

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 Sacramento County

Prepared for the Office of the California Attorney General

August 13, 2018

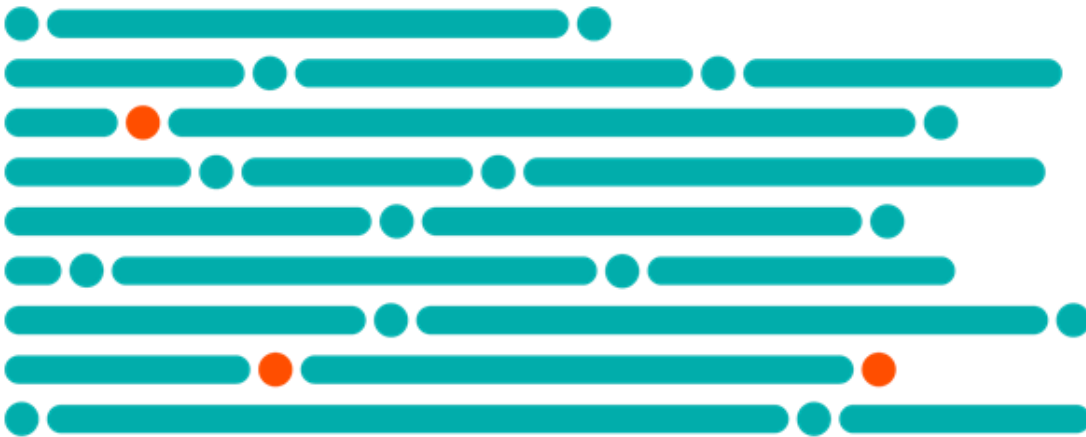


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Introduction & Purpose

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 in Sacramento County. Dignity Health owns and operates 31 general acute care hospitals in California, including four in Sacramento County: Methodist Hospital, located in Sacramento, Mercy San Juan Medical Center, located in Carmichael, Mercy Hospital of Folsom, located in Folsom, and Mercy General Hospital, located in Sacramento.

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 person¹ within the meaning of Canon Law and the canonical sponsor² of CHI.

While Dignity Health is not a Catholic organization, its Catholic hospitals are sponsored by six congregations of Women Religious³. Dignity Health owns and operates 31 general acute care hospitals in California⁴. 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 member⁵. 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 hospitals⁶.

¹ 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.

² 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.

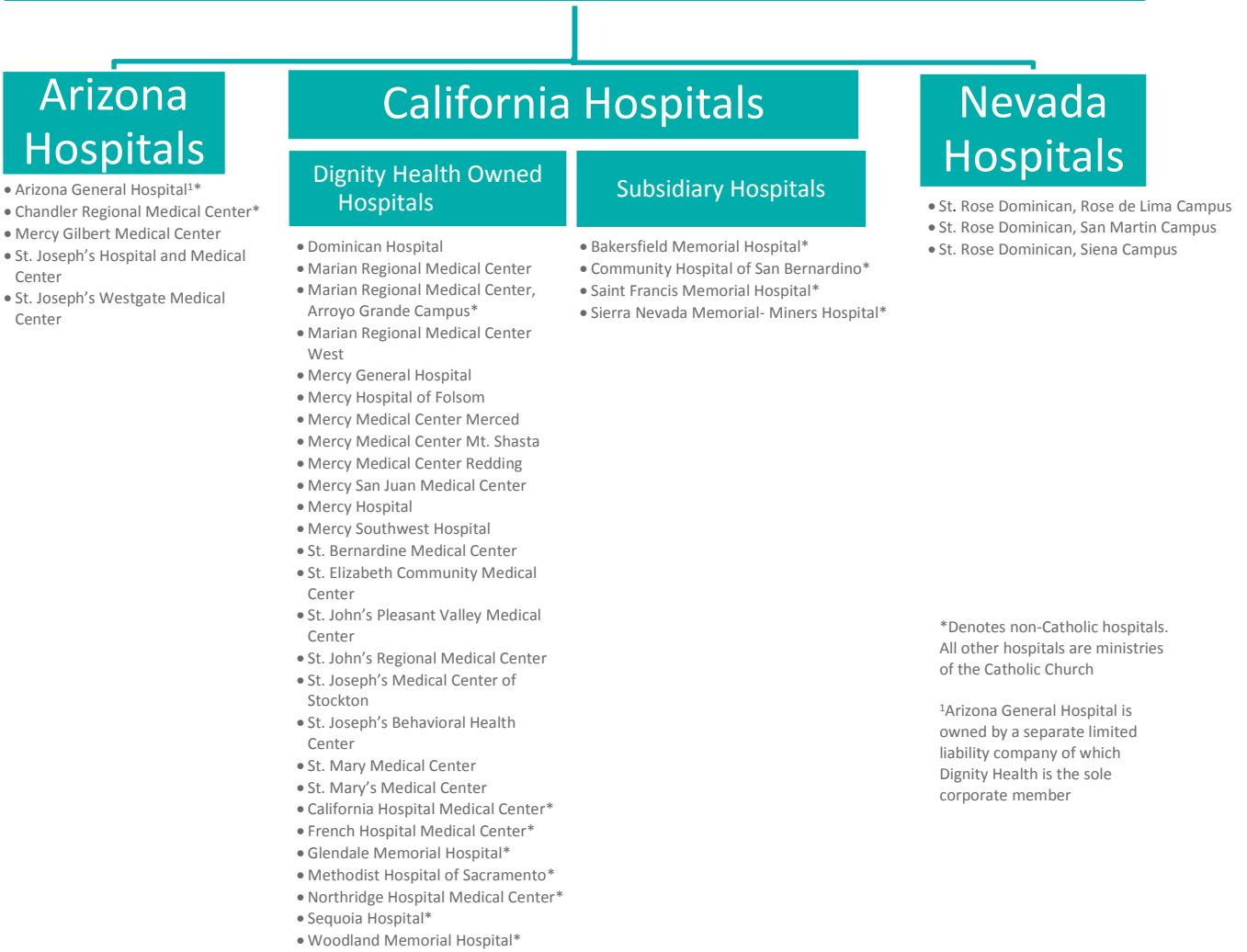
³ A group of Roman Catholic women who dedicate their lives to the Gospel of Jesus Christ and take vows of poverty, chastity, obedience and service. The six congregations are: Sisters of Mercy of the Americas, Sister of Charity of the Incarnate Word, Dominican Sisters of San Rafael, Sisters of St. Francis 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.

