyo Grande will not be transferred to IHO.

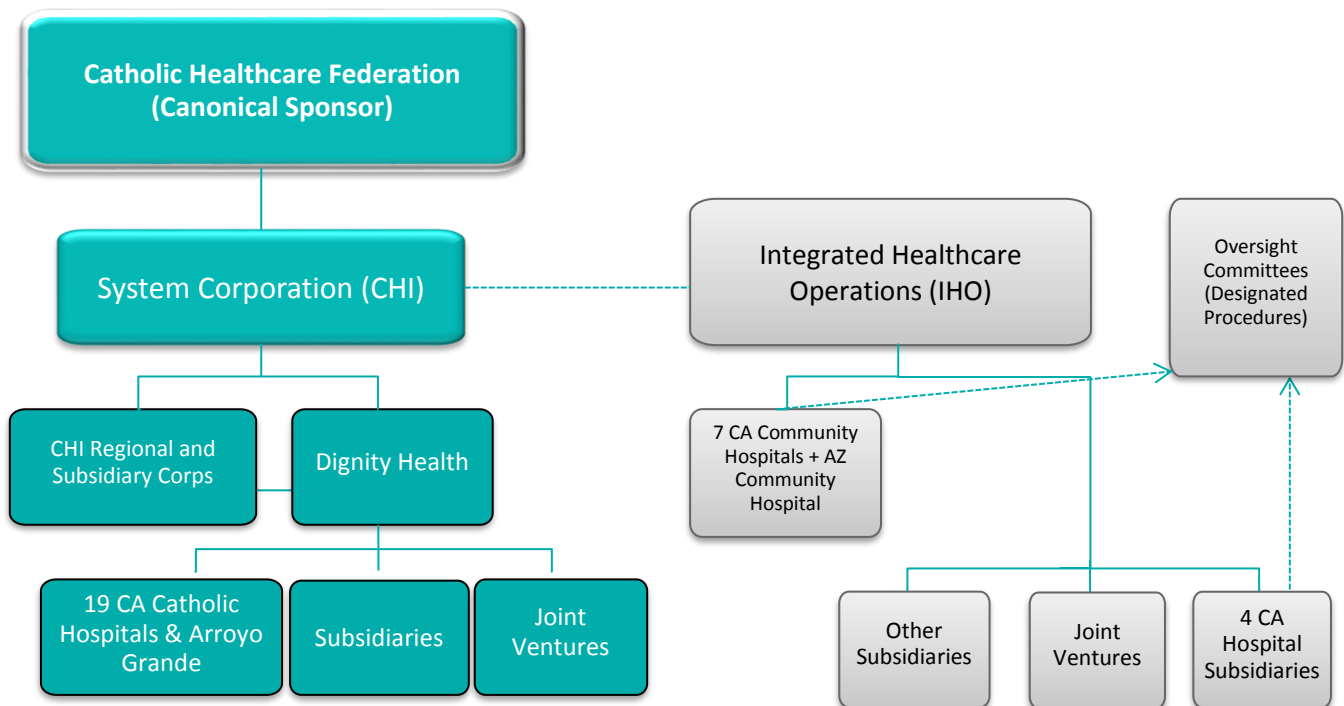
<sup>17</sup> Dignity Health's Statement of Common Values prohibits direct abortions, in-vitro fertilizations, and provider or physician-assisted suicide or aid in dying. The most common medical procedure performed in hospitals that is prohibited by the ERDs is tubal ligation (a surgical procedure for female sterilization that involves severing and tying the fallopian tubes). Tubal ligations are not prohibited by Dignity Health's Statement of Common Values.

<sup>18</sup> Designated Procedures means "direct sterilizations" that consist of an elective procedure, the primary purpose of which is to render the patient permanently incapable of reproducing; provided, however, that procedures that induce sterility do not constitute a "Designated Procedure" when their effect is the cure or alleviation of a present and serious pathology, and a simpler treatment is not available.

On the Effective Date, the System Corporation will become the sole corporate member of Dignity Health and the board of directors of Dignity Health will be comprised of the same persons who comprise the board of directors of the System Corporation. On the Closing Date, Catholic Healthcare Federation becomes the sponsor of all Catholic activities, including Dignity Health’s Catholic hospitals. The board members of System Corporation and Dignity Health will be identical. A single executive management team will manage the System Corporation, Dignity Health, and CHI Regional, and Subsidiary Corporations<sup>19</sup>.

**System Corporation Post the Effective Date of the Ministry Alignment Agreement**

The following chart shows the organization of System Corporation after the Closing Date of the Ministry Alignment Agreement. System Corporation would be the sole member of Dignity Health and the CHI Regional, and Subsidiary Corporations<sup>20</sup>. System Corporation would not be a member of IHO, however, a majority of the nominees to IHO’s board of directors will be subject to approval by System Corporation and IHO’s hospitals will retain or adopt Dignity Health’s Statement of Common Values.

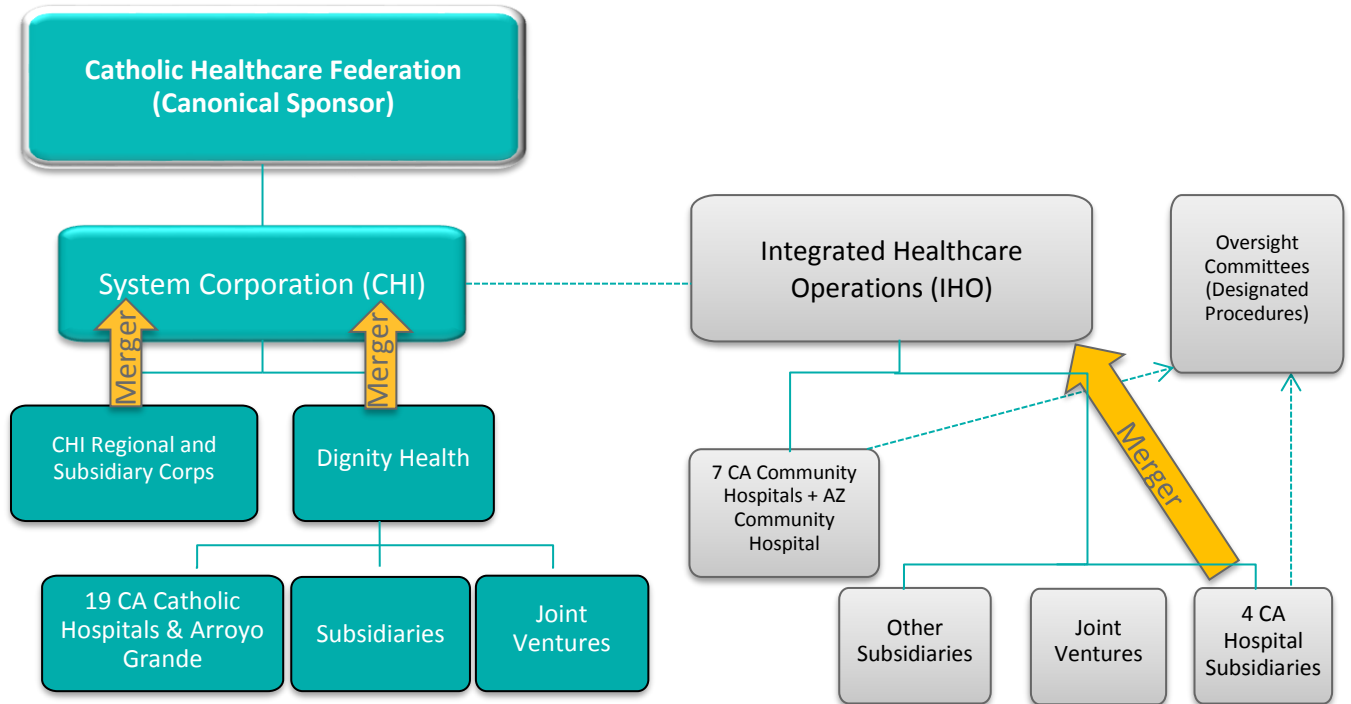


<sup>19</sup> Both Dignity Health’s and IHO’s local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

<sup>20</sup>The majority of CHI hospitals are organized into eight regional corporations.

**System Corporation Post Debt Consolidation (Within 36 Months)**

After the Closing Date and after the restructuring and consolidation of the existing tax-exempt bonds and other debt of CHI and Dignity Health, Dignity Health and the CHI Regional, and Subsidiary Corporations will merge into System Corporation, and the four non-Catholic separately-incorporated hospitals will merge into IHO.



## Major Provisions of the Ministry Alignment Agreement

The major provisions of the Ministry Alignment Agreement, dated December 6, 2017, include the following:

### *Structures and Responsibilities*

- Catholic Health Care Federation (CHCF)
  - CHCF, as a public juridic person, shall be the Catholic canonical sponsor of System Corporation, and shall serve as the canonical sponsor of all of the Catholic ministries that are a part of the Ministry Alignment Agreement;
  - CHCF's governance composition will be reconstituted after the Effective Date of the Ministry Alignment Agreement:
    - Dignity Health and CHI shall each select six individuals from their existing governing bodies to serve as the initial CHCF members. In addition, the members of CHCF shall also include the current president and CEO of Dignity Health, and the current CEO of CHI, for a total of fourteen members. No later than twelve months after the Effective Date, CHCF shall approve and appoint one individual who was previously neither a member of CHCF, nor the board of directors of Dignity Health or CHI to serve as the fifteenth CHCF member;
  - CHCF shall continue to provide for the participation of its congregations, and shall admit the six congregations of Women's Religious as additional participating congregations; and
  - CHCF reserves the rights to approve or remove any member of the Board of Stewardship Trustees and veto any amendments or changes to Dignity Health's Statement of Common Values.
- System Corporation
  - System Corporation, formerly known as Catholic Health Initiatives, shall become the parent entity and the surviving corporation;
  - System Corporation shall be a ministry of the Catholic Church and shall be subject to the ERDs;
  - System Corporation shall be governed by a board called the Board of Stewardship Trustee that shall consist of the same persons who serve as the CHCF members; and

- Under the supervision of the CHCF, the Board of Stewardship Trustee reserves the rights to control or manage the property, affairs, and activities of System Corporation. Responsibilities include approving the policies of System Corporation, developing System Corporation’s strategic plan, and approving the System Corporation’s articles of incorporation and bylaws.
- Dignity Health
  - Dignity Health shall continue to be a California nonprofit corporation with federal tax-exempt 501 (c)(3) status until after debt consolidation between Dignity Health and CHI, at which point Dignity Health will merge into System Corporation;
  - As of the Effective Date:
    - Dignity Health shall transfer all of the assets and liabilities associated with the Dignity Health businesses and operations of the following California non-Catholic hospitals to IHO:
      - California Hospital Medical Center;
      - French Hospital Medical Center;
      - Glendale Memorial Hospital, and Health Center;
      - Methodist Hospital of Sacramento;
      - Northridge Hospital Medical Center;
      - Sequoia Hospital; and
      - Woodland Memorial Hospital.
    - Dignity Health shall cause the four subsidiary hospitals that are separately incorporated, Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial Hospital, to first substitute its membership from Dignity Health to IHO, until after debt consolidation between Dignity Health and CHI, at which point these four subsidiary hospitals will merge into IHO; and
    - Marian Regional Medical Center, Arroyo Grande, a non-Catholic hospital, will remain with Dignity Health under a consolidated license with Marian

Regional Medical Center, a Catholic hospital. Marian Regional Medical Center, Arroyo Grande will not adhere to the ERDs. It will adopt or retain Dignity Health’s Statement of Common Values. It does not offer obstetrics or women’s healthcare services.

- Dignity Health’s nineteen Catholic hospitals shall remain a ministry of the Catholic Church and subject to the ERDs;
  - System Corporation (after the transfers of the community hospitals to IHO) shall become the sole corporate member of Dignity Health; and
  - Dignity Health shall be governed by a board consisting of the same individuals who are serving as the board for System Corporation and are also the members of CHCF.
- Integrated Healthcare Operations
    - IHO was formed by Dignity Health prior to the signing date without involvement, input, or direction from CHI. IHO shall continue to be a Colorado nonprofit corporation;
    - IHO and its subsidiaries shall not become ministries of the Catholic Church, shall not use the name “Catholic” for their respective public businesses, shall not be subject to the ERDs, and shall operate consistent with Dignity Health’s Statement of Common Values;
    - IHO shall be governed by a board of directors consisting of individuals who shall:
      - Be initially appointed by Dignity Health and then nominated by the board of directors of IHO or a committee thereof;
      - Serve in their individual capacities and not in any manner as a representative of System Corporation; and
      - Not contemporaneously serve; as a CHCF Member, or on the board of System Corporation, Dignity Health, nor any other subsidiary of System Corporation.
    - After the Effective Date, a majority of the members of the IHO Board who are subject to nomination or re-appointment shall be nominated by the IHO Board then in effect, subject to the acceptance (or rejection) of a majority of such nominees by the board of System Corporation;

- IHO is anticipated to operate on a collaborative basis with System Corporation. Neither CHCF, System Corporation, Dignity Health, or any other subsidiary of System Corporation shall be the corporate member of IHO; and
  - Prior to the Effective Date of the contemplated merger, Dignity Health shall require IHO and each of its subsidiary operating hospitals to create a Community Hospital Oversight Committee for each hospital. These committees will act as a separate governance body to oversee the operations, management, and financial results related to the Designated Procedures performed in each community hospital.
  - With respect to the Designated Procedures performed at each community hospital:
    - Such community hospital shall separately account for and regularly report to the Community Hospital Oversight Committee on the net revenues and expenses reasonably allocated to such Designated Procedures together with the net financial results (i.e. either a net profit or net loss); and
    - The Community Hospital Oversight Committee shall donate any net profits to one or more healthcare related tax-exempt charities that provide or advocate for activities, services, or procedures benefitting the communities served by the hospital and that are not inconsistent with the ERDs.
  - On an annual basis, and not more than four months following the end of each fiscal year of IHO, each Community Hospital Oversight Committee shall prepare and deliver a written certification to the IHO Board and to the Local Hospital Community Board or the applicable board of one of the four subsidiaries:
    - The Community Hospital Oversight Committee has not amended its charter in any manner that violates or otherwise modifies the structure or authorities contained in the IHO bylaws;
    - The composition of the Community Hospital Oversight Committee complies with the requirements; and
    - All donations or grants (if any) of the net profits from the performance of the Designated Procedures were contributed to one or more healthcare related tax-exempt charities.



- IHO reserves the right to approve changes of non-Catholic hospitals, its subsidiaries, and its joint ventures. Changes include changing the mission or philosophical direction of entities, and approval or removal of entities under IHO. Modifications to Dignity Health's Statement of Common Values must be approved by the board of System Corporation and can be vetoed by CHCF.
- Port City Operating Company, LLC
  - St. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center are owned by Port City Operating Company, LLC, a joint venture between Kaiser Foundation Hospitals and Dignity Health. Dignity Health owns 80% of Port City Operating Company, LLC and Kaiser Foundation Hospitals owns the remaining 20%. Dignity Health's continued ownership in Port City Operating Company, LLC after a change of control of Dignity Health will be subject to Kaiser Foundation Hospitals' consent; and
  - Dignity Health's ownership interest of Port City Operating Company, LLC will transfer to System Corporation.
- CHI Regional Corporations
  - Each of the CHI Regional Corporations shall continue to be nonprofit corporations organized in their respective states of incorporation until Dignity Health and CHI consolidate debt. Afterwards, the CHI Regional Corporations will merge into System Corporation.
- Mark Twain Medical Center
  - Dignity Health and CHI acknowledge that the continued management of Mark Twain Medical Center by Dignity Health after a change of control of Dignity Health may be subject to consent from outside parties.

### ***Dignity Health Commitments***

- Licensed Acute Care Hospital Commitments
  - For a period of five years from the Effective Date of the transaction:
    - The System Corporation and Dignity Health shall continue to operate and maintain each Dignity Health owned hospital as a licensed general acute care hospital;
    - IHO shall continue to operate and maintain each IHO owned hospital as a licensed general acute care hospital; and
    - IHO and each IHO subsidiary shall continue to operate and maintain the IHO subsidiary hospital as a licensed general acute care hospital.
- Licensed Specialty Service Commitments and Additional Specialty Services Commitments
  - For a period of five years from the Effective Date of the transaction:
    - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals shall continue to operate, provide and maintain the following services at each California hospital:
      - Twenty-four-hour emergency medical services at current licensure, with the current number of emergency treatment stations, the current types and levels of emergency medical services, and the current designations or certifications associated with such emergency medical services;
      - Core specialty and additional specialty healthcare services at current licensure and designation with current minimum types and/or levels of services<sup>21</sup>; and
      - Additional specialty healthcare services at current licensure and designation with current types and/or levels of services.

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<sup>21</sup> See the “Assessment of Potential Issues Associated with the Availability or Accessibility of Healthcare Services” for a complete listing of commitments made by Dignity Health for Mercy Hospital, Mercy Southwest Hospital, and Bakersfield Memorial Hospital.

- Women's Healthcare Services Commitments
  - For a period of five years from the Effective Date:
    - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall continue to provide women's healthcare services; and
    - Those Dignity Health California hospitals that are non-Catholic shall retain their identity as community hospitals and shall not become ministries of the Catholic Church, nor be subject to the ERDs. In addition, they will retain or adopt Dignity Health's Statement of Common Values.
  
- Medicare & Medi-Cal Commitment
  - For a period of five years from the Effective Date of the transaction:
    - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall:
      - Continue to be certified to participate in the Medicare program;
      - Continue to be certified to participate in the Medi-Cal program; and
      - Continue to have and maintain their respective Medi-Cal Managed Care contracts in effect as of the signing date.
  
- City/County Contract Commitment:
  - For a period of five years from the Effective Date of the transaction:
    - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall maintain healthcare-related services contracts, with any city or county in the State of California as of the signing date.
  
- Charity Care Commitment
  - For the six fiscal years from the Effective Date, System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, in California shall:

- Provide an annual amount of charity care at each hospital equal to or greater than the average annual amount of charity care provided by such hospital during the three fiscal years prior to the signing date and adjusted for cost-of-living-adjustments.
- Community Benefit Program Commitment
  - For a period of six fiscal years from the Effective Date, System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals in California, shall provide an annual amount of community benefit services at each such Dignity Health California Hospital equal to or greater than the average annual amount of community benefit services provided by hospital during the three fiscal years prior to the signing date and adjusted for cost-of-living adjustments.
- Medical Staff and Related Commitments
  - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals in California, shall maintain privileges for the current medical staff members of each such hospital who are in good standing as of the Effective Date.
- LGBT Non-Discrimination Commitments
  - There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at any Dignity Health California hospitals. System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, and IHO with respect to the IHO owned hospitals and the IHO subsidiary hospitals, shall cause this prohibition to be explicitly set forth in the written policies applicable to such hospitals, adhered to and strictly enforced.
- Seismic Compliance Commitments
  - System Corporation, Dignity Health, and IHO shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at each Dignity Health California hospital until January 1, 2030.
- Union Commitments
  - Dignity Health and CHI agree that the collective bargaining agreements in effect as of the Effective Date shall remain in full force and effect following the Effective Date in accordance with their respective terms.

- Hospital Quality Assurance Fee Program Participation
  - System Corporation, Dignity Health and IHO commit to continue participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program for five years for all California hospitals.

***Use of Net Sale Proceeds***

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

## Profile of Catholic Health Initiatives

### Overview

CHI is a nonprofit, faith-based health system that formed in 1996 through the consolidation of three Catholic health systems: Catholic Health Corporation, Franciscan Health System, and Sisters of Charity Health System.

CHI, headquartered in Englewood, Colorado, has a service area that covers approximately 54 million people and operates acute care facilities in 13 states. CHI’s network consists of 97 acute care facilities, academic health centers and major teaching hospitals, critical-access facilities, community health-service organizations, nursing colleges, and senior living communities. The health system has more than 95,000 employees, including approximately 4,700 employed physicians and advanced practice clinicians.

CHI Acute Care Facilities	
REGION	ACUTE CARE FACILITIES
Arkansas	4
Colorado and Kansas	12
Iowa and Nebraska	21
Kentucky	13
Minnesota	4
North Dakota	10
Ohio	5
Tennessee	2
Texas	16
Oregon and Washington	10

Source: 2017 CHI Annual Report

CHI OPERATIONS	
Acute Care Facilities	97
Home Services Location	52
Critical- Access Hospitals	30
Long-Term Facilities	16
Clinical Integrated Networks	11
Academic Medical Centers a Major Teaching Hospital	3
Community Health Services Organizations	2

Source: 2017 CHI Annual Report

**Key Statistics**

In Fiscal Year (FY) 2017, CHI reported growth in the number of admissions, outpatient emergency visits, outpatient non-emergency visits, physician office visits, the number of full-time equivalent employees, and total employees overall compared to FY 2016. CHI reported a decrease in acute patient days, average daily census, residential days, and long-term care days.

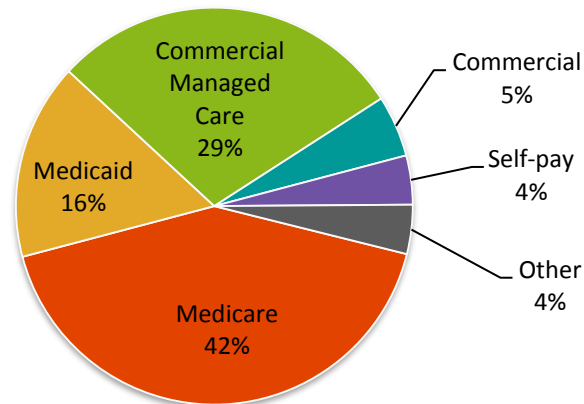
<b>CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017</b>			
<i>Fiscal Year ended June 30, 2017</i>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Change</b>
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of Stay, in days	4.8	4.7	-2.1%
Outpatient emergency visits	1,951,714	1,966,342	0.7%
Outpatient non-emergency visits	5,557,647	5,804,586	4.4%
Physician office visits	9,635,875	10,540,482	9.4%
Residential days	751,072	665,885	-11.3%
Long-term care days	503,450	483,151	-4.0%
Full-time equivalent employees	79,194	84,463	6.7%
Employees	93,697	95,968	2.4%
Acute inpatient revenues as a percentage of total	44.70%	44.70%	-

Source: CHI 2017 Annual Report

**Payer Mix**

The following chart represents the gross revenue by payer for CHI's consolidated operations for the FY 2017.

**Gross Revenue By Payer**



Source: CHI Annual Report

**Financial Profile**

CHI's audited consolidated financial statements show the following system-wide performance of CHI and its affiliates:

<b>CHI COMBINED STATEMENT OF OPERATIONS</b>		
<b>FY 2016 – FY 2017 (In Thousands)</b>		
<b>Unrestricted Revenues and Support</b>	<b>FY 2016</b>	<b>FY 2017</b>
Net Patient Service Revenue Less Bad Debt Provision	\$13,847,027	\$14,450,868
Donations	\$36,983	\$30,954
Changes in Equity of Unconsolidated Organizations	\$133,375	\$48,404
Gains on Business Combinations	\$223,036	-
Hospital Ancillary Revenues	\$351,509	\$339,072
Other	\$597,657	\$678,166
<b>Total Operating Revenues</b>	<b>\$15,189,587</b>	<b>\$15,547,464</b>
<b>Expenses</b>		
Salaries and Wages	\$6,117,712	\$6,294,834
Employee Benefits	\$1,182,203	\$1,201,044
Purchased Services, Medical Professional Fees, Medical Claims and Consulting	\$2,232,689	\$2,402,478
Supplies	\$2,490,524	\$2,550,328
Utilities	\$212,732	\$210,285
Rentals, Leases, Maintenance and Insurance	\$898,020	\$901,272
Depreciation and Amortization	\$833,394	\$846,291
Interest	\$281,581	\$295,476
Other	\$1,019,385	\$1,056,536
Restructuring, Impairment and Other Losses	\$292,758	\$374,167
<b>Total Expenses</b>	<b>\$15,560,998</b>	<b>\$16,132,711</b>
<b>Income From Operations</b>	<b>(\$371,411)</b>	<b>(\$585,247)</b>
<b>Non-operating Income (Loss)</b>		
Investment Income (Loss), net	(\$3,384)	\$638,519
Loss on early extinguishment of debt	(\$29,469)	(\$19,586)
Realized and Unrealized Gains (Losses) on Interest Rate Swaps	(\$154,816)	\$92,698
Other Non-operating Gains (Losses)	(\$16,491)	\$2,006
<b>Total Non-operating Income (Loss)</b>	<b>(\$204,160)</b>	<b>\$713,637</b>
<b>Excess of revenues over Expenses</b>	<b>(\$575,571)</b>	<b>\$128,390</b>

Source: CHI Audited Financial Statements

- Net Patient Service Revenue (less provision for bad debts) of \$14.5 billion in FY 2017 represents a net increase of approximately \$600 million, or 4.4%, as compared to FY 2016. Total operating revenues increased by \$358 million, or 2.4%, from \$15.2 billion in FY 2016 to \$15.5 billion in FY 2017;

Total expenses increased by 3.7% from \$15.6 billion in FY 2016 to \$16.1 billion in FY 2017. CHI's salaries, wages, and employee benefits expense accounted for 46% of total expenses;

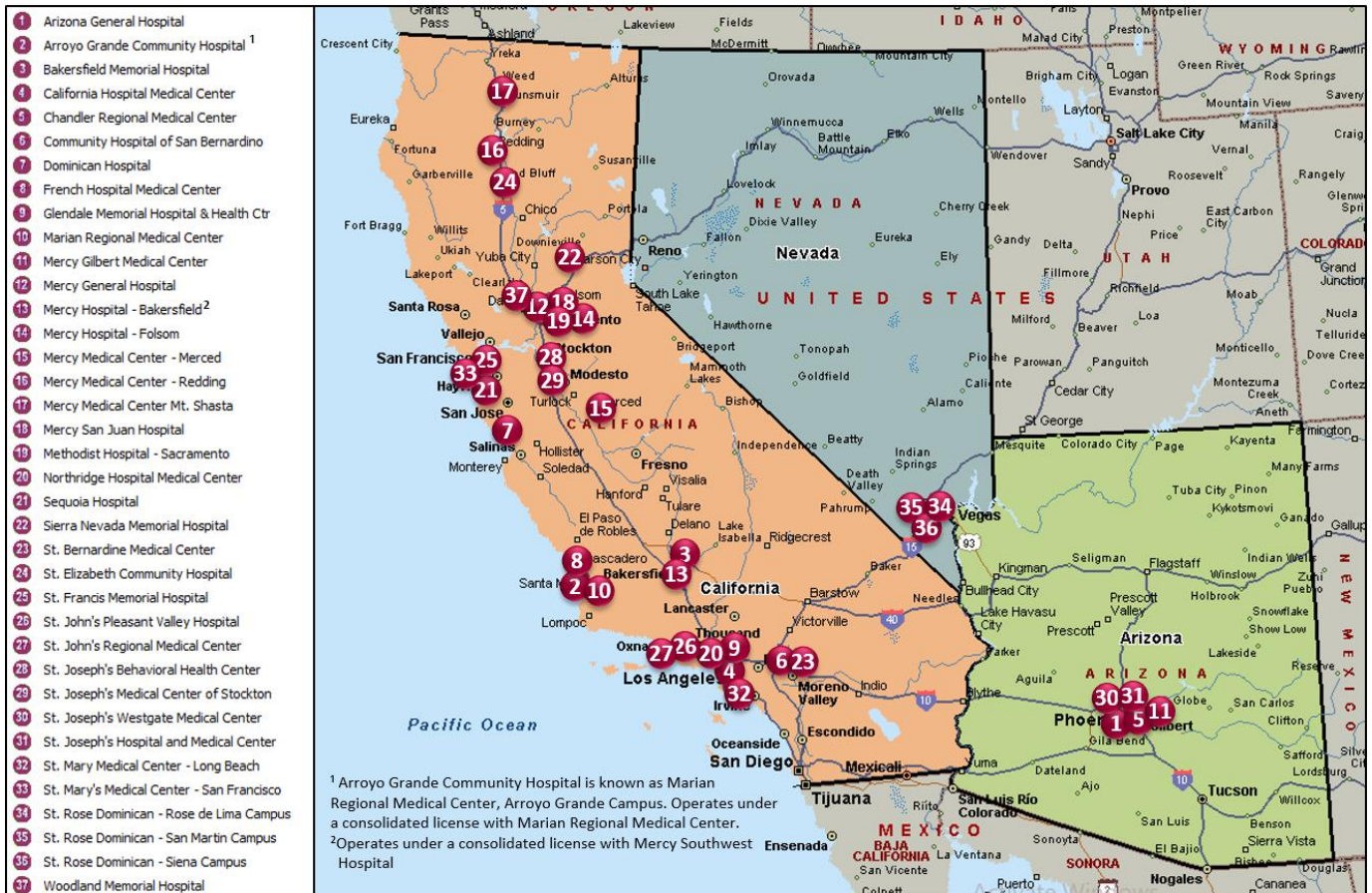
- In FY 2017, CHI realized a non-operating gain of approximately \$714 million, a substantial increase from the non-operating loss of \$204 million loss in FY 2016; and
- Excess revenue over expenses increased from a loss of approximately \$576 million in FY 2016 to a gain of approximately \$128 million in FY 2017. This is mainly due to an increase in non-operating revenue.



## Profile of Dignity Health

Dignity Health is a California nonprofit public benefit corporation that traces its history to the Sisters of Mercy, founded by Catherine McAuley in Dublin, Ireland in 1831. On December 8, 1854, eight Sisters of Mercy left Ireland and arrived in San Francisco, California to begin caring for residents struck by influenza, cholera and typhoid. The Sisters of Mercy opened St. Mary's Hospital, the oldest operating hospital in San Francisco, on July 27, 1857.

Today, Dignity Health has grown to be one of the largest health systems in the United States. Dignity Health provides healthcare services in California, Arizona, and Nevada. In California, Dignity Health owns and operates 31 hospitals across 17 counties with an estimated 11,500 physicians on its hospitals' medical staff. Dignity Health also operates five general acute care hospitals in Arizona and three in Nevada.



**Payer Mix**

The following chart shows inpatient discharges by payer for Dignity Health’s consolidated California operations for FY 2016.

<b>DIGNITY HEALTH TOTAL PAYER MIX COMPARISON FY 2016<sup>22</sup></b>				
	Dignity Health FY 2016		California FY 2016 <sup>1</sup>	
	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	42,492	15.20%	441,300	14.70%
Medi-Cal Managed Care	65,590	23.40%	590,581	19.70%
<b>Medi-Cal Total</b>	<b>108,082</b>	<b>38.60%</b>	<b>1,031,881</b>	<b>34.40%</b>
Medicare Traditional	88,052	31.40%	829,621	27.60%
Medicare Managed Care	27,196	9.70%	315,579	10.50%
<b>Medicare Total</b>	<b>115,248</b>	<b>41.10%</b>	<b>1,145,200</b>	<b>38.10%</b>
Third-Party Managed Care	47,682	17.00%	648,533	21.60%
<b>Third-Party Managed Care Total</b>	<b>47,682</b>	<b>17.00%</b>	<b>648,533</b>	<b>21.60%</b>
Third-Party Traditional	5,245	1.90%	100,382	3.30%
Other Payers	2,495	0.90%	44,809	1.50%
Other Indigent	1,344	0.50%	17,246	0.60%
County Indigent	76	0.00%	15,160	0.50%
<b>Other Total</b>	<b>9,160</b>	<b>3.30%</b>	<b>177,597</b>	<b>5.90%</b>
<b>Total</b>	<b>280,172</b>	<b>100%</b>	<b>3,003,211</b>	<b>100%</b>

Source: OSHPD Disclosure Reports, FY 2016

<sup>1</sup> FY 2017 California data was not available when the data was collected to prepare this report.

- Dignity Health’s largest payer in California by percentage of inpatient discharges is Medicare (41.1%), followed by Medi-Cal (38.6%), and Third-Party Managed Care (17.0%);
- Dignity Health’s California hospitals care for 10.5% of all California Medi-Cal inpatient discharges;
- Dignity Health’s California hospitals had 10.1% of all California Medicare inpatient discharges; and
- In FY 2016, Dignity Health’s California hospitals cared for 9.3% of all inpatient discharges in California.

<sup>22</sup> Fiscal Year from July 1 through June 30.

**Financial Profile**

Dignity Health’s audited consolidated financial statements show the following system-wide performance of Dignity Health and its affiliates.

<b>DIGNITY HEALTH COMBINED STATEMENT OF OPERATIONS</b>		
<b>FY 2016 - FY 2017 (In Thousands)</b>		
<b>Unrestricted Revenues and Support</b>	<b>FY 2016</b>	<b>FY 2017</b>
Net Patient Service Revenue Less Bad Debt Provision	\$11,542,262	\$11,572,387
Premium Revenue	\$633,395	\$755,427
Revenue from health-related activities, net	\$66,586	\$139,013
Other Revenue	\$376,580	\$364,631
Contributions	\$17,452	\$18,649
<b>Total Unrestricted Revenues And Support</b>	<b>\$12,636,275</b>	<b>\$12,850,107</b>
<b>Expenses</b>		
Salaries and Benefits	\$6,581,323	\$6,883,671
Supplies	\$1,769,212	\$1,850,519
Purchased Services and Other	\$3,497,502	\$3,454,313
Depreciation and Amortization	\$581,624	\$606,370
Interest Expense, net	\$270,034	\$122,018
<b>Total Expenses</b>	<b>\$12,699,695</b>	<b>\$12,916,891</b>
<b>Income From Operations</b>	<b>(\$63,420)</b>	<b>(\$66,784)</b>
<b>Non-operating Income (Loss)</b>		
Investment Income (Loss), net	(\$123,869)	\$555,538
Loss on early extinguishment of debt	-	(\$48,012)
Income Tax Expense	(\$14,189)	(\$15,024)
<b>Total Non-operating Income (Loss)</b>	<b>(\$138,058)</b>	<b>\$492,502</b>
<b>Excess of Revenues over Expenses</b>	<b>(\$201,478)</b>	<b>\$425,718</b>

Source: Dignity Health Audited Financial Statements

- Net patient service revenue, less bad debt provision, increased slightly to \$11.6 billion in FY 2017. Total unrestricted revenues and support increased by \$214 million from \$12.6 billion in FY 2016 to \$12.9 billion in FY 2017;
- Total expenses increased by 1.7% from \$12.7 billion in FY 2016 to \$12.9 billion in FY 2017. Dignity Health’s salaries, wages, and benefits expense accounted for approximately 53% of total expenses;
- In FY 2017, Dignity Health realized a net non-operating gain of \$493 million, representing a substantial increase from the net non-operating loss of \$138 million in FY 2016; and
- Excess revenue over expenses increased from a loss of \$201 million in FY 2016 to a gain of \$426 million in FY 2017, mainly due to an increase in investment income in FY 2017.

**Dignity Health’s California Hospitals Overview**

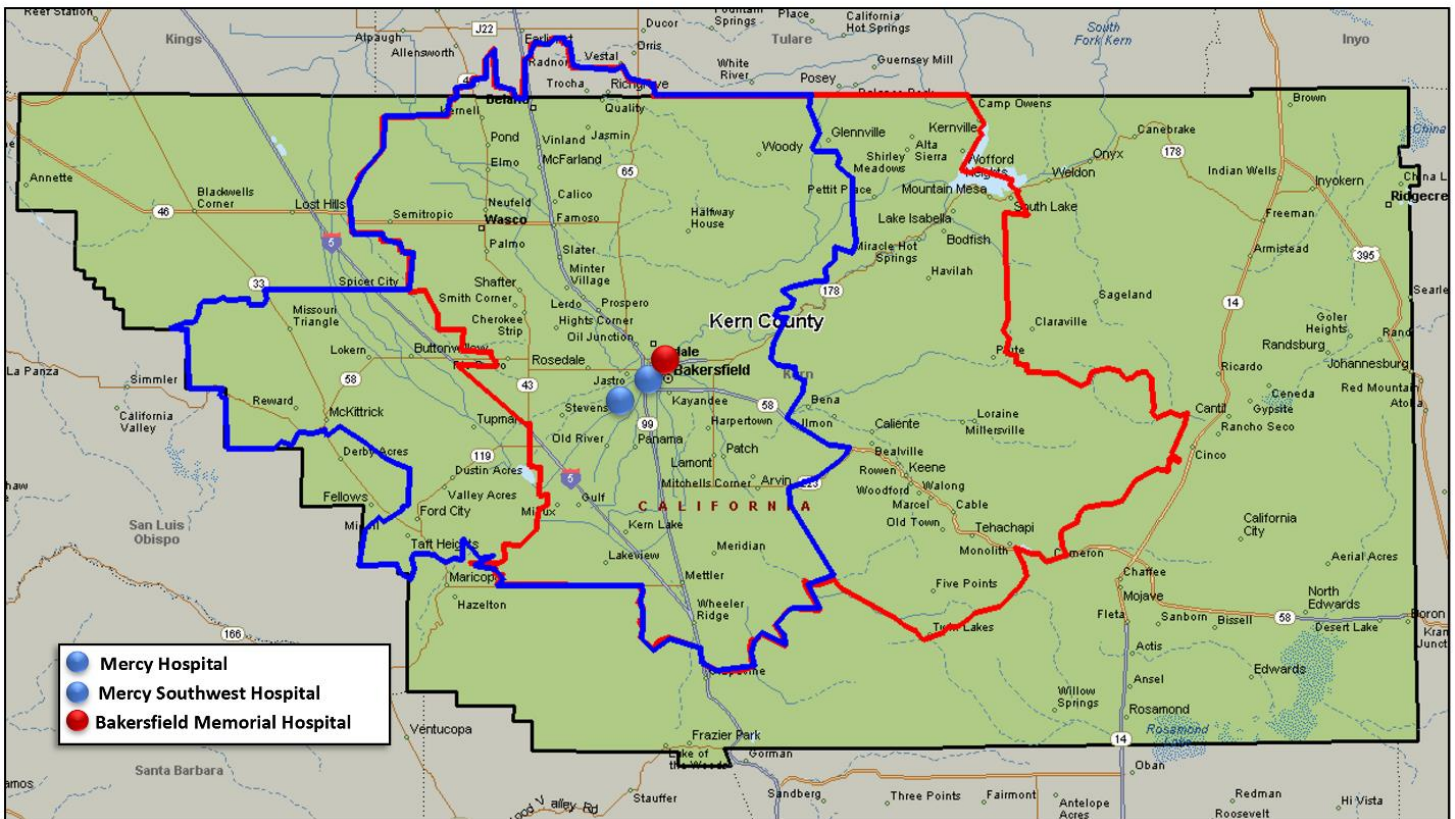
The following table lists the location of each Dignity Health owned and managed hospital in California.

<b>DIGNITY HEALTH'S OWNED &amp; OPERATED CALIFORNIA HOSPITALS</b>		
<b>Hospital</b>	<b>County</b>	<b>City</b>
Bakersfield Memorial Hospital	Kern County	Bakersfield
Mercy Hospital	Kern County	Bakersfield
Mercy Southwest Hospital	Kern County	Bakersfield
California Hospital Medical Center	Los Angeles	Los Angeles
Glendale Memorial Hospital	Los Angeles	Glendale
Northridge Hospital Medical Center	Los Angeles	Northridge
St. Mary Medical Center	Los Angeles	Long Beach
Mercy Medical Center Merced	Merced County	Merced
Sierra Nevada Memorial Hospital	Nevada County	Grass Valley
Marian Regional Medical Center, Arroyo Grande	San Luis Obispo County	Arroyo Grande
French Hospital Medical Center	San Luis Obispo County	San Luis Obispo
Mercy General Hospital	Sacramento County	Sacramento
Mercy Hospital of Folsom	Sacramento County	Folsom
Mercy San Juan Medical Center	Sacramento County	Carmichael
Methodist Hospital of Sacramento	Sacramento County	Sacramento
Community Hospital of San Bernardino	San Bernardino	San Bernardino
St. Bernardine Medical Center	San Bernardino	San Bernardino
Saint Francis Memorial Hospital	San Francisco County	San Francisco
St. Mary's Medical Center	San Francisco County	San Francisco
St. Joseph's Behavioral Health Center	San Joaquin County	Stockton
Sequoia Hospital	San Mateo County	Redwood City
St. Joseph's Medical Center of Stockton	San Joaquin County	Stockton
Marian Regional Medical Center	Santa Barbara County	Santa Maria
Marian Regional Medical Center West	Santa Barbara County	Santa Maria
Dominican Hospital	Santa Cruz County	Santa Cruz
Mercy Medical Center Redding	Shasta County	Redding
Mercy Medical Center Mt Shasta	Siskiyou County	Mt. Shasta
St. Elizabeth Community Hospital	Tehama County	Red Bluff
St. John's Pleasant Valley Hospital	Ventura County	Camarillo
St. John's Regional Medical Center	Ventura County	Oxnard
Woodland Memorial Hospital	Yolo County	Woodland

Source: Dignity Health

**Analysis of Dignity Health’s Hospital Market Share in Kern County**

Kern County has more than 893,000 residents and encompasses over 8,000 square miles. The map below shows the location and the service areas of Dignity Health’s three hospitals in Kern County: Mercy Hospital, Mercy Southwest Hospital, and Bakersfield Memorial Hospital. Mercy Hospital and Mercy Southwest Hospital operate under a consolidated license<sup>23</sup>, and are collectively known as “Mercy Hospital – Bakersfield,” unless otherwise indicated.



<sup>23</sup> Mercy Hospital and Mercy Southwest Hospital report most hospital statistics to OSHPD on a consolidated basis; however, some hospital statistics are still reported on an individual basis.

The following table lists hospitals where Kern County residents received inpatient care in calendar year (CY) 2016, the most recent data available from OSHPD, and their respective market share. Adventist Health Bakersfield is the inpatient market share leader (22.1%) in Kern County. Profiles of the three Dignity Health hospitals are described in the following sections.

KERN COUNTY MARKET SHARE BY HOSPITAL CY 2016		
Hospital	CY 2016 Discharges	Market Share
Adventist Health Bakersfield	17,621	22.1%
<b>Bakersfield Memorial Hospital<sup>1</sup></b>	<b>14,620</b>	<b>18.3%</b>
<b>Mercy Hospital – Bakersfield<sup>1</sup></b>	<b>11,436</b>	<b>14.3%</b>
Kern Medical Center	9,677	12.1%
Bakersfield Heart Hospital	3,112	3.9%
Antelope Valley Hospital	2,695	3.4%
Good Samaritan Hospital-Bakersfield	2,280	2.9%
Delano Regional Medical Center	2,186	2.7%
Ridgecrest Regional Hospital	2,080	2.6%
Healthsouth Bakersfield Rehabilitation Hospital	1,784	2.2%
Valley Children's Hospital	1,260	1.6%
Palmdale Regional Medical Center	1,058	1.3%
Ronald Reagan UCLA Medical Center	821	1.0%
Bakersfield Behavioral Healthcare Hospital, LLC	772	1.0%
Keck Hospital Of USC	755	0.9%
Cedars Sinai Medical Center	746	0.9%
Kern Valley Healthcare District	631	0.8%
Crestwood Psychiatric Health Facility	549	0.7%
Kaiser Foundation Hospital - Los Angeles	417	0.5%
Henry Mayo Newhall Hospital	407	0.5%
All Other Hospitals	4,969	6.2%
<b>All Non-Dignity Health Discharges</b>	<b>53,550</b>	<b>67.0%</b>
<b>All Dignity Health of California Discharges</b>	<b>26,326</b>	<b>33.0%</b>
<b>Total Discharges</b>	<b>79,876</b>	<b>100%</b>

Source: CY 2016 OSHPD Discharge Database

<sup>1</sup>Dignity Health hospital

- Bakersfield Memorial Hospital has the second-largest market share (18.3%);
- Mercy Hospital - Bakersfield has 14.3% market share in Kern County; and
- “All Dignity Health of California Discharges” includes residents of Kern County who received inpatient care at Dignity Health hospitals located outside of Kern County.

## Profile of Mercy Hospital- Bakersfield Hospital

### Overview

Mercy Hospital – Bakersfield is a Catholic general acute care hospital located in Bakersfield, California that serves all of Kern County and the southern region of San Joaquin Valley. Two hospitals are on the consolidated license of Mercy Hospital – Bakersfield; Mercy Hospital at 2215 Truxtun Avenue and Mercy Southwest Hospital at 400 Old River Road.

Under the consolidated license, the hospitals have a combined total of 13 operating rooms, with seven located at Mercy Hospital and six at Mercy Southwest Hospital. Both hospitals operate basic emergency departments<sup>24</sup> with a combined total of 38 treatment stations. Mercy Hospital operates 17 treatment stations and is a Primary Stroke Center. Mercy Southwest Hospital operates 21 treatment stations and is also a Primary Stroke Center. According to their current hospital license, the two hospitals are licensed for 226 licensed beds as shown below.

MERCY HOSPITAL – BAKERSFIELD LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds
<b>MERCY HOSPITAL</b>	
<b>General Acute Care Beds</b>	
Intensive Care	20
Unspecified General Acute Care	124
<b>Total General Acute Care Beds</b>	<b>144</b>
<b>Total Licensed Beds</b>	<b>144</b>
<b>MERCY SOUTHWEST HOSPITAL</b>	
<b>General Acute Care Beds</b>	
Perinatal	26
Intensive Care	8
Neonatal Intensive Care	9
Unspecified General Acute Care	39
<b>Total General Acute Care Beds</b>	<b>82</b>
<b>Total Licensed Beds</b>	<b>82</b>
<b>Mercy Hospital – Bakersfield Total Licensed Beds</b>	<b>226</b>

Source: 2018 Hospital License

<sup>24</sup>A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

**Key Statistics**

Mercy Hospital – Bakersfield reported 13,030 inpatient discharges, 44,521 patient days, and an average daily census of 122 patients (55% occupancy) for FY 2017.

<b>MERCY HOSPITAL – BAKERSFIELD KEY STATISTICS FY 2015 - FY 2017</b>			
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017<sup>1</sup></b>
Inpatient Discharges	12,268	12,181	13,030
Licensed Beds	222	222	222
Patient Days	47,862	44,650	44,521
Average Daily Census	131	122	122
Occupancy	59.1%	55.1%	54.9%
Average Length of Stay	3.9	3.7	3.4
Mercy Hospital - Emergency Service Visits <sup>2</sup>	34,610	38,667	32,879
Mercy Southwest Hospital -Emergency Service Visits <sup>2</sup>	47,341	51,624	42,413
Mercy Southwest Hospital - Total Live Births	2,743	2,743	2,797

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

<sup>1</sup> FY 2015 and FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 data is from unaudited.

<sup>2</sup>Emergency Service Visits are reported on a calendar year and is unaudited

- Since FY 2015, inpatient discharges have increased by 6%, while patient days decreased by 7%;
- In FY 2017, Mercy Hospital reported a 5% decrease in emergency service visits, while Mercy Southwest Hospital reported a 10% decrease in emergency service visits; and
- Total live births at Mercy Southwest Hospital remained relatively constant, with an average of 2,761 live births annually. Mercy Hospital does not provide obstetrics.



**Patient Utilization Trends**

The following table shows FY 2013 - FY 2017 patient volume trends at Mercy – Bakersfield.

MERCY HOSPITAL - BAKERSFIELD SERVICE VOLUMES FY 2013 - FY 2017 <sup>1</sup>					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical <sup>2</sup>	32,574	30,200	32,454	30,147	30,125
Neonatal Intensive Care	2,736	2,542	2,901	2,695	2,741
Intensive Care	5,819	5,556	4,869	4,598	7,067
Obstetrics	6,715	7,412	7,638	7,210	4,588
<b>Total</b>	<b>47,844</b>	<b>45,710</b>	<b>47,862</b>	<b>44,650</b>	<b>44,521</b>
DISCHARGES					
Medical/Surgical <sup>2</sup>	8,996	8,561	8,793	8,595	9,417
Neonatal Intensive Care	240	267	277	260	303
Intensive Care	506	507	492	521	548
Obstetrics	2,323	2,747	2,706	2,805	2,762
<b>Total</b>	<b>12,065</b>	<b>12,082</b>	<b>12,268</b>	<b>12,181</b>	<b>13,030</b>
AVERAGE LENGTH OF STAY					
Medical/Surgical <sup>2</sup>	3.6	3.5	3.7	3.5	3.2
Neonatal Intensive Care	11.4	9.5	10.5	10.4	9
Intensive Care	11.5	11.0	9.9	8.8	12.9
Obstetrics	2.9	2.7	2.8	2.6	1.7
<b>Total</b>	<b>4.0</b>	<b>3.8</b>	<b>3.9</b>	<b>3.7</b>	<b>3.4</b>
AVERAGE DAILY CENSUS					
Medical/Surgical <sup>2</sup>	89.2	82.7	88.9	82.6	82.5
Neonatal Intensive Care	7.5	7.0	7.9	7.4	7.5
Intensive Care	15.9	15.2	13.3	12.6	19.4
Obstetrics	18.4	20.3	20.9	19.8	12.6
<b>Total</b>	<b>131</b>	<b>125</b>	<b>131</b>	<b>122</b>	<b>122</b>
OTHER SERVICES					
Inpatient Surgeries	3,081	3,087	3,147	3,028	2,963
Outpatient Surgeries	4,133	4,189	4,394	4,840	4,565
Mercy Southwest Hospital -Emergency Service Visits <sup>3</sup>	41,176	45,186	47,341	51,624	42,413
Mercy Hospital Emergency Service Visits <sup>3</sup>	29,076	33,980	34,610	38,667	32,879
Mercy Southwest Hospital - Total Live Births	2,376	4,783	2,743	2,743	2,797

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

<sup>2</sup> Includes Definitive Observation Beds

<sup>3</sup> Emergency Service Visits are reported on a calendar year and is unaudited

A review of Mercy – Bakersfield’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- Outpatient surgeries increased by 10%, to 4,565 surgeries; and
- The average daily census decreased by 5% from 131 patients to 122 patients.

## Financial Profile

Over the last five fiscal years, Mercy Hospital – Bakersfield’s net income declined from \$30.5 million in FY 2013 to a \$3.6 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 8%. Over the same period, the Mercy Hospital – Bakersfield’s operating expenses increased by 18% from \$256.1 million in FY 2013 to \$303.6 million in FY 2017. Other operating revenue<sup>25</sup> decreased by 31% over the five-year period from \$3.6 million in FY 2013 to \$2.5 million in FY 2017.

Mercy Hospital – Bakersfield’s current ratio<sup>26</sup> has increased over the last five years from 2.20 in FY 2013 to 4.94 in FY 2017. The California average in FY 2016 was 1.56. The Mercy Hospital – Bakersfield’s FY 2017 percentage of bad debt is 1.1% and is higher than the state average (0.8%).

MERCY HOSPITAL – BAKERSFIELD FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 <sup>1</sup>	
Patient Days	47,844	45,710	47,862	44,650	44,521	-
Discharges	12,065	12,082	12,268	12,181	13,030	-
ALOS	4.0	3.8	3.9	3.7	3.4	-
Net Patient Revenue	\$267,243,689	\$260,856,104	\$303,227,371	\$288,065,988	\$289,811,587	-
Other Operating Revenue	\$3,597,712	\$2,974,815	\$2,032,544	\$2,361,694	\$2,492,220	-
Total Operating Revenue	\$270,841,401	\$263,830,919	\$305,259,915	\$290,427,682	\$292,303,807	-
Operating Expenses	\$256,082,669	\$252,524,518	\$287,770,656	\$298,286,327	\$303,597,776	-
Net from Operations	\$14,758,732	\$11,306,401	\$17,489,259	(\$7,858,645)	(\$11,293,969)	-
Net Non-Operating Revenues and Expenses	\$15,726,959	\$27,552,523	\$7,470,983	(\$10,852,564)	\$14,937,117	-
<b>Net Income</b>	<b>\$30,485,691</b>	<b>\$38,858,924</b>	<b>\$24,960,242</b>	<b>(\$18,711,209)</b>	<b>\$3,643,148</b>	-
						2016 California Average <sup>2</sup>
Current Ratio	2.20	2.94	2.95	5.78	4.94	1.56
Days in A/R	36.4	49.7	44.5	40.7	52.3	57.1
Bad Debt Rate	3.0%	4.2%	1.1%	1.1%	1.1%	0.8%
Operating Margin	5.45%	4.29%	5.73%	-2.71%	-3.86%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

<sup>2</sup> FY 2017 California data was not unavailable when the data was collected to prepare this report.

<sup>25</sup>Other operating revenue represents amounts received for services that are central to the provision of healthcare services but are not directly related to patient care.

<sup>26</sup>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

Mercy Hospital – Bakersfield’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 30% of total costs were associated with Medicare, followed by 35% with Medi-Cal, and 32% for Third-Party.

MERCY HOSPITAL – BAKERSFIELD					
OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 <sup>1</sup>					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Operating Expenses</b>	<b>\$256,082,669</b>	<b>\$252,524,518</b>	<b>\$287,770,656</b>	<b>\$298,286,327</b>	<b>\$303,597,776</b>
<b>Cost of Services By Payer:</b>					
Medicare	\$90,963,501	\$86,665,208	\$90,685,529	\$89,774,771	\$91,373,295
Medi-Cal	\$41,812,523	\$51,790,355	\$81,995,933	\$99,385,503	\$107,445,421
County Indigent	\$774,144	\$804,171	-	-	-
Third-Party	\$102,288,378	\$91,141,657	\$105,037,270	\$101,845,855	\$99,476,793
Other Indigent	\$7,041,798	\$6,427,967	\$3,696,325	\$2,267,797	\$2,025,823
All Other Payers	\$13,202,325	\$15,695,160	\$6,355,599	\$5,012,402	\$3,276,445

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

### Charity Care

The following table shows a comparison of charity care and bad debt for Mercy Hospital – Bakersfield 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 2.6% and greater than the four-year statewide average of 2.5%. According to OSHPD, “...the determination of what is classified as charity care can be made by establishing whether or not the patient has the ability to pay. The patient’s accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account.”

MERCY HOSPITAL – BAKERSFIELD										
CHARITY CARE COMPARISON FY 2013 - FY 2017 <sup>1</sup> (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA <sup>2</sup>
<b>Gross Patient Revenue</b>	\$954,443	\$320,382,471	\$992,934	\$338,322,364	\$1,077,822	\$365,501,463	\$1,152,544	\$396,427,743	\$1,196,009	-
Charity	\$28,566	\$6,563,487	\$21,593	\$5,113,965	\$13,750	\$3,441,227	\$8,415	\$3,457,868	\$7,544	-
Bad Debt	\$29,065	\$5,891,632	\$41,864	\$4,365,936	\$11,366	\$3,262,642	\$12,934	\$3,108,971	\$13,106	-
<b>Total Charity &amp; Bad Debt</b>	<b>\$57,630</b>	<b>\$12,455,119</b>	<b>\$63,458</b>	<b>\$9,479,902</b>	<b>\$25,116</b>	<b>\$6,703,869</b>	<b>\$21,349</b>	<b>\$6,566,839</b>	<b>\$20,650</b>	-
Charity Care as a % of Gross Patient Revenue	3.00%	2.00%	2.20%	1.50%	1.30%	0.90%	0.70%	0.90%	0.60%	-
Bad Debt as a % of Gross Patient Revenue	3.00%	1.80%	4.20%	1.30%	1.10%	0.90%	1.10%	0.80%	1.10%	-
<b>Total as a % of Gross Patient Revenue</b>	<b>6.00%</b>	<b>3.90%</b>	<b>6.40%</b>	<b>2.80%</b>	<b>2.30%</b>	<b>1.80%</b>	<b>1.90%</b>	<b>1.70%</b>	<b>1.70%</b>	-
<b>Uncompensated Care</b>										
<b>Cost to Charge Ratio</b>	26.50%	24.50%	25.10%	23.60%	26.50%	24.10%	25.70%	23.80%	25.20%	-
Charity	\$7,557	\$1,608,711	\$5,427	\$1,207,919	\$3,645	\$828,647	\$2,161	\$822,627	\$1,899	-
Bad Debt	\$7,689	\$1,444,039	\$10,522	\$1,031,234	\$3,013	\$785,644	\$3,321	\$739,624	\$3,300	-
<b>Total</b>	<b>\$15,245</b>	<b>\$3,052,750</b>	<b>\$15,949</b>	<b>\$2,239,153</b>	<b>\$6,659</b>	<b>\$1,614,292</b>	<b>\$5,481</b>	<b>\$1,562,251</b>	<b>\$5,199</b>	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

<sup>2</sup> FY 2017 California data was unavailable when the data was collected to prepare this report.

The table below shows the Mercy Hospital – Bakersfield’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$7.6 million in FY 2013 to \$1.9 million in FY 2017. The average cost of charity care for the last five-year period was \$4.1 million, while the three-year average cost of charity care was \$2.6 million.

MERCY HOSPITAL – BAKERSFIELD COST OF CHARITY CARE FY 2013 - FY 2017 <sup>1</sup>			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$7,544,067	25.2%	\$1,899,284
FY 2016	\$8,414,654	25.7%	\$2,160,528
FY 2015	\$13,750,477	26.5%	\$3,645,346
FY 2014	\$21,593,373	25.1%	\$5,426,965
FY 2013	\$28,565,642	26.5%	\$7,556,652
<b>FY 2015 - FY 2017 Average</b>			<b>\$2,568,386</b>
<b>FY 2013 - FY 2017 Average</b>			<b>\$4,137,755</b>

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

In the application to the California Attorney General, Dignity Health reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room costs.

MERCY HOSPITAL – BAKERSFIELD COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
<b>FY 2017:</b>				
Cost of Charity	\$442,099	\$742,065	\$745,826	\$1,929,990
Visits/Discharges	32	505	1,053	
<b>FY 2016:</b>				
Cost of Charity	\$584,917	\$808,200	\$655,985	\$2,049,102
Visits/Discharges	48	581	1,103	
<b>FY 2015:</b>				
Cost of Charity	\$1,628,549	\$1,447,843	\$1,148,955	\$4,225,347
Visits/Discharges	134	1,180	2,057	
<b>FY 2014:</b>				
Cost of Charity	\$3,668,486	\$1,881,116	\$1,400,994	\$6,950,596
Visits/Discharges	332	1,633	2,686	
<b>FY 2013:</b>				
Cost of Charity	\$3,613,248	\$1,811,647	\$1,306,424	\$6,731,319
Visits/Discharges	341	2,270	2,421	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussions with JD Healthcare, Inc. and Vizient, Inc., Dignity Health has acknowledged that an error was made in its calculation of charity care costs. Dignity Health has stated that it accepts the calculations provided by JD Healthcare, Inc. and Vizient, Inc. for the purposes of determining their charity care commitment.

**Community Benefit Services**

In the last five years, Mercy Hospital – Bakersfield has provided contributions for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three fiscal years has been \$2.2 million. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$2.4 million.

MERCY HOSPITAL – BAKERSFIELD COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017							
Community Benefit Programs	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015 - FY 2017 Average	FY 2013 - FY 2017 Average
Benefits for Living in Poverty	\$2,635,572	\$1,323,762	\$1,470,583	\$1,857,637	\$2,875,026	\$2,067,749	\$2,032,516
Benefits for Broader Community	\$1,267,098	\$174,173	\$325,630	\$211,486	\$352,794	\$296,637	\$466,236
<b>Totals</b>	<b>\$3,902,670</b>	<b>\$1,497,935</b>	<b>\$1,796,213</b>	<b>\$2,069,123</b>	<b>\$3,227,820</b>	<b>\$2,364,385</b>	<b>\$2,498,752</b>
Medi-Cal Provider Fee CHFT Grant Expense	-	-	(\$230,661)	(\$167,918)	(\$93,270)	-	-
<b>Adjusted Totals</b>	<b>\$3,902,670</b>	<b>\$1,497,935</b>	<b>\$1,565,552</b>	<b>\$1,901,205</b>	<b>\$3,134,550</b>	<b>\$2,200,436</b>	<b>\$2,400,382</b>

Source: Dignity Health

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$2.0 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$466,236 per year; and
- Over the five-year period, the Hospital’s combined adjusted total cost of the community benefit services decreased from \$3.9 million in FY 2013 to \$3.1 million in FY 2017.

The following table lists Mercy – Bakersfield’s community benefit services over the past five fiscal years that cost over \$10,000 in FY 2017, followed by descriptions of these community benefit services.

MERCY HOSPITAL – BAKERSFIELD					
COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Services over \$10,000 in cost in FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Art for Healing	\$69,409	\$3,087	\$22,314	\$117,987	\$111,859
Community Benefit Operations	\$580,039	\$476,829	\$477,432	\$556,268	\$933,105
Community Health Initiative	\$233,939	\$102,348	\$49,606	\$209,100	\$210,466
Continuing Care Services	-	-	-	-	\$274,988
Dignity Health Community Grants Program	\$118,930	\$142,471	\$128,744	\$126,468	\$147,387
Dinner Bell Program	\$14,400	\$21,567	\$20,501	\$12,406	\$12,697
Donation - Cash (Community Benefit)	\$239,169	\$138,110	\$106,356	\$41,375	\$174,068
Donation - In-Kind: Staff Time for Community	\$47,343	\$61,286	\$49,321	\$55,302	\$61,714
Friends of Mercy Support	\$69,746	\$68,389	\$64,329	\$65,128	\$122,853
Health Education Seminars and Classes	\$33,449	\$6,213	\$38,025	\$41,208	\$50,353
Health Professions Education - Training	-	-	-	-	\$41,140
Health Screenings	\$69,424	\$83,783	\$58,401	\$89,441	\$146,198
Healthy Kids In Healthy Homes	\$15,167	\$19,384	\$19,773	\$23,160	\$24,755
Healthy Living - Chronic Disease Self-Management Program	\$14,673	\$18,957	\$20,095	\$44,548	\$28,083
Healthy Living - Diabetes Self-Management Program	\$13,276	\$18,212	\$19,984	\$23,964	\$27,872
Homemaker Care Program - Client Services	\$54,466	\$48,954	\$59,095	\$126,853	\$250,703
Homemaker Care Program - Training	\$4,588	\$2,650	\$1,082	\$1,357	\$26,404
Homework Club/After-School Club	\$14,980	\$7,980	\$6,327	\$10,130	\$33,548
In-Home Health Education Program	\$73,151	\$38,327	\$26,499	\$18,163	\$29,086
Outpatient Navigator RN	-	-	\$66,708	\$175,733	\$128,932
Prescription Purchases for Indigents	\$112,139	\$138,347	\$118,619	\$120,052	\$180,069
School Supportive Services	\$1,609	-	-	-	\$16,471
Support Groups	\$2,977	\$1,305	\$2,427	\$5,839	\$13,819
Zumba Classes	\$5,500	\$8,550	\$6,710	\$7,400	\$14,026

Source: Dignity Health

- Art for Healing: Offers opportunities for creative expression and a reflection area;
- Community Benefit Operations: Includes costs associated with assigned staff not allocated to specific programs, as well as other costs associated with community benefit strategy and operations;
- Community Health Initiative: Collaboration with public, private, and nonprofit organizations to enroll individuals in health insurance programs;
- Continuing Care Services: Hospital pays for continuing care services for at-risk patients who have been discharged from Mercy Hospital – Bakersfield. Services include room and board and home care services. Patients are often homeless or may live alone with no support;

- Dignity Health Community Grants Program: Mercy Hospital – Bakersfield actively partners with nonprofit organizations working to improve health status and quality of life in the communities served. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations, and to reduce disparities;
- Dinner Bell Program: A food program that provides meals to families residing in the southeast community;
- Donation - Cash (Community Benefit): Funds, grants or in-kind services donated to community organizations or to the community at large;
- Donation – In-Kind: Staff Time For Community: In-kind services include hours contributed by staff to the community, as well as food/equipment/supplies donations;
- Friends of Mercy Support: Provides time to develop, enhance, and expand outreach programs. The Foundation holds grant funds and processes paperwork necessary for community outreach grants. Foundation staff are employed by Mercy Hospital – Bakersfield.
- Health Education Seminars and Classes: Classes on health topics such as nutrition, diabetes, cholesterol, hypertension, chronic illness management, sepsis, fitness, and exercise;
- Health Professions Education – Training: Includes costs associated with training nurses and other staff to serve as preceptors;
- Health Screenings: Provides health screenings throughout Kern County. Screenings include: blood glucose levels, cholesterol, blood pressure, and body composition;
- Healthy Kids in Healthy Homes: Provides information on the topics of nutrition, exercise, and lifestyle changes. Provided at under-served schools;
- Healthy Living - Chronic Disease Self-Management Program: Disease-management program that focuses goal setting and problem solving, nutrition, communication skills, relaxation techniques, medication usage, and community resources;
- Healthy Living - Diabetes Self-Management Program: Disease-management program that focuses goal setting and problem solving, nutrition, communication skills, relaxation techniques, medication usage, and community resources;

- Homemaker Care Program - Client Services: Provides in-home supportive services to seniors ages 65 and older, as well as adults with disabilities;
- Homemaker Care Program – Training: Provides a three-week employment readiness skills training that focuses on individuals transitioning from unemployment into the workforce. Participants are trained to offer competent and reliable services to the senior population;
- Homework Club/After-School Club: An after-school program for underserved students attending first through sixth grade that focuses on providing a safe environment for students;
- In-Home Health Education Program: Provides education on topics such as nutrition, diabetes, cholesterol, hypertension, chronic illness management, fitness, and exercise;
- Outpatient Navigator RN: A community-based service delivery intervention designed to promote access to timely diagnosis and treatment of chronic diseases by eliminating barriers to care. These include: financial and access barriers, communication and information barriers, medical system barriers, and fear, distrust, and emotional barriers;
- Prescription Purchases for Indigents: Purchases necessary medications in emergency situations for individuals who face financial barriers in purchasing their own medication(s);
- School Supportive Services: Provides nutrition and physical education to local students. The program also provides clothing and shoes to the students;
- Support Groups: The Breast Cancer Support Group was established to address social, psychological, or emotional issues related to breast cancer diagnosis. The group is open to patients, families, and the community; and
- Zumba Classes: Free Zumba classes are available to employees and community.



**Reproductive Health**

Mercy Hospital<sup>26</sup> does not provide obstetrics and did not report any discharges related to reproductive health services. For CY 2016, Mercy Southwest Hospital reported 88 inpatient discharges related to reproductive health services. The following table lists inpatient reproductive health services<sup>27</sup> by diagnostic related group (DRG) for CY 2016.

MERCY SOUTHWEST HOSPITAL CY 2016 REPRODUCTIVE SERVICES BY DIAGNOSTIC RELATED GROUP	
	Discharges
778-Threatened Abortion	43
767-Vaginal Delivery W Sterilization &/Or D&C <sup>1</sup>	22
777-Ectopic Pregnancy	16
779-Abortion W/O D&C <sup>1</sup>	6
770-Abortion W D&C <sup>1</sup> , Aspiration Curettage Or Hysterotomy	1
<b>Total Discharges:</b>	<b>88</b>

Source: CY 2016 OSHPD Patient Discharge Database  
<sup>1</sup>D&C is an abbreviation for Dilation and Curettage

- Out of the five diagnostic related groups, DRG 778-Threatened Abortions has the highest number of reproductive service inpatient discharges.

According to Dignity Health representatives, the following table indicates whether the Mercy Hospital – Bakersfield Hospital performs the listed women’s reproductive health services.

MERCY HOSPITAL – BAKERSFIELD REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	Yes, Prior authorization is required.
Terminate pregnancy when:	No
A. Placenta previa	No
B. Premature rupture of membranes	No
C. Second trimester bleeding with previable fetus	No
Placement of an IUD at time of other gynecological surgery	No
Postpartum placement of IUD	No
Gender affirming surgery	No
Emergency contraception as emergency room or inpatient service	Yes
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	Yes

Source: Dignity Health

<sup>27</sup> Mercy Hospital and Mercy Southwest Hospital are Catholic hospitals and are subject to the Catholic ERDs that prohibit direct abortions. Although the Catholic ERDs prohibit direct abortions, these procedures are performed at the Mercy Southwest Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

## Analysis of Mercy Hospital – Bakersfield’s Service Area

### Service Area Definition

Mercy Hospital – Bakersfield’s service area is comprised of 33 ZIP Codes from which 91% of its inpatient discharges originated in CY 2016. Approximately 63% of the Hospital’s inpatient discharges originated from the top eight ZIP Codes, in the City of Bakersfield. Furthermore, 78.4% of the Hospital’s inpatient discharges originated from the top 12 ZIP Codes, all in the City of Bakersfield except one in the City of Taft. In CY 2016, the Hospital’s market share in the service area was 16.5%.

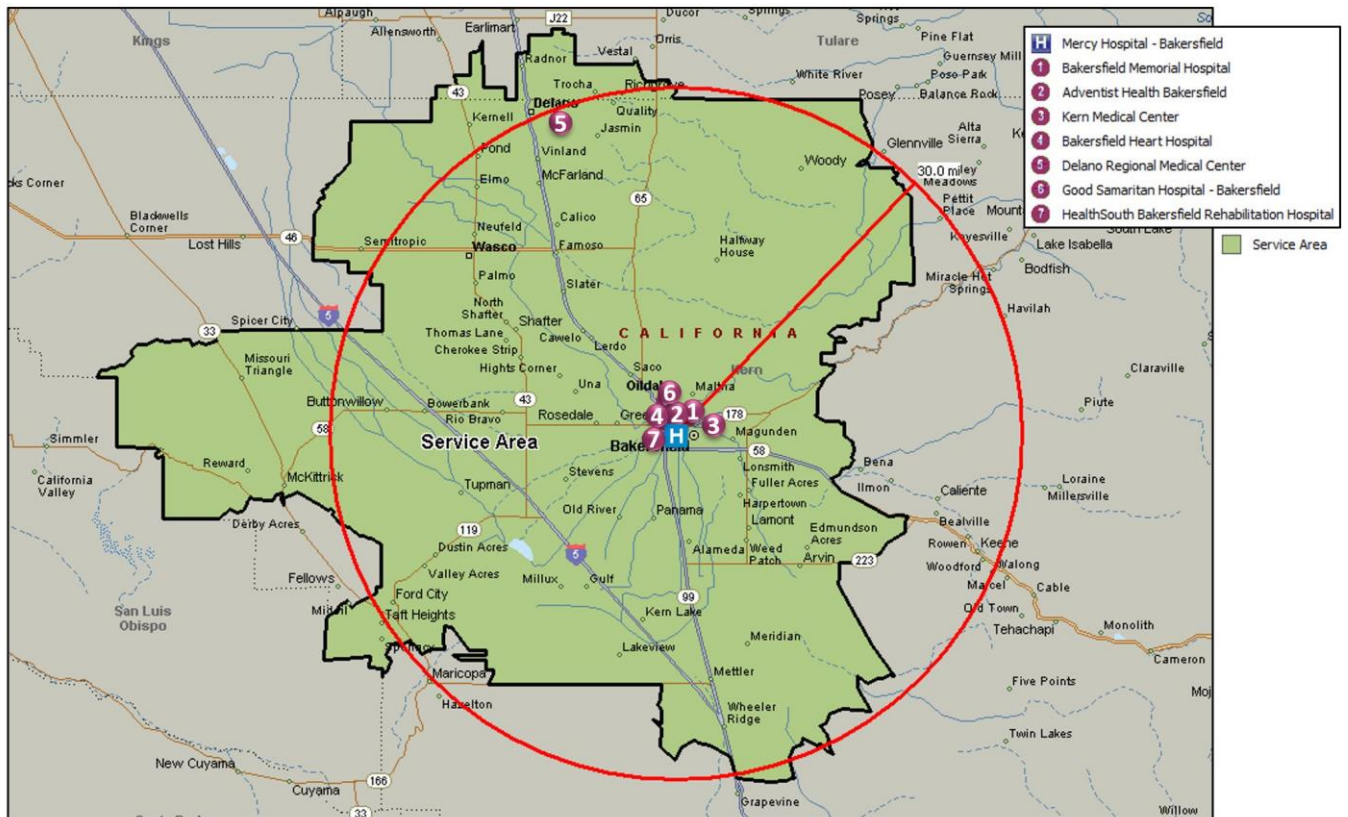
MERCY HOSPITAL – BAKERSFIELD PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cum % of Discharges	Total Area Discharges	Market Share
93309	Bakersfield	1,194	10.1%	10.1%	5,615	21.3%
93312	Bakersfield	1,104	9.3%	19.4%	4,211	26.2%
93307	Bakersfield	1,040	8.8%	28.1%	7,678	13.5%
93313	Bakersfield	987	8.3%	36.4%	3,832	25.8%
93311	Bakersfield	976	8.2%	44.7%	3,128	31.2%
93304	Bakersfield	908	7.6%	52.3%	5,478	16.6%
93308	Bakersfield	668	5.6%	57.9%	6,896	9.7%
93306	Bakersfield	633	5.3%	63.3%	6,684	9.5%
93268	Taft	526	4.4%	67.7%	1,729	30.4%
93314	Bakersfield	478	4.0%	71.7%	1,892	25.3%
93303	Bakersfield	458	3.9%	75.6%	526	87.1%
93305	Bakersfield	331	2.8%	78.4%	4,424	7.5%
93263	Shafter	309	2.6%	81.0%	1,626	19.0%
93280	Wasco	273	2.3%	83.3%	1,746	15.6%
93301	Bakersfield	228	1.9%	85.2%	1,868	12.2%
93215	Delano	213	1.8%	87.0%	3,337	6.4%
93203	Arvin	141	1.2%	88.2%	1,514	9.3%
93241	Lamont	101	0.9%	89.0%	1,323	7.6%
93250	Mc Farland	73	0.6%	89.6%	982	7.4%
93206	Buttonwillow	39	0.3%	90.0%	155	25.2%
93389	Bakersfield	33	0.3%	90.3%	136	24.3%
93390	Bakersfield	13	0.1%	90.4%	50	26.0%
93383	Bakersfield	11	0.1%	90.5%	18	61.1%
93216	Delano	10	0.1%	90.5%	176	5.7%
93302	Bakersfield	9	0.1%	90.6%	125	7.2%
93384	Bakersfield	9	0.1%	90.7%	73	12.3%
93251	Mc Kittrick	8	0.1%	90.8%	16	50.0%
93287	Woody	6	0.1%	90.8%	18	33.3%
93385	Bakersfield	5	0.0%	90.9%	42	11.9%
93276	Tupman	4	0.0%	90.9%	16	25.0%
93386	Bakersfield	4	0.0%	90.9%	62	6.5%
93388	Bakersfield	2	0.0%	90.9%	21	9.5%
93380	Bakersfield	2	0.0%	91.0%	36	5.6%
<b>Subtotal</b>		<b>10,796</b>	<b>91.0%</b>	<b>91.0%</b>	<b>65,433</b>	<b>16.5%</b>
Other ZIPs		1,074	9.0%	100%		
<b>Total Discharges</b>		<b>11,870</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Service Area Map**

Mercy Hospital – Bakersfield’s service area has approximately 750,000 residents. There are seven other hospitals located within Mercy Hospital – Bakersfield’s service area. Adventist Health Bakersfield is the inpatient market share leader (24.4%) in the service area.



Mercy Hospital – Bakersfield includes two facilities in Bakersfield located 9 miles apart.

**Hospital Market Share**

The table below provides the inpatient market share for Mercy Hospital-Bakersfield’s service area.

MERCY HOSPITAL – BAKERSFIELD MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Adventist Health Bakersfield	23.9%	25.0%	24.8%	24.4%	→
Bakersfield Memorial Hospital	21.3%	20.3%	20.7%	20.6%	→
<b>Mercy Hospital – Bakersfield</b>	<b>16.7%</b>	<b>17.0%</b>	<b>16.7%</b>	<b>16.5%</b>	→
Kern Medical Center	13.7%	12.8%	13.1%	13.7%	→
Bakersfield Heart Hospital	4.7%	4.8%	4.2%	4.2%	↘
Delano Regional Medical Center	4.4%	4.4%	3.7%	3.3%	↘
Good Samaritan Hospital-Bakersfield	3.3%	3.4%	4.2%	3.2%	↘
HealthSouth Bakersfield Rehabilitation Hospital	2.4%	2.4%	2.3%	2.4%	→
Valley Children's Hospital	1.6%	1.6%	1.8%	1.8%	↗
Ronald Reagan UCLA Medical Center	1.0%	1.0%	1.0%	1.0%	→
Keck Hospital Of USC	0.7%	0.8%	0.8%	0.9%	↗
Cedars Sinai Medical Center	0.7%	0.7%	0.8%	0.8%	→
Crestwood Psychiatric Health Facility	0.7%	0.7%	0.8%	0.8%	→
Kaiser Foundation Hospital - Los Angeles	0.5%	0.5%	0.5%	0.5%	→
Children's Hospital of Los Angeles	0.3%	0.5%	0.4%	0.4%	→
Community Regional Medical Center-Fresno	0.1%	0.1%	0.2%	0.3%	↗
All Other	3.9%	4.0%	4.0%	5.1%	↗
<b>Total Percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>Total Discharges</b>	<b>64,391</b>	<b>65,572</b>	<b>63,954</b>	<b>65,433</b>	→

Source: OSHPD Discharge Database. CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of inpatient discharges in Mercy Hospital – Bakersfield’s service area increased by 2% between CY 2013 and CY 2016; and
- Bakersfield Memorial Hospital ranked second in market share (20.6%), followed by Mercy Hospital – Bakersfield (16.5%).

**Market Share by Payer Type**

The following table shows inpatient market share by hospital and payer type for Mercy Hospital-Bakersfield’s service area for CY 2016.

MERCY HOSPITAL – BAKERSFIELD MARKET SHARE BY PAYER TYPE CY 2016											
	Total Discharges	Adventist Health Bakersfield	Bakersfield Memorial Hospital	Mercy Hospital – Bakersfield	Kern Medical Center	Bakersfield Heart Hospital	Delano Regional Medical Center	Good Samaritan - Bakersfield	HealthSouth Bakersfield Rehabilitation Center	All Others	Total
Medi-Cal	26,814	17.8%	22.3%	13.6%	25.8%	0.5%	4.7%	3.1%	1.2%	11.0%	100.0%
Medicare	20,101	29.2%	20.9%	13.5%	4.6%	10.5%	3.3%	4.7%	5.2%	8.2%	100.0%
Private Coverage	15,622	29.4%	17.2%	26.9%	3.5%	2.8%	1.1%	2.2%	1.2%	15.8%	100.0%
All Other	2,393	27.1%	25.9%	9.3%	16.5%	2.9%	0.9%	0.6%	0.9%	16.0%	100.0%
Self-Pay	503	23.1%	0.0%	0.0%	35.8%	2.8%	4.6%	0.2%	5.6%	28.0%	100.0%
<b>Total Percentage</b>		<b>24.4%</b>	<b>20.6%</b>	<b>16.5%</b>	<b>13.7%</b>	<b>4.2%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>2.4%</b>	<b>11.6%</b>	<b>100.0%</b>
<b>Total Discharges</b>	<b>65,433</b>	<b>15,991</b>	<b>13,471</b>	<b>10,796</b>	<b>8,984</b>	<b>2,740</b>	<b>2,150</b>	<b>2,126</b>	<b>1,587</b>	<b>7,588</b>	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area inpatient discharges are Medi-Cal with 26,814 inpatient discharges (41.0%), followed by Medicare with 20,101 inpatient discharges (31.0%), and Private Coverage with 15,622 inpatient discharges (24.0%);
- Kern Medical Center is the inpatient market share leader for Medi-Cal (25.8%) and Self-Pay (35.8%);
- Adventist Health Bakersfield is the inpatient market share leader in Medicare (29.2%) and Private Coverage (29.4%); and

**Market Share by Service Line**

The following table shows inpatient market share by hospital and service line for Mercy Hospital-Bakersfield’s service area for CY 2016.

MERCY HOSPITAL – BAKERSFIELD MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Adventist Health Bakersfield	Bakersfield Memorial Hospital	Mercy Hospital – Bakersfield	Kern Medical Center	Bakersfield Heart Hospital	Delano Regional Medical Center	Good Samaritan Hospital-Bakersfield	HealthSouth Bakersfield Rehabilitation Hospital	All Others	Total
General Medicine	18,873	26.1%	21.8%	18.8%	9.2%	6.0%	4.0%	4.7%	1.3%	8.1%	100.0%
Obstetric Services	12,473	25.7%	24.3%	22.3%	21.5%	0.0%	5.0%	0.0%	0.0%	1.3%	100.0%
General Surgery	6,281	26.9%	18.1%	16.2%	14.1%	3.2%	3.4%	2.3%	0.0%	15.8%	100.0%
Cardiac Services	6,094	34.5%	25.6%	8.3%	3.9%	14.9%	2.3%	2.1%	0.7%	7.7%	100.0%
Orthopedics	4,412	18.4%	19.3%	14.8%	15.1%	2.3%	1.2%	0.3%	12.9%	15.5%	100.0%
Neurology	3,368	24.1%	17.0%	13.1%	7.7%	3.8%	1.5%	1.8%	20.8%	10.2%	100.0%
Behavioral Health	3,185	2.4%	1.2%	2.0%	21.2%	0.0%	0.6%	24.7%	0.0%	47.9%	100.0%
Neonatology	3,102	23.1%	22.7%	16.6%	28.6%	0.0%	4.4%	0.0%	0.0%	4.6%	100.0%
Oncology/Hematology (Medical)	1,364	21.0%	13.3%	15.0%	8.9%	4.5%	3.0%	2.2%	0.6%	31.5%	100.0%
Gynecology	1,110	23.8%	22.4%	30.9%	14.6%	0.1%	2.4%	0.0%	0.0%	5.8%	100.0%
Spine	1,054	23.0%	22.2%	15.5%	7.1%	4.8%	0.3%	0.3%	2.0%	24.9%	100.0%
Urology	1,036	20.7%	16.3%	19.8%	8.7%	0.9%	4.1%	1.5%	0.1%	28.0%	100.0%
Other	945	25.3%	14.2%	8.6%	29.8%	3.5%	1.0%	0.6%	0.0%	17.0%	100.0%
Vascular Services	848	24.1%	30.8%	16.5%	3.8%	10.8%	2.4%	1.8%	0.6%	9.3%	100.0%
ENT	606	16.0%	17.2%	9.1%	15.0%	1.0%	2.3%	2.3%	0.2%	37.0%	100.0%
Neurosurgery	482	15.8%	24.3%	10.0%	14.7%	0.6%	0.4%	0.0%	0.0%	34.2%	100.0%
No-match-found	126	17.5%	8.7%	15.1%	10.3%	1.6%	3.2%	17.5%	0.0%	26.2%	100.0%
Ophthalmology	69	15.9%	7.2%	20.3%	7.2%	1.4%	0.0%	1.4%	0.0%	46.4%	100.0%
<b>Total Percentage</b>		<b>24.4%</b>	<b>20.6%</b>	<b>16.5%</b>	<b>13.7%</b>	<b>4.2%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>2.4%</b>	<b>11.6%</b>	<b>100.0%</b>
<b>Total Discharges</b>	<b>65,433</b>	<b>15,991</b>	<b>13,471</b>	<b>10,796</b>	<b>8,984</b>	<b>2,740</b>	<b>2,150</b>	<b>2,126</b>	<b>1,587</b>	<b>7,588</b>	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Mercy Hospital – Bakersfield is the service line leader in gynecology (30.9%) and ophthalmology (20.3%);
- Adventist Health Bakersfield is the service line leader in eight of 19 service lines: general medicine (26.1%), obstetric services (25.7%), general surgery (26.9%), cardiac services (34.5%), neurology (24.1%), oncology/hematology (medical) (21%), spine (23.0%), and urology (20.7%); and
- Bakersfield Memorial Hospital is the service line leader in four of 18 service lines: orthopedics (19.3%), vascular services (30.8%), ENT (17.2%), and neurosurgery (24.3%).

**Market Share by ZIP Code**

The following table shows hospital market share by ZIP Code in Mercy Hospital-Bakersfield’s service area for CY 2016.

MERCY HOSPITAL – BAKERSFIELD MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Adventist Health Bakersfield	Bakersfield Memorial Hospital	Mercy Hospital – Bakersfield	Kern Medical Center	Bakersfield Heart Hospital	Delano Regional Medical Center	Good Samaritan Hospital-Bakersfield	HealthSouth Bakersfield Rehabilitation Hospital	All Others	Total
93307	Bakersfield	7,678	25.9%	22.5%	13.5%	20.6%	3.1%	0.2%	3.0%	1.7%	9.4%	100.0%
93308	Bakersfield	6,896	26.5%	26.6%	9.7%	10.8%	6.6%	0.1%	6.6%	2.6%	10.4%	100.0%
93306	Bakersfield	6,684	25.8%	26.3%	9.5%	17.4%	4.6%	0.1%	2.5%	3.2%	10.6%	100.0%
93309	Bakersfield	5,615	28.1%	18.4%	21.3%	8.9%	5.1%	0.1%	2.7%	3.2%	12.3%	100.0%
93304	Bakersfield	5,478	28.6%	20.1%	16.6%	14.3%	3.5%	0.3%	3.7%	2.9%	10.0%	100.0%
93305	Bakersfield	4,424	19.6%	26.4%	7.5%	27.4%	2.8%	0.3%	5.3%	1.7%	9.0%	100.0%
93312	Bakersfield	4,211	23.4%	19.3%	26.2%	3.9%	5.5%	0.2%	2.1%	2.8%	16.6%	100.0%
93313	Bakersfield	3,832	25.2%	17.2%	25.8%	8.8%	4.1%	0.2%	4.0%	1.9%	12.8%	100.0%
93215	Delano	3,337	17.6%	11.1%	6.4%	5.8%	1.2%	42.7%	0.5%	1.4%	13.3%	100.0%
93311	Bakersfield	3,128	22.4%	14.1%	31.2%	4.5%	5.5%	0.0%	2.7%	3.6%	16.0%	100.0%
93314	Bakersfield	1,892	23.0%	17.8%	25.3%	5.8%	6.4%	0.2%	1.8%	2.9%	16.9%	100.0%
93301	Bakersfield	1,868	24.1%	29.9%	12.2%	11.9%	4.7%	0.2%	3.9%	1.8%	11.4%	100.0%
93280	Wasco	1,746	27.0%	16.0%	15.6%	13.6%	3.2%	10.5%	1.8%	1.9%	10.4%	100.0%
93268	Taft	1,729	19.0%	13.4%	30.4%	14.1%	4.1%	0.1%	3.4%	3.7%	11.8%	100.0%
93263	Shafter	1,626	21.8%	15.5%	19.0%	17.9%	5.4%	3.4%	2.1%	2.4%	12.5%	100.0%
93203	Arvin	1,514	26.0%	21.9%	9.3%	25.4%	2.8%	0.3%	2.2%	1.6%	10.6%	100.0%
93241	Lamont	1,323	22.2%	19.7%	7.6%	36.2%	2.3%	0.2%	2.7%	1.6%	7.6%	100.0%
93250	Mc Farland	982	15.2%	15.0%	7.4%	8.0%	1.3%	35.4%	1.1%	1.6%	14.9%	100.0%
93303	Bakersfield	526	7.6%	2.5%	87.1%	0.6%	0.0%	0.0%	0.4%	0.0%	1.9%	100.0%
93216	Delano	176	41.5%	6.8%	5.7%	2.8%	0.0%	23.3%	0.6%	1.1%	18.2%	100.0%
93206	Buttonwillow	155	16.8%	20.0%	25.2%	17.4%	4.5%	0.6%	0.0%	0.6%	14.8%	100.0%
93389	Bakersfield	136	30.9%	19.1%	24.3%	5.1%	5.1%	0.0%	1.5%	2.9%	11.0%	100.0%
93302	Bakersfield	125	18.4%	8.8%	7.2%	41.6%	1.6%	0.8%	4.0%	1.6%	16.0%	100.0%
93384	Bakersfield	73	42.5%	23.3%	12.3%	6.8%	4.1%	0.0%	4.1%	0.0%	6.8%	100.0%
93386	Bakersfield	62	29.0%	17.7%	6.5%	8.1%	9.7%	0.0%	12.9%	3.2%	12.9%	100.0%
93390	Bakersfield	50	20.0%	24.0%	26.0%	4.0%	2.0%	0.0%	2.0%	2.0%	20.0%	100.0%
93385	Bakersfield	42	40.5%	11.9%	11.9%	23.8%	0.0%	0.0%	0.0%	4.8%	7.1%	100.0%
93380	Bakersfield	36	36.1%	13.9%	5.6%	2.8%	5.6%	2.8%	0.0%	2.8%	30.6%	100.0%
93388	Bakersfield	21	33.3%	33.3%	9.5%	0.0%	9.5%	0.0%	0.0%	4.8%	9.5%	100.0%
93383	Bakersfield	18	11.1%	0.0%	61.1%	0.0%	16.7%	0.0%	0.0%	0.0%	11.1%	100.0%
93287	Woody	18	11.1%	22.2%	33.3%	0.0%	11.1%	0.0%	0.0%	11.1%	11.1%	100.0%
93276	Tupman	16	18.8%	31.3%	25.0%	12.5%	0.0%	0.0%	0.0%	0.0%	12.5%	100.0%
93251	Mc Kittrick	16	31.3%	12.5%	50.0%	6.3%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
<b>Total Percentage</b>			<b>24.4%</b>	<b>20.6%</b>	<b>16.5%</b>	<b>13.7%</b>	<b>4.2%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>2.4%</b>	<b>11.6%</b>	<b>100.0%</b>
<b>Total Discharges</b>		<b>65,433</b>	<b>15,990</b>	<b>13,471</b>	<b>10,796</b>	<b>8,984</b>	<b>2,740</b>	<b>2,150</b>	<b>2,126</b>	<b>1,587</b>	<b>7,589</b>	

Note: Includes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Mercy Hospital – Bakersfield is the inpatient market share leader in 11 of the 33 ZIP Codes; and
- Adventist Health Bakersfield is the inpatient market share leader in 13 of the 33 ZIP Codes.

## Profile of Bakersfield Memorial Hospital

### Overview

Bakersfield Memorial Hospital, established in 1950, is a general acute care hospital located at 420 34<sup>th</sup> Street in Bakersfield, California.

Today, Bakersfield Memorial Hospital offers services including: cancer care, orthopedics, home health, and a Primary Stroke Center. The Hospital has ten surgical operating rooms and a basic emergency department with 24 emergency treatment stations<sup>28</sup>. According to Bakersfield Memorial Hospital’s current hospital license, it is licensed for 421 beds as shown below.

BAKERSFIELD MEMORIAL HOSPITAL LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds <sup>1</sup>
<b>General Acute Care Beds</b>	
Pediatric	35
Intensive Care Newborn Nursery	31
Perinatal	30
Intensive Care <sup>2*</sup>	25
Coronary Care <sup>2</sup>	16
Burn	7
Unspecified General Acute Care	277
<b>Total General Acute Care Beds</b>	<b>421</b>
<b>Total Licensed Beds</b>	<b>421</b>

<sup>1</sup> 2018 Hospital License

<sup>2</sup>Intensive Care and Coronary Care Beds are interchangeable

\*As of 2012 8 Intensive Care beds were designated as Pediatric Intensive Care Unit Beds

<sup>28</sup> Of the 24 emergency treatment stations, five of these are designated as pediatric treatment stations. In addition, the Hospital has 14 emergency treatment chairs that are unlicensed. Five of these are designated as pediatric treatment stations.



**Key Statistics**

Bakersfield Memorial Hospital reported 15,176 inpatient discharges, 62,221 patient days, and an average daily census of 170 patients (40% occupancy) for FY 2017.

BAKERSFIELD MEMORIAL HOSPITAL KEY STATISTICS FY 2015 - FY 2017 <sup>1</sup>			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	15,223	15,352	15,176
Licensed Beds	426	426	421
Patient Days	61,620	61,774	62,221
Average Daily Census	169	169	170
Occupancy	39.6%	39.7%	40.5%
Average Length of Stay	4.0	4.0	4.1
Cardiac Catheterization Procedures	12,252	11,736	14,226
Emergency Service Visits	77,859	77,252	74,279
Total Live Births	3,225	3,225	3,090

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

<sup>1</sup> FY 2015 and FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 data is from unaudited.

- Since FY 2015, inpatient discharges and patient days have remained relatively constant;
- In FY 2017, 74,279 emergency service visits were reported, a 5% decrease from FY 2015; and
- In FY 2017, total live births decreased by 4% to 3,090.

**Patient Utilization Trends**

The following table shows FY 2013 - FY 2017 patient volume trends at Bakersfield Memorial Hospital.

BAKERSFIELD MEMORIAL HOSPITAL SERVICE VOLUMES FY 2013 - FY 2017 <sup>1</sup>					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical <sup>2</sup>	42,555	40,423	40,239	40,816	39,601
Neonatal Intensive Care	8,916	8,894	8,662	8,305	8,806
Burn Care <sup>3</sup>	-	-	-	-	728
Intensive Care	5,822	5,999	5,797	5,651	6,521
Obstetrics	8,220	7,383	6,922	7,002	6,565
<b>Total</b>	<b>65,513</b>	<b>62,699</b>	<b>61,620</b>	<b>61,774</b>	<b>62,221</b>
DISCHARGES					
Medical/Surgical <sup>2</sup>	11,357	10,723	10,969	11,195	11,855
Neonatal Intensive Care	677	555	638	678	445
Burn Care <sup>3</sup>	-	-	-	-	26
Intensive Care	398	421	442	424	603
Obstetrics	3,681	3,195	3,174	3,055	2,247
<b>Total</b>	<b>16,113</b>	<b>14,894</b>	<b>15,223</b>	<b>15,352</b>	<b>15,176</b>
AVERAGE LENGTH OF STAY					
Medical/Surgical <sup>2</sup>	3.7	3.8	3.7	3.6	3.3
Neonatal Intensive Care	13.2	16	13.6	12.2	19.8
Burn Care <sup>3</sup>	-	-	-	-	28
Intensive Care	14.6	14.2	13.1	13.3	10.8
Obstetrics	2.2	2.3	2.2	2.3	2.9
<b>Total</b>	<b>4.1</b>	<b>4.2</b>	<b>4</b>	<b>4</b>	<b>4.1</b>
AVERAGE DAILY CENSUS					
Medical/Surgical <sup>2</sup>	116.6	110.7	110.2	111.8	108.5
Neonatal Intensive Care	24.4	24.4	23.7	22.8	24.1
Burn Care <sup>3</sup>	-	-	-	-	2
Intensive Care	16	16.4	15.9	15.5	17.9
Obstetrics	22.5	20.2	19	19.2	18
<b>Total</b>	<b>179</b>	<b>172</b>	<b>169</b>	<b>169</b>	<b>170</b>
OTHER SERVICES					
Inpatient Surgeries	4,833	4,679	4,679	4,694	4,544
Outpatient Surgeries	4,330	3,992	3,992	3,710	3,675
Emergency Services Visits	72,574	67,908	77,859	77,252	74,279
Total Live Births	3,728	3,236	3,225	3,225	3,090

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

<sup>2</sup> Includes Definitive Observation Beds

<sup>3</sup> Burn Care services is a new service as of FY 2017.

A review of Bakersfield Memorial Hospital’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- The average daily census decreased by 5%; and
- Outpatient surgeries decreased by 15%.

## Financial Profile

Over the last five fiscal years, Bakersfield Memorial Hospital’s net income has fluctuated, and recently reported \$30.8 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 26% and 25%, respectively. The Hospital’s operating expenses increased by approximately 34% from \$306.1 million in FY 2013 to \$409.7 million in FY 2017. Other operating revenue decreased by 5% over the five-year period from \$5.6 million in FY 2013 to \$3.1 million in FY 2017.

The Hospital’s current ratio has increased over the last five years from 4.28 in FY 2013 to 5.92 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s FY 2017 percentage of bad debt is 0.3% and lower than the state average (0.8%).

BAKERSFIELD MEMORIAL HOSPITAL FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 <sup>1</sup>						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	65,513	62,699	61,620	61,774	62,221	-
Discharges	16,113	14,894	15,223	15,352	15,176	-
ALOS	4.1	4.2	4.0	4.0	4.1	-
Net Patient Revenue	\$325,140,218	\$349,670,443	\$442,613,460	\$419,937,125	\$410,484,861	-
Other Operating Revenue	\$5,614,161	\$4,265,775	\$2,320,947	\$2,129,713	\$3,077,914	-
Total Operating Revenue	\$330,754,379	\$353,936,218	\$444,934,407	\$422,066,838	\$413,562,775	-
Operating Expenses	\$306,084,604	\$325,457,638	\$383,720,929	\$391,444,771	\$409,715,402	-
Net from Operations	\$24,669,775	\$28,478,580	\$61,213,478	\$30,622,067	\$3,847,373	-
Net Non-Operating Revenues and Expenses	\$7,380,858	\$23,686,859	\$10,319,993	(\$11,210,736)	\$26,980,645	-
<b>Net Income</b>	<b>\$32,050,633</b>	<b>\$52,165,439</b>	<b>\$71,533,471</b>	<b>\$19,411,331</b>	<b>\$30,828,018</b>	-
						2016 California Average <sup>2</sup>
Current Ratio	4.28	5.00	5.43	5.94	5.92	1.56
Days in A/R	37.1	47.6	35.1	36.2	48.6	57.1
Bad Debt Rate	1.5%	0.6%	0.6%	0.5%	0.3%	0.8%
Operating Margin	7.46%	8.05%	13.76%	7.26%	0.93%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

<sup>2</sup> FY 2017 California data was not available when the data was collected to prepare this report.

### Cost of Hospital Services

Bakersfield Memorial Hospital’s operating cost of services includes both inpatient and outpatient care. In FY 2017, both Medi-Cal and Medicare accounted for 39% of the total costs, followed by 21% for Third-Party.

BAKERSFIELD MEMORIAL HOSPITAL OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 <sup>1</sup>					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Operating Expenses</b>	<b>\$306,084,604</b>	<b>\$325,457,638</b>	<b>\$383,720,929</b>	<b>\$391,444,771</b>	<b>\$409,715,402</b>
<b>Cost of Services By Payer:</b>					
Medicare	\$116,859,410	\$132,846,836	\$148,432,802	\$153,540,124	\$159,789,842
Medi-Cal	\$103,726,245	\$102,259,668	\$135,944,068	\$143,943,899	\$158,534,484
County Indigent	\$1,730,337	\$779,427	-	\$4,592	-
Third-Party	\$65,579,471	\$75,730,574	\$92,867,984	\$89,832,656	\$88,488,249
Other Indigent	\$6,633,965	\$6,115,306	\$2,848,516	\$1,437,589	\$1,438,185
All Other Payers	\$11,555,176	\$7,725,828	\$3,627,559	\$2,685,911	\$1,464,642

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

### Charity Care

The following table shows a comparison of charity care and bad debt for Bakersfield Memorial Hospital 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 2.0% for and less than the four-year statewide average of 2.5%. According to OSHPD, “...the determination of what is classified as charity care can be made by establishing whether or not the patient has the ability to pay. The patient’s accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account.”

BAKERSFIELD MEMORIAL HOSPITAL CHARITY CARE COMPARISON FY 2013 - FY 2017 <sup>2</sup> (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA <sup>2</sup>
<b>Gross Patient Revenue</b>	\$1,282,797	\$320,382,471	\$1,442,249	\$338,322,364	\$1,534,114	\$365,501,463	\$1,559,473	\$396,427,743	\$1,675,904	-
Charity	\$32,142	\$6,563,487	\$30,722	\$5,113,965	\$13,936	\$3,441,227	\$5,727	\$3,457,868	\$5,838	-
Bad Debt	\$19,251	\$5,891,632	\$8,850	\$4,365,936	\$9,967	\$3,262,642	\$7,984	\$3,108,971	\$5,437	-
<b>Total Charity &amp; Bad Debt</b>	<b>\$51,393</b>	<b>\$12,455,119</b>	<b>\$39,572</b>	<b>\$9,479,902</b>	<b>\$23,903</b>	<b>\$6,703,869</b>	<b>\$13,711</b>	<b>\$6,566,839</b>	<b>\$11,274</b>	<b>-</b>
Charity Care as a % of Gross Patient Revenue	2.5%	2.0%	2.1%	1.5%	0.9%	0.9%	0.4%	0.9%	0.3%	-
Bad Debt as a % of Gross Patient Revenue	1.5%	1.8%	0.6%	1.3%	0.6%	0.9%	0.5%	0.8%	0.3%	-
<b>Total as a % of Gross Patient Revenue</b>	<b>4.0%</b>	<b>3.9%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>0.9%</b>	<b>1.7%</b>	<b>0.7%</b>	<b>-</b>
<b>Uncompensated Care</b>										
Cost to Charge Ratio	23.4%	24.5%	22.3%	23.6%	24.9%	24.1%	25.0%	23.8%	24.3%	-
Charity	\$7,529	\$1,608,711	\$6,842	\$1,207,919	\$3,465	\$828,647	\$1,430	\$822,627	\$1,416	-
Bad Debt	\$4,509	\$1,444,039	\$1,971	\$1,031,234	\$2,478	\$785,644	\$1,993	\$739,624	\$1,319	-
<b>Total</b>	<b>\$12,038</b>	<b>\$3,052,750</b>	<b>\$8,813</b>	<b>\$2,239,153</b>	<b>\$5,942</b>	<b>\$1,614,292</b>	<b>\$3,423</b>	<b>\$1,562,251</b>	<b>\$2,736</b>	<b>-</b>

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

<sup>2</sup> FY 2017 California data was not available when the data was collected to prepare this report.

The table below shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$7.5 million in FY 2013 to \$1.4 million in FY 2017. The average cost of charity care for the last five-year period was \$4.1 million, while the three-year average cost of charity care was \$2.1 million.

BAKERSFIELD MEMORIAL HOSPITAL COST OF CHARITY CARE FY 2013 - FY 2017 <sup>1</sup>			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$5,837,501	24.3%	\$1,416,398
FY 2016	\$5,727,196	25.0%	\$1,429,767
FY 2015	\$13,935,738	24.9%	\$3,464,600
FY 2014	\$30,721,518	22.3%	\$6,841,748
FY 2013	\$32,141,542	23.4%	\$7,528,536
<b>FY 2015 - FY 2017 Average</b>			<b>\$2,103,588</b>
<b>FY 2013 - FY 2017 Average</b>			<b>\$4,136,210</b>

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

<sup>1</sup> FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

In the application to the California Attorney General, Dignity Health reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room costs.

BAKERSFIELD MEMORIAL HOSPITAL COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
<b>FY 2017:</b>				
Cost of Charity	\$423,289	\$714,683	\$227,579	\$1,365,551
Visits/Discharges	29	249	437	
<b>FY 2016:</b>				
Cost of Charity	\$554,688	\$704,509	\$227,322	\$1,486,519
Visits/Discharges	43	257	491	
<b>FY 2015:</b>				
Cost of Charity	\$1,421,338	\$1,587,818	\$513,172	\$3,522,328
Visits/Discharges	115	567	1,134	
<b>FY 2014:</b>				
Cost of Charity	\$4,004,261	\$1,905,478	\$606,081	\$6,515,820
Visits/Discharges	362	768	1436	
<b>FY 2013:</b>				
Cost of Charity	\$3,706,332	\$1,560,387	\$772,735	\$6,039,454
Visits/Discharges	378	1,685	1,871	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussions with JD Healthcare, Inc. and Vizient, Inc., Dignity Health has acknowledged that an error was made in its calculation of charity care costs. Dignity Health has stated that it accepts the calculations provided by JD Healthcare, Inc. and Vizient, Inc. for the purposes of determining their charity care commitment.

**Community Benefit Services**

In the last five years, Bakersfield Memorial Hospital has provided significant contributions for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three fiscal years has been \$1.6 million. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$2.5 million.

BAKERSFIELD MEMORIAL HOSPITAL COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017							
Community Benefit Programs	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015 - FY 2017 Average	FY 2013 - FY 2017 Average
Benefits for Living in Poverty	\$6,469,291	\$1,598,550	\$2,786,006	\$2,124,849	\$2,761,904	\$2,557,586	\$3,148,120
Benefits for Broader Community	\$380,593	\$240,019	\$165,608	\$172,087	\$361,492	\$233,062	\$263,960
<b>Totals</b>	<b>\$6,849,884</b>	<b>\$1,838,569</b>	<b>\$2,951,614</b>	<b>\$2,296,936</b>	<b>\$3,123,396</b>	<b>\$3,412,080</b>	<b>\$3,504,173</b>
Medi-Cal Provider Fee CHFT Grant Expense	(\$367,956)	(\$522,798)	(\$1,796,665)	(\$893,740)	(\$742,782)	-	-
<b>Adjusted Totals</b>	<b>\$6,481,928</b>	<b>\$1,315,771</b>	<b>\$1,154,949</b>	<b>\$1,403,196</b>	<b>\$2,380,614</b>	<b>\$1,646,253</b>	<b>\$2,547,292</b>

Source: Dignity Health

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$3.1 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$263,960 per year; and
- Over the five-year period, the Hospital’s combined adjusted total cost of the community benefit services decreased from \$6.5 million in FY 2013 to \$2.4 million in FY 2017.

The following table lists the Hospital’s community benefit services over the past five fiscal years that cost over \$10,000 in FY 2017, followed by descriptions of these community benefit services.

BAKERSFIELD MEMORIAL HOSPITAL COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Services over \$10,000 in cost for FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Art for Healing	-	\$3,289	\$22,314	\$78,628	\$106,242
Community Benefit Operations	\$451,013	\$409,728	\$404,254	\$557,000	\$886,477
Community Health Initiative	\$233,550	\$98,595	\$59,231	\$61,664	\$192,574
Continuing Care Services	-	-	-	-	\$13,500
Dignity Health Community Grants Program	\$127,473	\$138,457	\$153,436	\$162,719	\$182,497
Dinner Bell Program	\$14,705	\$21,567	\$20,501	\$12,406	\$12,697
Donations - (Cash)	\$109,760	\$91,417	\$75,834	\$19,375	\$166,044
Donations - (In-Kind)	\$8,327	\$22,713	\$28,745	\$21,951	\$61,595
Food Donations to Community Organizations	-	-	-	-	\$23,803
Health Education Seminars and Classes	\$32,887	\$6,718	\$37,627	\$43,805	\$47,894
Health Professions Education – Training	-	-	-	-	\$16,817
Health Screenings	\$72,356	\$62,582	\$57,934	\$89,526	\$139,179
Healthy Kids In Healthy Homes	\$15,553	\$12,818	\$19,621	\$23,190	\$23,367
Healthy Living – Chronic Disease Self – Management	\$14,572	\$18,691	\$19,916	\$46,510	\$26,698
Healthy Living – Diabetes Self – Management	\$13,226	\$13,562	\$19,805	\$19,188	\$26,557
Homemaker Care Program - Client Services	\$51,869	\$46,632	\$57,157	\$127,416	\$249,835
Homemaker Care Program – Training	\$4,697	\$2,291	\$1,082	\$1,357	\$24,244
Homework Club	\$15,121	\$7,980	\$6,327	\$14,210	\$31,787
In-Home Health Education Program	\$72,667	\$37,145	\$25,565	\$18,328	\$26,106
Prescription Purchases for Indigents	\$91,906	\$92,883	\$83,189	\$68,476	\$30,690
School Supportive Services	\$1,670	-	-	-	\$12,735
Zumba Classes	\$5,600	\$8,550	\$6,710	\$7,400	\$13,374

Source: Dignity Health

- Art for Healing: Offers opportunities for creative expression, as well as a reflection area;
- Community Benefit Operations: Includes costs associated with assigned staff not allocated to specific programs, as well as other costs associated with community benefit strategy and operations;
- Community Health Initiative: Collaboration with public, private, and nonprofit organizations to enroll individuals in health insurance programs;
- Continuing Care Services: Hospital pays for continuing care services for at-risk patients who have been discharged from the Hospital. Services include room and board and home care services. Patients are often homeless or may live alone with no support;
- Dignity Health Community Grants Program: The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the communities served. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations, and to help reduce disparities;

- Dinner Bell Program: A food program that provides meals to families residing in the southeast community;
- Donations - (Cash): Funds, grants or in-kind services donated to community organizations or to the community at large;
- Donation – In-Kind: Staff Time For Community: In-kind services include hours contributed by staff to the community as well as food/equipment/supplies donations;
- Food Donations to Community Organizations: Packaged food and water donations from the nutrition services departments to community organizations who serve those in need;
- Health Education Seminars and Classes: Classes on health topics such as nutrition, diabetes, cholesterol, hypertension, chronic illness management, sepsis, fitness, and exercise;
- Health Professions Education Training: Includes costs associated with training nurses and other staff to serve as preceptors;
- Health Screenings: Provides health screenings throughout Kern County for blood glucose levels, cholesterol, blood pressure, and body composition;
- Healthy Kids In Healthy Homes: Provides information on the topics of nutrition, exercise, and lifestyle changes. Provided at under-served schools.
- Healthy Living - Chronic Disease Self-Management: Disease-management program that focuses goal setting and problem solving, nutrition, communication skills, relaxation techniques, medication usage, and community resources;
- Healthy Living - Diabetes Self-Management Program: Disease-management program that focuses goal setting and problem solving, nutrition, communication skills, relaxation techniques, medication usage, and community resources;
- Homemaker Care Program – Client Services: Provides in-home supportive services to seniors ages 65 and older, as well as adults with disabilities;
- Homemaker Care Program – Training: Provides a three-week employment readiness skills training focusing on individuals transitioning from unemployment into the workforce. Participants are trained to offer competent and reliable services to the senior population;



- Homework Club: An after-school program for underserved students attending first through sixth grade that focuses on providing a safe environment for students;
- In-Home Health Education Program: The program provides education on topics such as nutrition, diabetes, cholesterol, hypertension, chronic illness management, fitness, and exercise;
- Prescription Purchases for Indigents: Purchases necessary medications in emergency situations for individuals who face financial barriers in purchasing their own medication(s);
- School Supportive Services: Provides nutrition and physical education to local students. The program also provides clothing and shoes to the students; and
- Zumba Classes: Free Zumba classes are available to employees and community.

**Reproductive Health**

For CY 2016, Bakersfield Memorial Hospital reported 103 inpatient discharges related to reproductive health services<sup>29</sup>. The following table lists inpatient reproductive health services by diagnostic related group (DRG) for CY 2016.

BAKERSFIELD MEMORIAL HOSPITAL CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C <sup>1</sup>	39
777-Ectopic Pregnancy	26
778-Threatened Abortion	25
779-Abortion W/O D&C <sup>1</sup>	8
770-Abortion W D&C <sup>1</sup> , Aspiration Curettage Or Hysterotomy	5
<b>Total Discharges:</b>	<b>103</b>

Source: CY 2016 OSHPD Patient Discharge Database

<sup>1</sup>D&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 service inpatient discharges.

<sup>29</sup> Bakersfield Memorial Hospital is not a Catholic hospital and is subject to the Statement of Common Values that prohibits direct abortions. Although the Statement of Common Values prohibits direct abortions, these procedures are performed at the Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

According to Dignity Health representatives, the following table indicates whether the Hospital performs the listed women’s reproductive health services.

BAKERSFIELD MEMORIAL HOSPITAL REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	Yes
Terminate pregnancy when:	
A. Placenta previa	No
B. Premature rupture of membranes	Yes, When the life of the mother is threatened.
C. Second trimester bleeding with previable fetus	No
Placement of an IUD at time of other gynecological surgery	No
Postpartum placement of IUD	No
Gender affirming surgery	Yes
Emergency contraception as emergency room or inpatient service	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	Yes

Source: Dignity Health

## Analysis of Bakersfield Memorial Hospital’s Service Area

### Service Area Definition

Bakersfield Memorial Hospital’s service area is comprised of 34 ZIP Codes from which 93% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital’s inpatient discharges originated from the top five ZIP Codes, in the City of Bakersfield. Furthermore, approximately 71% of the Hospital’s inpatient discharges originated from the top nine ZIP Codes, in the City of Bakersfield. In CY 2016, the Hospital’s market share in the service area was 20.8%.

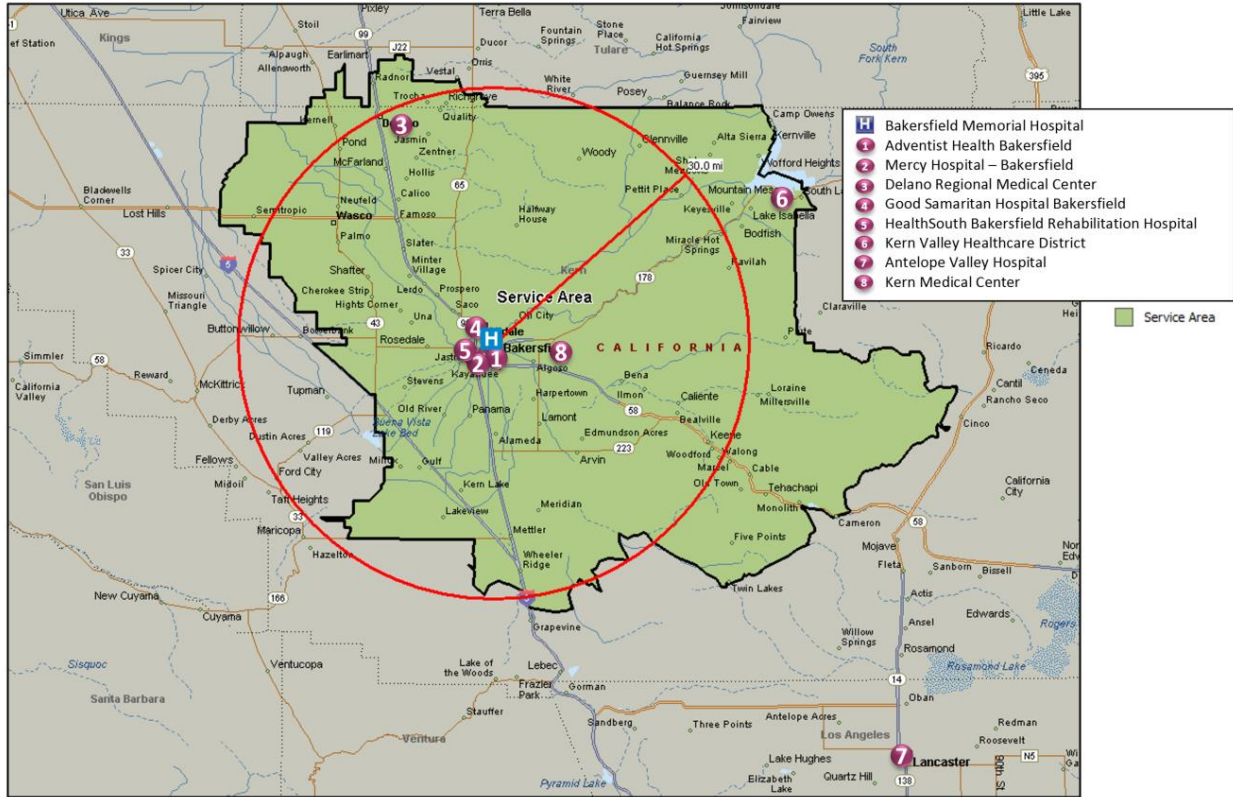
BAKERSFIELD MEMORIAL HOSPITAL PATIENT ORIGIN CY 2016							
ZIP Code	Community	Total Discharges	% of Discharges	Cum % of Discharges	Total Area Discharges	Market Share	
93308	Bakersfield	1,837	12.2%	12.2%	6,896	26.6%	
93306	Bakersfield	1,761	11.7%	23.9%	6,684	26.3%	
93307	Bakersfield	1,729	11.5%	35.4%	7,678	22.5%	
93305	Bakersfield	1,168	7.8%	43.2%	4,424	26.4%	
93304	Bakersfield	1,102	7.3%	50.5%	5,478	20.1%	
93309	Bakersfield	1,033	6.9%	57.4%	5,615	18.4%	
93312	Bakersfield	813	5.4%	62.8%	4,211	19.3%	
93313	Bakersfield	658	4.4%	67.2%	3,832	17.2%	
93301	Bakersfield	559	3.7%	70.9%	1,868	29.9%	
93561	Tehachapi	480	3.2%	74.1%	2,598	18.5%	
93311	Bakersfield	441	2.9%	77.0%	3,128	14.1%	
93215	Delano	369	2.5%	79.5%	3,337	11.1%	
93314	Bakersfield	337	2.2%	81.7%	1,892	17.8%	
93203	Arvin	332	2.2%	83.9%	1,514	21.9%	
93280	Wasco	280	1.9%	85.8%	1,746	16.0%	
93241	Lamont	260	1.7%	87.5%	1,323	19.7%	
93263	Shafter	252	1.7%	89.2%	1,626	15.5%	
93240	Lake Isabella	156	1.0%	90.2%	956	16.3%	
93250	Mc Farland	147	1.0%	91.2%	982	15.0%	
93285	Wofford Heights	72	0.5%	91.7%	395	18.2%	
93205	Bodfish	52	0.3%	92.0%	301	17.3%	
93389	Bakersfield	26	0.2%	92.2%	136	19.1%	
93518	Caliente	21	0.1%	92.3%	119	17.6%	
93384	Bakersfield	17	0.1%	92.5%	73	23.3%	
93390	Bakersfield	12	0.1%	92.5%	50	24.0%	
93387	Bakersfield	12	0.1%	92.6%	40	30.0%	
93386	Bakersfield	11	0.1%	92.7%	62	17.7%	
93302	Bakersfield	11	0.1%	92.8%	125	8.8%	
93531	Keene	9	0.1%	92.8%	54	16.7%	
93388	Bakersfield	7	0.0%	92.9%	21	33.3%	
93226	Glennville	7	0.0%	92.9%	25	28.0%	
93380	Bakersfield	5	0.0%	92.9%	36	13.9%	
93385	Bakersfield	5	0.0%	93.0%	42	11.9%	
93287	Woody	4	0.0%	93.0%	18	22.2%	
<b>Total Percentage</b>		<b>13,985</b>	<b>93.0%</b>	<b>93.0%</b>	<b>67,285</b>	<b>20.8%</b>	
Other ZIPs		1,052	7.0%	100%			
<b>Total Discharges</b>		<b>15,037</b>	<b>100.0%</b>				

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

**Service Area Map**

Bakersfield Memorial Hospital’s service area has approximately 780,000 residents. There are eight other hospitals located within Bakersfield Memorial Hospital service area.



**Hospital Market Share**

The table below provides the inpatient market share for Bakersfield Memorial Hospital service area.

BAKERSFIELD MEMORIAL HOSPITAL MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Adventist Health Bakersfield	24.1%	25.1%	25.1%	24.7%	→
<b>Bakersfield Memorial Hospital</b>	<b>21.5%</b>	<b>20.5%</b>	<b>21.0%</b>	<b>20.8%</b>	<b>→</b>
Mercy Hospital – Bakersfield	14.8%	15.0%	14.7%	15.1%	→
Kern Medical Center	13.4%	12.7%	12.9%	13.4%	→
Bakersfield Heart Hospital	5.0%	5.1%	4.4%	4.3%	↘
Good Samaritan Hospital-Bakersfield	3.2%	3.3%	4.1%	3.2%	→
Delano Regional Medical Center	4.2%	4.2%	3.6%	3.1%	↘
HealthSouth Bakersfield Rehabilitation Hospital	2.4%	2.5%	2.4%	2.4%	→
Valley Children's Hospital	1.6%	1.6%	1.8%	1.8%	→
Ronald Reagan UCLA Medical Center	0.9%	1.0%	1.0%	1.0%	→
Keck Hospital of USC	0.8%	0.9%	0.9%	1.0%	↗
Cedars Sinai Medical Center	0.8%	0.7%	0.8%	0.9%	↗
Crestwood Psychiatric Health Facility	0.7%	0.7%	0.8%	0.7%	→
Kern Valley Healthcare District	1.0%	0.8%	0.8%	0.7%	↘
Kaiser Foundation Hospital - Los Angeles	0.6%	0.6%	0.5%	0.5%	→
Children's Hospital of Los Angeles	0.3%	0.5%	0.5%	0.4%	→
Antelope Valley Hospital	0.3%	0.3%	0.3%	0.3%	→
All Other	4.4%	4.5%	4.6%	5.7%	↗
<b>Total Percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>Total Discharges</b>	<b>66,015</b>	<b>67,037</b>	<b>65,295</b>	<b>67,285</b>	<b>↗</b>

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of inpatient discharges in Bakersfield Memorial Hospital’s service area has remained relatively stable between CY 2013 and CY 2016;
- Adventist Health Bakersfield is the inpatient market share leader in the service area; and
- Bakersfield Memorial Hospital ranked second in market share (20.8%), followed by Mercy Hospital – Bakersfield (15.1%).

**Market Share by Payer Type**

The following table shows inpatient market share by hospital and payer type for Bakersfield Memorial Hospital’s service area for CY 2016.

BAKERSFIELD MEMORIAL HOSPITAL HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Adventist Health Bakersfield	Bakersfield Memorial Hospital	Mercy Hospital – Bakersfield	Kern Medical Center	Bakersfield Heart Hospital	Good Samaritan Hospital – Bakersfield	Delano Regional Medical Center	HealthSouth Bakersfield Rehabilitation Hospital	All Others	Total
Medi-Cal	27,038	17.9%	22.5%	12.8%	25.5%	0.5%	3.1%	4.7%	1.2%	11.9%	100.0%
Medicare	21,562	29.4%	20.8%	12.3%	4.5%	10.2%	4.3%	3.0%	5.0%	10.3%	100.0%
Private Coverage	15,777	29.9%	17.6%	24.1%	3.7%	2.9%	2.2%	1.1%	1.2%	17.4%	100.0%
All Other	2,383	25.1%	26.9%	9.1%	16.7%	3.0%	0.6%	0.6%	0.9%	17.0%	100.0%
Self-Pay	525	21.9%	0.0%	0.0%	34.1%	2.7%	0.2%	4.2%	5.3%	31.6%	100.0%
<b>Total Percentage</b>		<b>24.7%</b>	<b>20.8%</b>	<b>15.1%</b>	<b>13.4%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>13.0%</b>	<b>100.0%</b>
<b>Total Discharges</b>	<b>67,285</b>	<b>16,626</b>	<b>13,985</b>	<b>10,152</b>	<b>9,024</b>	<b>2,869</b>	<b>2,136</b>	<b>2,112</b>	<b>1,636</b>	<b>8,745</b>	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area inpatient discharges are Medi-Cal with 27,038 inpatient discharges (40%), followed by Medicare with 21,562 inpatient discharges (32%), and Private Coverage with 15,777 inpatient discharges (23%);
- Kern Medical Center is the inpatient market share leader for Medi-Cal with (25.5%) and Self-Pay (34.1%); and
- Adventist Health Bakersfield is the inpatient market share leader for Medicare (29.4%) and Private Coverage (29.9%).

**Market Share by Service Line**

The following table shows inpatient market share by hospital and service line for Bakersfield Memorial Hospital’s service area for CY 2016.

BAKERSFIELD MEMORIAL HOSPITAL HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Adventist Health Bakersfield	Bakersfield Memorial Hospital	Mercy Hospital – Bakersfield	Kern Medical Center	Bakersfield Heart Hospital	Good Samaritan Hospital - Bakersfield	Delano Regional Medical Center	HealthSouth Bakersfield Rehabilitation Hospital	All Others	Total
General Medicine	19,395	26.5%	22.0%	16.4%	9.1%	6.1%	4.5%	3.8%	1.3%	10.3%	100.0%
Obstetrics	12,569	25.9%	24.5%	22.1%	20.7%	0.0%	0.0%	4.9%	0.0%	1.8%	100.0%
General Surgery	6,367	27.5%	18.7%	14.6%	14.2%	3.3%	2.2%	3.3%	0.0%	16.2%	100.0%
Cardiac Services	6,354	34.5%	25.4%	7.2%	3.8%	14.9%	1.9%	2.1%	0.6%	9.5%	100.0%
Orthopedics	4,750	18.7%	19.7%	13.3%	14.6%	2.4%	0.3%	1.1%	12.8%	17.0%	100.0%
Neurology	3,474	24.7%	17.3%	11.2%	7.7%	4.0%	1.8%	1.6%	20.3%	11.5%	100.0%
Behavioral Health	3,295	2.4%	1.2%	1.7%	21.1%	0.1%	24.7%	0.5%	0.0%	48.3%	100.0%
Neonatology	3,131	23.3%	22.6%	16.3%	28.0%	0.0%	0.0%	4.3%	0.0%	5.5%	100.0%
Oncology/Hematology (Medical)	1,402	21.7%	13.7%	13.3%	8.6%	4.7%	2.1%	2.8%	0.6%	32.4%	100.0%
Gynecology	1,169	23.5%	21.6%	31.1%	14.1%	0.1%	0.0%	2.2%	0.0%	7.3%	100.0%
Spine	1,139	22.8%	22.7%	14.2%	6.9%	4.7%	0.2%	0.3%	1.9%	26.3%	100.0%
Urology	1,065	20.3%	16.2%	18.0%	8.4%	1.0%	1.6%	3.8%	0.1%	30.6%	100.0%
Other	964	25.9%	14.5%	7.1%	30.1%	3.4%	0.6%	0.9%	0.0%	17.4%	100.0%
Vascular Services	883	24.2%	31.7%	14.6%	3.9%	11.0%	1.6%	2.0%	0.6%	10.4%	100.0%
ENT	621	15.5%	17.9%	8.4%	15.0%	1.1%	2.1%	2.3%	0.2%	37.7%	100.0%
Neurosurgery	512	17.2%	25.4%	8.2%	14.6%	0.8%	0.0%	0.4%	0.0%	33.4%	100.0%
No-match-found	126	17.5%	10.3%	12.7%	11.9%	0.8%	17.5%	3.2%	0.0%	26.2%	100.0%
Ophthalmology	61	16.4%	8.2%	9.8%	6.6%	1.6%	1.6%	0.0%	0.0%	55.7%	100.0%
<b>Total Percentage</b>		<b>24.7%</b>	<b>20.8%</b>	<b>15.1%</b>	<b>13.4%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>13.0%</b>	<b>100.0%</b>
<b>Total Discharges</b>	<b>67,285</b>	<b>16,626</b>	<b>13,985</b>	<b>10,152</b>	<b>9,024</b>	<b>2,869</b>	<b>2,136</b>	<b>2,112</b>	<b>1,636</b>	<b>8,745</b>	

Note: Excludes normal newborns  
Source: CY 2016 OSHPD Patient Discharge Database

- Bakersfield Memorial Hospital is the service line leader in four of 18 service lines: orthopedics (19.7%), vascular services (31.7%), ENT (17.9%), and neurosurgery (25.4%); and
- Adventist Health Bakersfield is the service area inpatient service line leader in nine of 18 service lines: general medicine (26.5%), obstetrics (25.9%), general surgery (27.5%), cardiac services (34.5%), neurology (24.7%), oncology/hematology (medicine) (21.7%), spine (22.8%), urology (20.3%), and ophthalmology (16.4%).

**Market Share by ZIP Code**

The following table shows hospital market share by ZIP Code in Bakersfield Memorial Hospital’s service area for CY 2016.

BAKERSFIELD MEMORIAL HOSPITAL HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Adventist Health Bakersfield	Bakersfield Memorial Hospital	Mercy Hospital – Bakersfield	Kern Medical Center	Bakersfield Heart Hospital	Good Samaritan Hospital - Bakersfield	Delano Regional Medical Center	HealthSouth Bakersfield Rehabilitation Hospital	All Others	Total
93307	Bakersfield	7,678	25.9%	22.5%	13.5%	20.6%	3.1%	3.0%	0.2%	1.7%	9.4%	100.0%
93308	Bakersfield	6,896	26.5%	26.6%	9.7%	10.8%	6.6%	6.6%	0.1%	2.6%	10.4%	100.0%
93306	Bakersfield	6,684	25.8%	26.3%	9.5%	17.4%	4.6%	2.5%	0.1%	3.2%	10.6%	100.0%
93309	Bakersfield	5,615	28.1%	18.4%	21.3%	8.9%	5.1%	2.7%	0.1%	3.2%	12.2%	100.0%
93304	Bakersfield	5,478	28.6%	20.1%	16.6%	14.3%	3.5%	3.7%	0.3%	2.9%	10.0%	100.0%
93305	Bakersfield	4,424	19.6%	26.4%	7.5%	27.4%	2.8%	5.3%	0.3%	1.7%	9.0%	100.0%
93312	Bakersfield	4,211	23.4%	19.3%	26.2%	3.9%	5.5%	2.1%	0.2%	2.8%	16.6%	100.0%
93313	Bakersfield	3,832	25.2%	17.2%	25.8%	8.8%	4.1%	4.0%	0.2%	1.9%	12.8%	100.0%
93215	Delano	3,337	17.6%	11.1%	6.4%	5.8%	1.2%	0.5%	42.7%	1.4%	13.3%	100.0%
93311	Bakersfield	3,128	22.4%	14.1%	31.2%	4.5%	5.5%	2.7%	0.0%	3.6%	16.0%	100.0%
93561	Tehachapi	2,598	26.7%	18.5%	9.8%	6.8%	4.3%	1.6%	0.0%	2.8%	29.5%	100.0%
93314	Bakersfield	1,892	23.0%	17.8%	25.3%	5.8%	6.4%	1.8%	0.2%	2.9%	16.9%	100.0%
93301	Bakersfield	1,868	24.1%	29.9%	12.2%	11.9%	4.7%	3.9%	0.2%	1.8%	11.4%	100.0%
93280	Wasco	1,746	27.0%	16.0%	15.6%	13.6%	3.2%	1.8%	10.5%	1.9%	10.4%	100.0%
93263	Shafter	1,626	21.8%	15.5%	19.0%	17.9%	5.4%	2.1%	3.4%	2.4%	12.5%	100.0%
93203	Arvin	1,514	26.0%	21.9%	9.3%	25.4%	2.8%	2.2%	0.3%	1.6%	10.6%	100.0%
93241	Lamont	1,323	22.2%	19.7%	7.6%	36.2%	2.3%	2.7%	0.2%	1.6%	7.6%	100.0%
93250	Mc Farland	982	15.2%	15.0%	7.4%	8.0%	1.3%	1.1%	35.4%	1.6%	14.9%	100.0%
93240	Lake Isabella	956	20.2%	16.3%	7.0%	7.3%	5.0%	1.7%	0.3%	2.3%	39.9%	100.0%
93285	Wofford Heights	395	22.0%	18.2%	9.9%	6.6%	4.8%	1.8%	0.5%	2.0%	34.2%	100.0%
93205	Bodfish	301	22.3%	17.3%	9.6%	8.6%	2.3%	1.0%	0.0%	2.3%	36.5%	100.0%
93389	Bakersfield	136	30.9%	19.1%	24.3%	5.1%	5.1%	1.5%	0.0%	2.9%	11.0%	100.0%
93302	Bakersfield	125	18.4%	8.8%	7.2%	41.6%	1.6%	4.0%	0.8%	1.6%	16.0%	100.0%
93518	Caliente	119	36.1%	17.6%	5.0%	10.9%	7.6%	2.5%	0.0%	0.8%	19.3%	100.0%
93384	Bakersfield	73	42.5%	23.3%	12.3%	6.8%	4.1%	4.1%	0.0%	0.0%	6.8%	100.0%
93386	Bakersfield	62	29.0%	17.7%	6.5%	8.1%	9.7%	12.9%	0.0%	3.2%	12.9%	100.0%
93531	Keene	54	18.5%	16.7%	22.2%	5.6%	13.0%	1.9%	0.0%	7.4%	14.8%	100.0%
93390	Bakersfield	50	20.0%	24.0%	26.0%	4.0%	2.0%	2.0%	0.0%	2.0%	20.0%	100.0%
93385	Bakersfield	42	40.5%	11.9%	11.9%	23.8%	0.0%	0.0%	0.0%	4.8%	7.1%	100.0%
93387	Bakersfield	40	17.5%	30.0%	10.0%	15.0%	12.5%	0.0%	0.0%	5.0%	10.0%	100.0%
93380	Bakersfield	36	36.1%	13.9%	5.6%	2.8%	5.6%	0.0%	2.8%	2.8%	30.6%	100.0%
93226	Glennville	25	44.0%	28.0%	4.0%	4.0%	8.0%	0.0%	0.0%	0.0%	12.0%	100.0%
93388	Bakersfield	21	33.3%	33.3%	9.5%	0.0%	9.5%	0.0%	0.0%	4.8%	9.5%	100.0%
93287	Woody	18	11.1%	22.2%	33.3%	0.0%	11.1%	0.0%	0.0%	11.1%	11.1%	100.0%
<b>Total Percentage</b>			<b>24.7%</b>	<b>20.8%</b>	<b>15.1%</b>	<b>13.4%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>13.0%</b>	<b>100.0%</b>
<b>Total Discharges</b>		<b>67,285</b>	<b>16,626</b>	<b>13,985</b>	<b>10,152</b>	<b>9,024</b>	<b>2,869</b>	<b>2,136</b>	<b>2,112</b>	<b>1,636</b>	<b>8,745</b>	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Bakersfield Memorial Hospital is the inpatient market share leader in five of the 34 service area ZIP Codes, while Adventist Health Bakersfield is the inpatient market share leader in 18 of the 34 service area ZIP Codes.



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

In the Ministry Alignment Agreement, Dignity Health and CHI have made commitments to maintain all Dignity Health owned hospitals, IHO owned hospitals, and IHO subsidiary hospitals with their current levels of healthcare services and programs. An analysis of these commitments is provided in the following sections.

### *Continuation as General Acute Care Hospitals*

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital as licensed acute care hospitals for five years after the Effective Date. Each Hospital provides a significant amount of healthcare services to the communities served as shown by their inpatient volume and market share.

#### Mercy Hospital – Bakersfield:

In FY 2017, the hospitals located within Mercy Hospital – Bakersfield’s service area had a combined total of 1,480 licensed beds with an aggregate average occupancy rate of 55%. In FY 2017, Mercy Hospital – Bakersfield had 226 licensed beds that operated at an occupancy rate of 54%. In CY 2016, Mercy Hospital – Bakersfield had the third-largest market share with 16.5% of the service area inpatient discharges. Furthermore, of the hospitals located within its service area, Mercy Hospital – Bakersfield had 19.4% of the total inpatient discharges, representing 14.9% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
<b>Mercy Hospital – Bakersfield<sup>2</sup></b>	<b>Bakersfield</b>	<b>226</b>	<b>13,030</b>	<b>44,521</b>	<b>122</b>	<b>54%</b>	<b>-</b>
Bakersfield Memorial Hospital	Bakersfield	421	15,176	62,221	170	40%	0.6
Adventist Health Bakersfield <sup>1</sup>	Bakersfield	254	18,156	68,411	187	74%	1.3
Kern Medical Center	Bakersfield	222	10,227	48,558	133	60%	4.1
Bakersfield Heart Hospital	Bakersfield	47	3,350	12,773	35	74%	2.3
Delano Regional Medical Center <sup>1</sup>	Delano	156	2,530	26,191	72	46%	33
Good Samaritan Hospital Bakersfield <sup>1</sup>	Bakersfield	68	2,859	14,565	40	59%	3.4
HealthSouth Bakersfield Rehabilitation Hospital <sup>1</sup>	Bakersfield	86	1,865	22,539	62	72%	2.5
<b>Total</b>		<b>1,480</b>	<b>67,193</b>	<b>299,779</b>	<b>821</b>	<b>55%</b>	

Source: OSHPD Disclosure Reports, Google Maps

<sup>1</sup>FY 2017 OSHPD Disclosure not reported. Audited FY 2016 is shown

<sup>2</sup>Includes both Mercy Hospital and Mercy Southwest Hospital inpatient discharges.

Since Mercy Hospital – Bakersfield has a significant amount of inpatient discharges (13,030) of the hospitals located within the service area, it is an important provider of healthcare services to the community.

*Bakersfield Memorial Hospital:*

In FY 2017, the hospitals located within Bakersfield Memorial Hospital’s service area had a combined total of 1,312 licensed beds with an aggregate average occupancy rate of 55%. In FY 2017, Bakersfield Memorial Hospital had 421 licensed beds that operated at an occupancy rate of 40%. In CY 2016, Bakersfield Memorial Hospital had the second-largest market share (20.8%) of the service area inpatient discharges. Furthermore, of the hospitals located within Bakersfield Memorial Hospital’s service area, Bakersfield Memorial Hospital had 28% of the total inpatient discharges, representing 23% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
<b>Bakersfield Memorial Hospital</b>	<b>Bakersfield</b>	<b>421</b>	<b>15,176</b>	<b>62,221</b>	<b>170</b>	<b>40%</b>	-
San Joaquin Community Hospital <sup>1</sup>	Bakersfield	254	18,156	68,411	187	74%	1.5
Mercy Hospital – Bakersfield <sup>2</sup>	Bakersfield	226	13,030	44,521	122	54%	2.6
Delano Regional Medical Center <sup>1</sup>	Delano	156	2,530	26,191	72	46%	32.5
Good Samaritan Hospital <sup>1</sup>	Bakersfield	68	2,859	14,565	40	59%	3.1
HealthSouth Bakersfield Rehabilitation Hospital <sup>1</sup>	Bakersfield	86	1,865	22,539	62	72%	4.9
Kern Valley Hospital District	Lake Isabella	101	643	27,094	74	73%	47.6
<b>Total</b>		<b>1,312</b>	<b>54,259</b>	<b>265,542</b>	<b>728</b>	<b>55%</b>	

Source: OSHPD Disclosure Reports, Google Maps

<sup>1</sup>FY 2017 OSHPD Discharges not reported. Audited FY 2016 is shown

<sup>2</sup>Includes both Mercy Hospital and Mercy Southwest Hospital discharges

Since Bakersfield Memorial Hospital has the most licensed beds (421) and the second largest market share (20.8%) of the hospitals located within its service area, it is an important provider of healthcare services to the community.

***Emergency Services***

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital are important providers of emergency services to the residents of their respective surrounding communities. In FY 2017, Mercy Hospital (Primary Stroke Center and Paramedic Base Station) reported 32,879 visits to its 17 emergency treatment stations, operating at 97% capacity. During that same time period, Mercy Southwest Hospital (Primary Stroke Center and Paramedic Base Station) reported 42,413 visits to its 21 emergency treatment stations, operating at 101% capacity. In that same year, Bakersfield Memorial Hospital (Pediatric, Burn, and STEMI Receiving Centers, Primary Stroke Center, and Paramedic Base Station) reported 74,279 emergency visits to its 24 emergency treatment stations, operating at a 103% capacity.

As a result of the Affordable Care Act (ACA) and California’s participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. This influx of newly insured individuals, combined with the growing shortage of primary care physicians, is expected to increase emergency department utilization. Therefore, keeping Mercy Hospital – Bakersfield’s and Bakersfield Memorial Hospital’s emergency departments open is very important for providing area residents access to emergency services.

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining the emergency services at all Dignity Health owned hospitals, IHO owned hospitals, and IHO subsidiary hospitals at current types and levels of services and current designations for five years after the Effective Date of the Ministry Alignment Agreement as shown below:

The five-year commitments to Mercy Hospital's existing emergency services include:

- 18 Treatment Stations<sup>30</sup>;
- Paramedic Base Station; and
- Certified Primary Stroke Center.

The five-year commitments to Mercy Southwest Hospital's existing emergency services include:

- 21 Treatment Stations;
- Paramedic Base Station; and
- Certified Primary Stroke Center.

The five-year commitments to Bakersfield Memorial Hospital's existing emergency services include:

- 28 Treatment Stations<sup>31</sup>;
- 10 Pediatric Treatment Stations<sup>31</sup>;
- Paramedic Base Station;
- Pediatric Receiving Center (Emergency Department Approved for Pediatrics);
- Burn Receiving Center;
- Certified Primary Stroke Center.
- Certified Chest Pain Center; and
- STEMI Receiving Center.

As a result of healthcare reform, aging demographics, and the growing shortage of primary care physicians, emergency service utilization is expected to continue to increase within each Hospital's service area. Keeping Mercy – Bakersfield's, and Bakersfield Memorial Hospital's emergency departments open with at least their current number of emergency department stations and current designations is important to providing emergency services within each Hospital's service area.

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<sup>30</sup>Dignity Health committed to maintain all current emergency services at Mercy Hospital. The Hospital has 17 treatment stations; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health erroneously states that Mercy Hospital has 18 treatment stations.

<sup>31</sup>Dignity Health committed to maintain all current emergency services at Bakersfield Memorial Hospital. The Hospital has a total of 24 treatment stations. Of these, five are pediatric treatment stations. However, in the Ministry Alignment Agreement, Exhibit L, Dignity Health erroneously states that the hospital as a total of 38 treatment stations, ten of which are pediatric treatment stations.

### ***Reproductive Health Services***

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital are important providers of reproductive healthcare services to women. Between FY 2015 and FY 2017, Mercy Southwest Hospital averaged 2,761 live births, while Bakersfield Memorial Hospital averaged 3,180 live births.

Bakersfield Memorial Hospital is a non-Catholic hospital and is not subject to the ERDs. According to Dignity Health representatives, the Hospital has operated under the Statement of Common Values since it first affiliated with Dignity Health. The Dignity Health Statement of Common Values identifies certain procedures that cannot be performed at a community hospital affiliated with Dignity Health. These procedures are direct abortion, in-vitro fertilization, and physician assisted suicide. Additionally, Bakersfield Memorial Hospital does perform sterilization with both vaginal and caesarean deliveries. The Ministry Alignment Agreement states that Dignity Health’s non-Catholic hospitals that will transition to IHO will not be subject to the ERDs and will adopt the Statement of Common Values. Because Bakersfield Memorial Hospital is already subject to the Statement of Common Values and not the ERDs, the transaction is not expected to result in any reductions in the availability or accessibility of reproductive health services at Bakersfield Memorial Hospital.

Mercy Hospital – Bakersfield is a Catholic hospital, and currently subject to the ERDs, and will continue to be subject to the ERDs after the Effective Date.

Under the ERDs, some women’s reproductive health services, including direct abortions and tubal ligations, are prohibited. Although the ERDs prohibit tubal ligations and direct abortions, these procedures are performed at Mercy Hospital – Bakersfield when the pathology is determined to present a medical need and/or a clear and present danger to the patient. Mercy Hospital – Bakersfield important providers of a range of women’s reproductive services and provides these services to a large underserved population that has lower rates of prenatal care, resulting in an increased number of high-risk births. This can increase instances of stillborn delivery, miscarriage, and fetal abnormalities.

No future reductions in the availability or accessibility of reproductive health services are expected at Mercy Hospital – Bakersfield as a result of the Ministry Alignment Agreement.

The following table shows recorded inpatient reproductive service procedures in CY 2016 at Mercy Southwest Hospital and Bakersfield Memorial Hospital.

CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP		
Diagnostic Related Group	Mercy Southwest Hospital	Bakersfield Memorial Hospital
767-Vaginal Delivery W Sterilization &/Or D&C <sup>1</sup>	22	39
770-Abortion W D&C <sup>1</sup> , Aspiration Curettage Or Hysterotomy	1	5
779-Abortion W/O D&C <sup>1</sup>	6	8
777-Ectopic Pregnancy	16	26
778-Threatened Abortion	43	25
<b>Total Discharges:</b>	<b>88</b>	<b>103</b>

Source: CY 2016 OSHPD Patient Discharge Database  
<sup>1</sup>D&C is an abbreviation for Dilation and Curettage

***Effects on the Level & Type of Charity Care Historically Provided***

Dignity Health committed to providing an annual amount of charity care based on the three most recent fiscal years as shown in the following table. As noted previously, Dignity Health has acknowledged that an error was made in its calculation of its charity care costs. Dignity Health has stated that it accepts the calculations provided by JD Healthcare, Inc. and Vizient, Inc. for the purposes of determining their charity care commitment.

CHARITY CARE COSTS				
	Dignity Health <sup>1</sup>		OSHPD Reported <sup>2</sup>	
	Three-year Average	Five-year Average	Three-year Average	Five-year Average
Mercy Hospital – Bakersfield	\$2,734,813	\$4,377,271	\$2,568,386	\$4,137,755
Bakersfield Memorial Hospital	\$2,124,799	\$3,785,934	\$2,103,588	\$4,136,210

<sup>1</sup> Dignity Health charity care commitment as calculated by Dignity Health FY 2015 - FY 2017  
<sup>2</sup> Charity care as reported in OSHPD Disclosure Reports FY 2013 - FY 2017.

***Effects on Services to Medi-Cal, Medicare & Other Classes of Patients***

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital participate in the Medicare and Medi-Cal programs, contract with Medi-Cal Managed Care plans, and provide services to other indigent and private pay patients.

As a result of the expansion of Medi-Cal and the ACA, fewer low-income individuals and families are uninsured, and the number of county indigent and other indigent patients have decreased. Additionally, in Kern County, qualified low-income patients are able to access the County-owned clinics and hospitals. While these patients can still access the emergency departments of Dignity Health hospitals, the number of patients served has decreased.

Commercially insured patients receive care at Dignity Health hospitals under negotiated contracts and are unlikely to be affected as result of the Dignity Health and CHI transaction.

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Over 12 million Medi-Cal Managed Care beneficiaries in all 58 counties in California receive their healthcare through six models of managed care, including: County Organized Health Systems, the Two-Plan Model, Geographic Managed Care, the Regional Model, the Imperial Model, and the San Benito Model.

Kern County has a Two-Plan Model that offers a local initiative plan and a commercial plan. The local initiative and commercial plan contract with the Medi-Cal Managed Care program. The percentage of Kern County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the ACA and California initiatives to expand managed care. In Kern County, the Two-Plan Model is provided by Kern Health Systems, and Health Net and Centene<sup>32</sup>. The local initiative plan is provided by Kern Health Systems, and the commercial plan is provided by Health Net and Centene. Currently Dignity Health is contracted with both Kern Health Systems and Health Net to provide healthcare services for Medi-Cal Managed Care patients.

In the Ministry Alignment Agreement Dignity Health and CHI commit to continued participation in the Medi-Cal and Medicare program for a period of five years after the Effective Date. The table shows the current Medi-Cal Managed Care contract that exists at Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital.

DIGNITY HEALTH KERN COUNTY MEDI-CAL CONTRACTS	
Dignity Health Hospital	Health Plan
Mercy Hospital – Bakersfield	<ul style="list-style-type: none"> <li>● Health Net &amp; Centene</li> <li>● Kern Health Systems</li> </ul>
Bakersfield Memorial Hospital	<ul style="list-style-type: none"> <li>● Health Net &amp; Centene</li> <li>● Kern Health Systems</li> </ul>

As Dignity Health committed to continued participation in the Medicare, Medi-Cal, and Medi-Cal Managed Care programs in the Ministry Alignment Agreement, no reductions in the availability or accessibility of non-emergency healthcare services are anticipated for beneficiaries of Medicare, Medi-Cal, and Medi-Cal Managed Care programs for at least five years after the Effective Date.

<sup>32</sup> Centene Corporation merged with Health Net as of March 24, 2016.

**Effects on Community Benefit Programs**

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital support a significant number of ongoing community benefit programs that serve the residents of the surrounding communities. In the Ministry Alignment Agreement, Dignity Health and CHI have made commitments for Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital to maintain expenditures for community benefit services based on an average of the expenditures for the years FY 2015 - FY 2017. The table below shows the annual average for both the three and five fiscal years at Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital.

<b>KERN COUNTY COMMUNITY BENEFIT PROGRAMS</b>		
	<b>FY 2015 - FY 2017*</b>	<b>FY 2013 - FY 2017*</b>
Mercy Hospital – Bakersfield	\$2,200,436	\$2,400,382
Bakersfield Memorial Hospital	\$1,646,253	\$2,547,292

\*Less Medi-Cal Provider Fees and other non-community benefit costs as detailed in the profile sections.

While both Mercy Hospital-Bakersfield and Bakersfield Memorial Hospital offer various community benefit programs, the Ministry Alignment Agreement includes commitments to maintain many of the current community benefit programs. The following table shows the service and program commitments made by Dignity Health and CHI.

<b>COMMITTED COMMUNITY BENEFIT SERVICES AND PROGRAMS</b>	
<b>Hospital Name</b>	<b>Community Benefit Service and Program Name</b>
Mercy Hospital – Bakersfield <sup>1</sup>	<ul style="list-style-type: none"> <li>• Health Education Seminars and Classes</li> <li>• Healthy Living – Chronic Disease Self – Management Program</li> <li>• Health Screenings</li> <li>• Dignity Health Community Grants Program</li> <li>• Healthy Living – Diabetes Self – Management Program</li> </ul>
Bakersfield Memorial Hospital	<ul style="list-style-type: none"> <li>• Dignity Health Community Grants Program</li> <li>• Health Education Seminars and Classes</li> <li>• Health Screenings</li> <li>• Healthy Living – Chronic Disease Self – Management</li> <li>• Health Living – Diabetes Self – Management</li> </ul>

<sup>1</sup>Under a consolidated license, Mercy Hospital and Mercy Southwest Hospital reported combined community benefit programs and services.

### ***Effects on Hospital Licensed Services***

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital are important providers of inpatient services to the residents of their respective communities. Dignity Health and CHI committed to maintaining all licensed services at current types and levels of services and current designations for five years after the Effective Date of the Ministry Alignment Agreement as follows:

#### *Licensed Service Commitments for Mercy Hospital:*

- Intensive care services, including a minimum of 20 licensed intensive care beds.

#### *Licensed Service Commitments for Mercy Southwest Hospital:*

- Obstetric services, including a minimum of 26 licensed perinatal beds;
- Intensive Care Newborn Nursery services, including a minimum of 9 licensed Neonatal Intensive Care Unit beds; and
- Intensive care services, including a minimum of 8 licensed intensive care beds.

#### *Licensed Service Commitments for Bakersfield Memorial Hospital*

- Pediatric services, including a minimum of 35 licensed pediatric beds;
- Intensive Care Newborn Nursery services, including a minimum of 31 licensed Neonatal Intensive Care Unit beds;
- Obstetric services, including a minimum of 30 licensed perinatal beds;
- Intensive care services, including a minimum of 24 licensed intensive care beds<sup>33</sup>;
- Pediatric critical care services, including a minimum of 8 licensed pediatric intensive care beds (predesignated 8 intensive care beds to pediatric Intensive Care Unit beds per hospital license);
- Coronary care and cardiovascular services, including a minimum of 16 coronary care beds; and
- Burn services, including a minimum of 7 licensed burn beds.

Since Dignity Health and CHI make extensive five-year commitments to licensed inpatient services, no reductions in the availability or accessibility of healthcare services are expected for Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital for at least five years as a result of the Ministry Alignment Agreement.

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<sup>33</sup>Dignity Health committed to maintain all additional licensed services. Bakersfield Memorial Hospital has 25 intensive care beds; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health states that the Hospital has 24 intensive care beds.



### ***Effects on Programs and Services***

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital are important providers of inpatient and outpatient programs and services to the residents of their respective surrounding communities. Dignity Health and CHI committed to maintaining additional licensed programs and services at current types and levels and current designations for five years after the Effective Date of the Ministry Alignment Agreement as follows:

#### **Programs and Services Commitments for Mercy Hospital:**

- Cardiovascular Services;
  - Electrophysiology<sup>34</sup>;
  - General Cardiology services;
- Neuroscience services, including neurosurgery services;
- Oncology services, including inpatient medical and surgical oncology;
  - Radiation therapy services<sup>35</sup>;
- Orthopedic services, including total joint replacements;
- General surgery services;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Occupational therapy services; and
- Physical therapy services.

#### **Programs and Services Commitments for Mercy Southwest Hospital:**

- Orthopedic services, including total joint replacements;
- Outpatient Clinic – Mercy’s Orthopedic, Spine and Hand Center;
- Neuroscience services;
- General surgery services;
- Interventional radiology services;
- Nuclear medicine services;
- Outpatient Clinic – Urologic and Stone Center;
- Imaging and radiology services (inpatient and outpatient), including Modular MRI unit; and
- Laboratory services.

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<sup>34</sup>Dignity Health committed to maintain all additional licensed services. Mercy Hospital does not have electrophysiology; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health states that the Hospital has this service.

<sup>35</sup>Provided off-site via a joint venture with Comprehensive Blood and Cancer Center.

Programs and Services Commitments for Bakersfield Memorial Hospital:

- Cardiovascular surgery services, including cardiac catheterization laboratory services, interventional cardiology services, electrophysiology services, and general cardiology services;
- Neuroscience services, including neurosurgery services;
- Oncology services, including inpatient medical and surgical oncology services;
  - Outpatient Clinic – Infusion Clinic at Dignity Health Bakersfield Infusion Center;
- Orthopedic surgery services, including total joint replacements;
- General surgery services;
- Outpatient Clinic - Diabetic Clinic at Dignity Health Center for Healthy Living;
- Outpatient Clinic - Wound care;
- Outpatient Clinic – Burn Clinic;
- Outpatient Services – Ambulatory Services at Dignity Health Medical Institute of Central California;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Occupational therapy services;
  - Outpatient Services – Occupational Therapy, Physical Therapy and Speech Therapy;
- Physical therapy services;
- Respiratory care services;
  - Outpatient Services – Respiratory Care and Social Services;
- Social services; and
- Speech pathology services.

Since Dignity Health and CHI have committed to maintaining these additional licensed services and programs for five years after the Effective Date at Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital, no negative impacts on the accessibility and availability of healthcare services are expected for at least five years as a result of the Ministry Alignment Agreement.

***Effects on Staffing & Employee Rights***

Dignity Health states that the proposed transaction will not change the status of any of Dignity Health's non-executive employees.

Dignity Health and CHI in the Ministry Alignment Agreement also agree to maintain the respective terms of the collective bargaining agreements that are in effect as of the Effective Date as shown below.

***Union Contracts for Mercy Hospital – Bakersfield:***

- Service Employees International Union- United Healthcare Workers West (SEIU UHW); and
- California Nurses Association (CNA).

***Union Contracts for Bakersfield Memorial Hospital:***

- California Nurses Association (CNA); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

It is anticipated that no reductions in the number of non-executive employees are expected at Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital as a result of the Ministry Alignment Agreement.

***Effects on Medical Staff***

Dignity Health and CHI have committed to maintaining privileges for the current medical staff members of each Dignity Health California Hospital who are in good standing as of the Effective Date of the Ministry Alignment Agreement. Since Dignity Health committed to maintain the medical staff's privileges, no reductions in the medical staff at Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital are expected.

***Effects on City and County Contracts***

Mercy Hospital – Bakersfield and Bakersfield Memorial Hospital have a number of contracts with Kern County to provide and support specific services. According to the Ministry Alignment Agreement, these contracts will be maintained for a period of five years after the Effective Date, unless the contract is terminated for cause or expires in accordance with its current terms.

***Alternatives***

If the proposed Ministry Alignment Agreement is not approved, Dignity Health is expected to continue to operate as it has in the past. It may look for future partnerships; however, none are evident at this time.

## Conclusions and Recommendations

Based on Dignity Health's and CHI's commitments contained in the Ministry Alignment Agreement, the proposed transaction is likely to preserve the accessibility and availability of healthcare services to the communities served for at least five years. If the transaction is not approved, Dignity Health will not have the obligation to maintain these commitments.

### ***Potential Conditions for California Attorney General Approval of the Ministry Alignment Agreement***

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

#### Mercy Hospital – Bakersfield:

1. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital and Mercy Southwest Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield shall maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:

#### Mercy Hospital:

- a. 17 Treatment Stations;
- b. Paramedic Base Station; and
- c. Certified Primary Stroke Center.

#### Mercy Southwest Hospital:

- a. 21 Treatment Stations;
- b. Paramedic Base Station; and
- c. Certified Primary Stroke Center.

3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield shall maintain the following services at current licensure, types, and/or levels of services:

Mercy Hospital:

- a. Intensive care services, including a minimum of 20 licensed intensive care beds.

Mercy Southwest Hospital:

- a. Obstetric services, including a minimum of 26 licensed perinatal beds;  
 b. Intensive Care Newborn Nursery services, including a minimum of 9 licensed Neonatal Intensive Care Unit beds; and  
 c. Intensive care services, including a minimum of 8 licensed intensive care beds.

4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:

Mercy Hospital:

- a. Cardiovascular Services;  
     i. General Cardiology services;  
 b. Neuroscience services, including neurosurgery services;  
 c. Oncology services, including inpatient medical and surgical oncology;  
     i. Radiation therapy services;  
 d. Orthopedic services, including total joint replacements;  
 e. General surgery services;  
 f. Nuclear medicine services;  
 g. Imaging and radiology services (inpatient and outpatient);  
 h. Laboratory services;  
 i. Occupational therapy services; and  
 j. Physical therapy services.

Mercy Southwest Hospital:

- a. Orthopedic services, including total joint replacements;  
 b. Outpatient Clinic – Mercy’s Orthopedic, Spine and Hand Center;  
 c. Neuroscience services;  
 d. General surgery services;  
 e. Interventional radiology services;  
 f. Nuclear medicine services;  
 g. Outpatient Clinic – Urologic and Stone Center;  
 h. Imaging and radiology services (inpatient and outpatient), including Modular MRI unit; and  
 i. Laboratory services.

5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Southwest Hospital shall maintain currently provided women’s healthcare service, as well as the Women’s Imaging Center located at 500 Old River Rd, Suite 200 in Bakersfield, California.
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield 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 Mercy Hospital – Bakersfield shall provide an annual amount of charity care equal to or greater than \$4,137,755 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. An example would be to require a commitment based on a three-year rolling average of the most recent available data. For FY 2018, Mercy Hospital – Bakersfield’ required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$2,568,386. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Mercy Hospital – Bakersfield in connection with the operations and provision of services at Mercy Hospital – Bakersfield. 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 from the U.S. Bureau of Labor Statistics;
7. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield shall continue to expend no less than \$2,400,382 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the U.S. Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from the Closing Date;
  - a. Health Education Seminars and Classes;
  - b. Healthy Living – Chronic Disease Self – Management Program;
  - c. Health Screenings;
  - d. Dignity Health Community Grants Program; and
  - e. Healthy Living – Diabetes Self – Management Program.
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield 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 five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield 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 five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contracts:
  - a. Commercial Plan: Health Net and Centene, or its successor; and
  - b. Local Initiative Plan: Kern Health Systems, or its successor.
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital – Bakersfield shall maintain its current city/county contracts for the programs listed below:

Mercy Hospital:

- a. Emergency Response and Surge Capacity Agreement;
- b. Designation as a Paramedic Base Hospital;
- c. Agreement for Professional Services (Community Health Insurance Successful Application Stipend Program);
- d. Affiliation Agreement (Surgery, Ob/Gyn, Internal Medicine Residency Programs); and
- e. Agreement for Community Health Initiative of Kern County.

Mercy Southwest Hospital:

- a. Agreement for Designation as a Paramedic Base Hospital;
- b. Agreement for AVSS/NET Usage;
- c. Intra County Plan of Cooperation;
- d. Agreement for Professional Services (Community Health Insurance Successful Application Stipend Program);
- e. Affiliation Agreement (Surgery, Ob/Gyn, Internal Medicine Residency Programs); and
- f. Agreement for Community Health Initiative of Kern County.

12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Hospital – Bakersfield 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 & Safety Code, § 129675-130070); and

13. Mercy Hospital – Bakersfield shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

*Bakersfield Memorial Hospital:*

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:
  - a. 19 Treatment Stations;
  - b. 5 Pediatric Treatment Stations;
  - c. Paramedic Base Station;
  - d. Emergency Department Approved for Pediatrics;
  - e. Burn Receiving Center;
  - f. Certified Primary Stroke Center
  - g. STEMI Receiving Center.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain the following services at current licensure, types, and/or levels of services:
  - a. Pediatric services, including 35 licensed pediatric beds;
  - b. Intensive Care Newborn Nursery services, including 31 licensed Neonatal Intensive Care Unit beds;
  - c. Obstetrics services, including 30 licensed perinatal beds;
  - d. Pediatric critical care services, including 8 licensed pediatric intensive care beds;
  - e. Critical care services of 33 licensed beds used interchangeably for coronary care and intensive care; and
  - f. Burn services, including 7 licensed burn beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:

- a. Cardiovascular surgery services, including cardiac catheterization laboratory services, interventional cardiology services, electrophysiology services, and general cardiology services;
  - b. Neuroscience services, including neurosurgery services;
  - c. Oncology services, including inpatient medical and surgical oncology services;
    - i. Outpatient Clinic – Infusion Clinic at Dignity Health Bakersfield Infusion Center;
  - d. Orthopedic surgery services, including total joint replacements;
  - e. General surgery services;
  - f. Outpatient Clinic - Diabetic Clinic at Dignity Health Center for Healthy Living;
  - g. Outpatient Clinic - Wound care;
  - h. Outpatient Clinic – Burn Clinic;
  - i. Outpatient Services – Ambulatory Services at Dignity Health Medical Institute of Central California;
  - j. Nuclear medicine services;
  - k. Imaging and radiology services (inpatient and outpatient);
  - l. Laboratory services;
  - m. Occupational therapy services;
    - i. Outpatient Services – Occupational Therapy, Physical Therapy And Speech Therapy;
  - n. Physical therapy services;
  - o. Respiratory care services;
    - i. Outpatient Services – Respiratory Care and Social Services;
  - p. Social services; and
  - q. Speech pathology services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement Bakersfield Memorial Hospital shall maintain currently provided women’s healthcare services;

6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial 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 Bakersfield Memorial Hospital shall provide an annual amount of charity care equal to or greater than \$4,136,210 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. An example would be to require a commitment based on a three-year rolling average of the most recent available data. For FY 2018, Bakersfield Memorial Hospital’s required Minimum Charity Care amount using the three-year rolling average would be \$2,103,588. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Bakersfield Memorial Hospital in connection with the operations and provision of services at Bakersfield Memorial 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 from the U.S. Bureau of Labor Statistics;
7. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall continue to expend no less than \$2,547,292 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the U.S. Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from the Closing Date;
  - a. Dignity Health Community Grants Program;
  - b. Health Education Seminars and Classes;
  - c. Health Screenings;
  - d. Healthy Living - Chronic Disease Self-Management; and
  - e. Healthy Living - Diabetes Self-Management.
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial 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 five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial 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 five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contracts:
  - a. Commercial Plan: Health Net and Centene or its successor; and
  - b. Local Initiative Plan: Kern Health Systems', or its successor.
  
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Bakersfield Memorial Hospital shall maintain its current city/county contracts for the programs listed below:
  - a. Agreement for Deployment of Emergency Response and Surge Capacity Resources Obtained Through Grants;
  - b. Paramedic Base Hospital Agreement (Narcotics for Ambulance Providers);
  - c. Affiliation Agreement (OBGYN Residency Program);
  - d. Affiliation Agreement (General Surgery Residency Program);
  - e. Agreement for Deployment of Emergency Response and Surge Capacity Resources Obtained Through Grants;
  - f. Agreement for Designation as a Level II Pediatric Receiving Center;
  - g. Agreement for Designation as a STEMI Receiving Center;
  - h. Intra Plan of Cooperation;
  - i. Agreement for Fire Department Paramedics to Attend Manipulative Skills Competency Training;
  - j. Agreement for Designation as a Primary Stroke Center
  - k. Paramedic Training Agreement;
  - l. Affiliation Agreement (Resident Rotation);
  - m. Agreement for AVSS/Net Usage Independent Contractor; and
  
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Bakersfield Memorial Hospital 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 & Safety Code, § 129675-130070); and
  
13. Bakersfield Memorial Hospital shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

**Mercy Hospital- Bakersfield**

License: 120000184  
Effective: 10/10/2017  
Expires: 11/29/2018  
Licensed Capacity: 226

**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**

**Dignity Health**

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

**Mercy Hospital**

**MERCY SOUTHWEST HOSPITAL**

Mercy Hospital  
2215 Truxtun Ave  
Bakersfield, CA 93301-3602

**Bed Classifications/Services**

- 144 General Acute Care
- 20 Intensive Care
- 124 Unspecified General Acute Care

**Other Approved Services**

- Audiology
- Basic Emergency Medical
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - PT, OT, Diag Imaging, Lab, Rad at 2215 TRUXTUN AVENUE, BAKERSFIELD
- Physical Therapy
- Radiation Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

**(Additional Information Listed on License Addendum)**

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Bakersfield District Office, 4540 California Avenue, Suite 200, Bakersfield, CA 93309, (661)336-0543

**POST IN A PROMINENT PLACE**

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

License: 120000184  
Effective: 10/10/2017  
Expires: 11/29/2018  
Licensed Capacity: 226

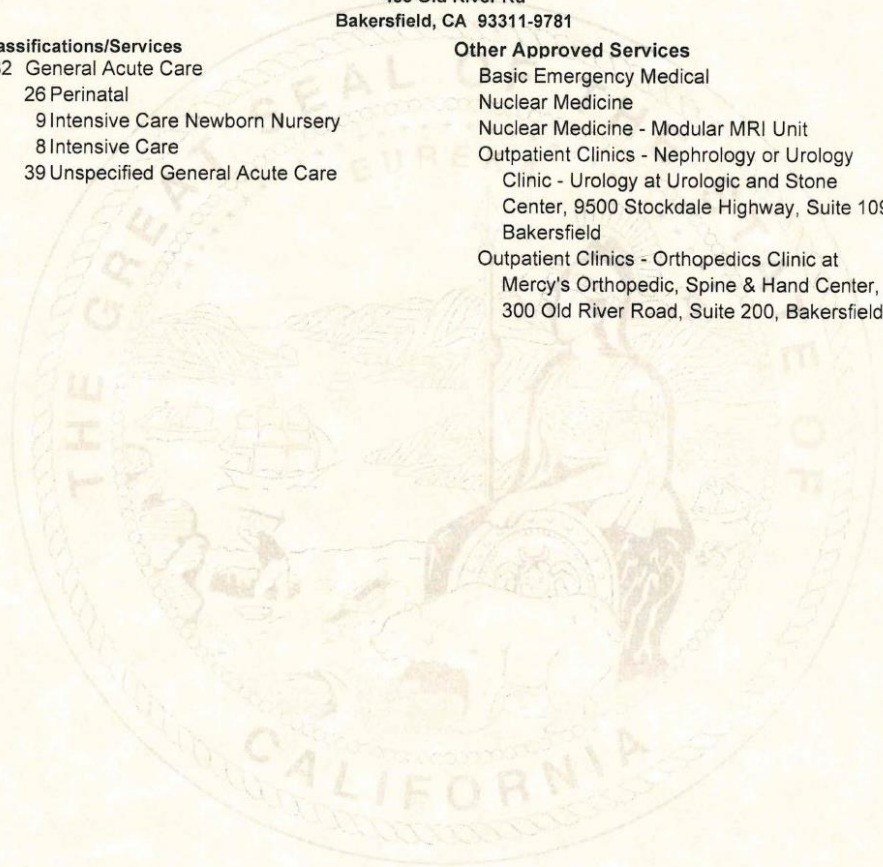
**MERCY SOUTHWEST HOSPITAL  
400 Old River Rd  
Bakersfield, CA 93311-9781**

**Bed Classifications/Services**

- 82 General Acute Care
- 26 Perinatal
- 9 Intensive Care Newborn Nursery
- 8 Intensive Care
- 39 Unspecified General Acute Care

**Other Approved Services**

- Basic Emergency Medical
- Nuclear Medicine
- Nuclear Medicine - Modular MRI Unit
- Outpatient Clinics - Nephrology or Urology  
Clinic - Urology at Urologic and Stone  
Center, 9500 Stockdale Highway, Suite 109,  
Bakersfield
- Outpatient Clinics - Orthopedics Clinic at  
Mercy's Orthopedic, Spine & Hand Center,  
300 Old River Road, Suite 200, Bakersfield



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

*Karen L. Smith, MD, MPH*

Director and State Public Health Officer

Jessica Rodriguez, Staff Services Manager I

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,  
Bakersfield District Office, 4540 California Avenue, Suite 200, Bakersfield, CA 93309, (661)336-0543

**POST IN A PROMINENT PLACE**

**Bakersfield Memorial Hospital License**

License: 120000181  
 Effective: 11/01/2017  
 Expires: 10/31/2018  
 Licensed Capacity: 421

**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*

**Bakersfield Memorial Hospital**

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

**Bakersfield Memorial Hospital**

420 34th St  
 Bakersfield, CA 93301-2237

**Bed Classifications/Services**

- 421 General Acute Care
- 35 Pediatric
- 31 Intensive Care Newborn Nursery
- 30 Perinatal
- 25 Intensive Care
- 16 Coronary Care
- 7 Burn
- 277 Unspecified General Acute Care

**Other Approved Services**

- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Cardiovascular Surgery
- Nuclear Medicine
- Occupational Therapy
- Outpatient Clinics - Burn Clinic - Temporary Burn Clinic
- Outpatient Clinics - Diabetic Clinic at Dignity Health Center for Healthy Living, 3838 San Dimas Street, Building B, Suite 131, Bakersfield
- Outpatient Clinics - Infusion Clinic at Dignity Health Bakersfield Infusion Center, 6501 Truxtun Avenue, Infusion Suite, Bakersfield
- Outpatient Clinics - Wound Care
- Outpatient Services - Ambulatory Care Unit - Ambulatory Services at Dignity Health Medical Institute of Central CA, 3838 San Dimas St., Building A, Ste. 140, Bakersfield
- Outpatient Services - OT/PT/ST
- Outpatient Services - Respiratory Care/Social Servs
- Physical Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

**(Additional Information Listed on License Addendum)**

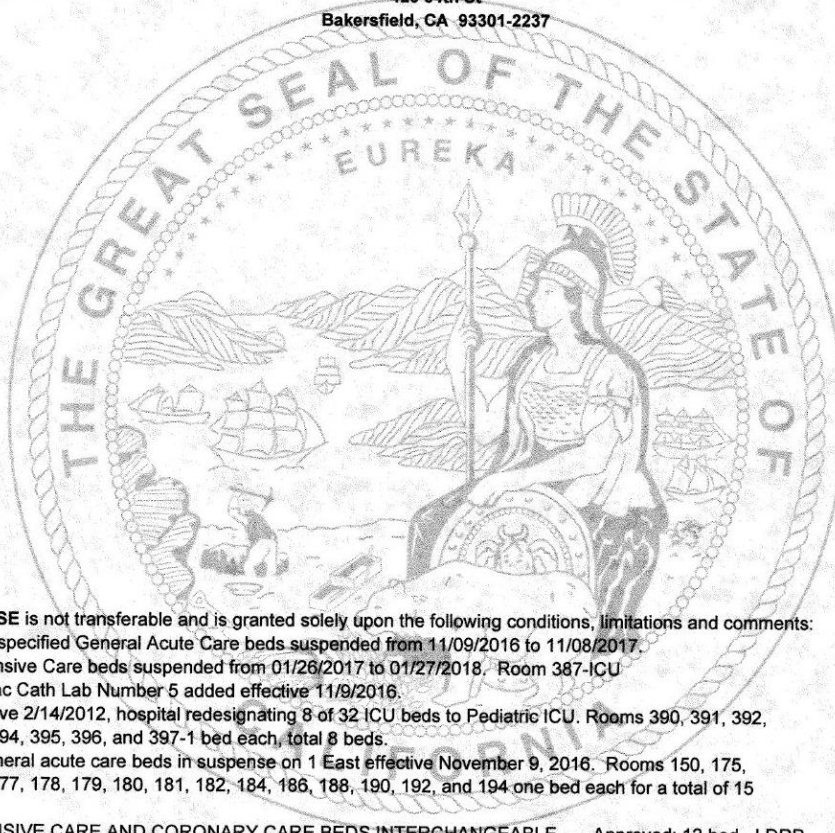
Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Bakersfield District Office, 4540 California Avenue, Suite 200, Bakersfield, CA 93309, (661)336-0543

**POST IN A PROMINENT PLACE**

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

License: 120000181  
 Effective: 11/01/2017  
 Expires: 10/31/2018  
 Licensed Capacity: 421

**Bakersfield Memorial Hospital (Continued)**  
 420 34th St  
 Bakersfield, CA 93301-2237



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

- 35 Unspecified General Acute Care beds suspended from 11/09/2016 to 11/08/2017.
- 1 Intensive Care beds suspended from 01/26/2017 to 01/27/2018. Room 387-ICU
- Cardiac Cath Lab Number 5 added effective 11/9/2016.
- Effective 2/14/2012, hospital redesignating 8 of 32 ICU beds to Pediatric ICU. Rooms 390, 391, 392, 393, 394, 395, 396, and 397-1 bed each, total 8 beds.
- 15 general acute care beds in suspense on 1 East effective November 9, 2016. Rooms 150, 175, 176, 177, 178, 179, 180, 181, 182, 184, 186, 188, 190, 192, and 194 one bed each for a total of 15 beds.
- INTENSIVE CARE AND CORONARY CARE BEDS INTERCHANGEABLE. Approved: 12 bed - LDRP birthing rooms, LDRP O.R. Suites (3), Cardiac Cath Labs (4), O.R. Suites (10), and Clinical Lab. Cardiac Cath Lab Number 4 added effective 2/12/2014.
- 20 general acute care beds in suspense on 3 East. Rooms 301, 302, 303, 304, 305, 306, 307, 308, 313, 314, 315, 316 = 1 bed each. Rooms 317, 318, 319, 320 = 2 beds each. Total 20 beds in suspense.

*Karen L. Smith, MD, MPH*

Director and State Public Health Officer

Stephanie Devlin, Manager

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**POST IN A PROMINENT PLACE**