⁴ 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 Campus operates 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).

⁵ The four facilities are Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial-Miners Hospital.

⁶ St. Joseph Medical Center of Stockton and St. Joseph 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



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 hospital⁷ 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.

⁷ 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 Methodist Hospital of Sacramento, Mercy San Juan Medical Center and Mercy Hospital of Folsom and Mercy General 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 Methodist Hospital of Sacramento, Mercy San Juan Medical Center and Mercy Hospital of Folsom and Mercy General 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 Directives⁸ (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 lawyer⁹ 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 medicine¹⁰. In September 2016, they formed a joint-venture named the Precision Medicine Alliance, LLC to create a large precision medicine program.

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

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

¹⁰ 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 paper¹¹ 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;

¹¹ 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 analysis¹² from several Catholic theologians for the purposes of obtaining a *nihil obstat*¹³ 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;

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

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

- Provide a platform to accomplish other goals, objectives, and benefits for the communities served by the CHI and Dignity Health;

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 Date¹⁴ 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 Date¹⁵ 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 hospitals¹⁶ 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 Values¹⁷ or Designated Procedures¹⁸ 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

¹⁴ 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.

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

¹⁶ Marian Regional Medical Center, Arroyo Grande Campus 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 Campus will not be transferred to IHO.

¹⁷ 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.

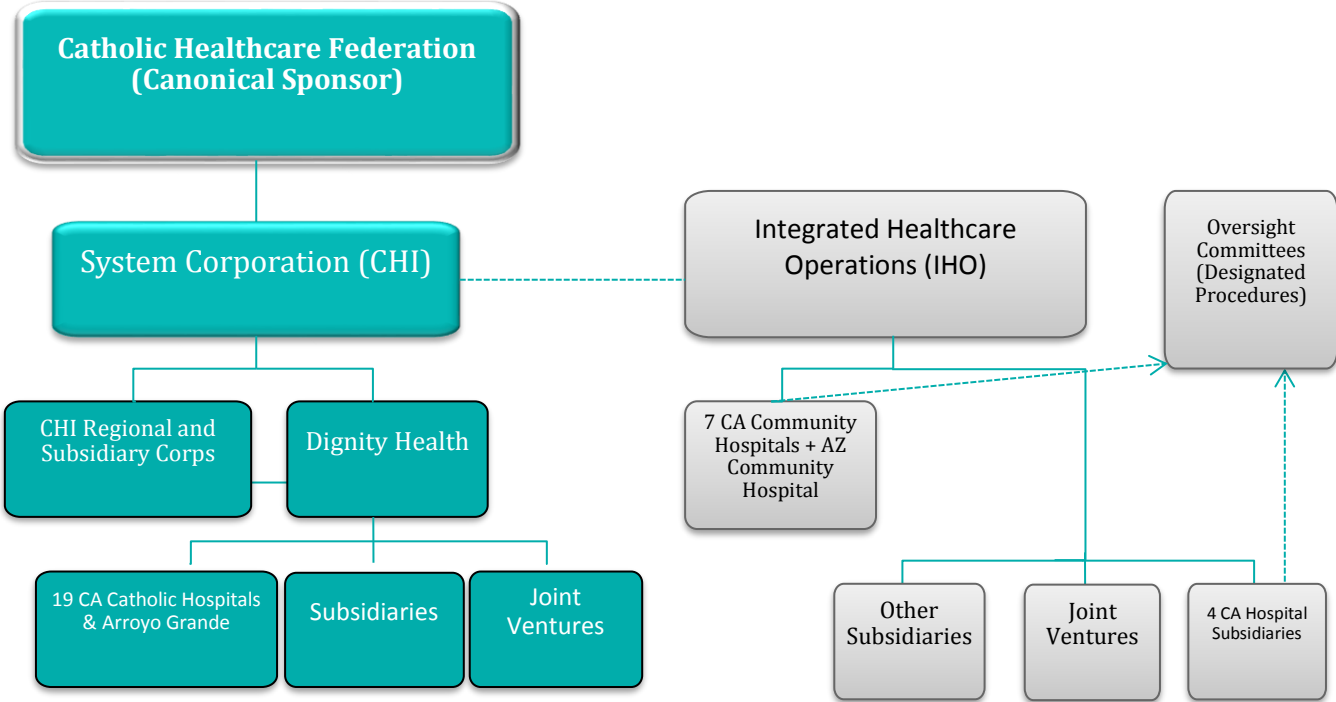
¹⁸ Designated Procedures means "direct sterilizations" that consist of an elective procedure, the primary purpose of which is to render the patient permanently incapable of reproducing; provided, however, that procedures that induce sterility do not constitute a "Designated Procedure" when their effect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

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.

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 Corporations¹⁹.

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 Corporations²⁰. 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.

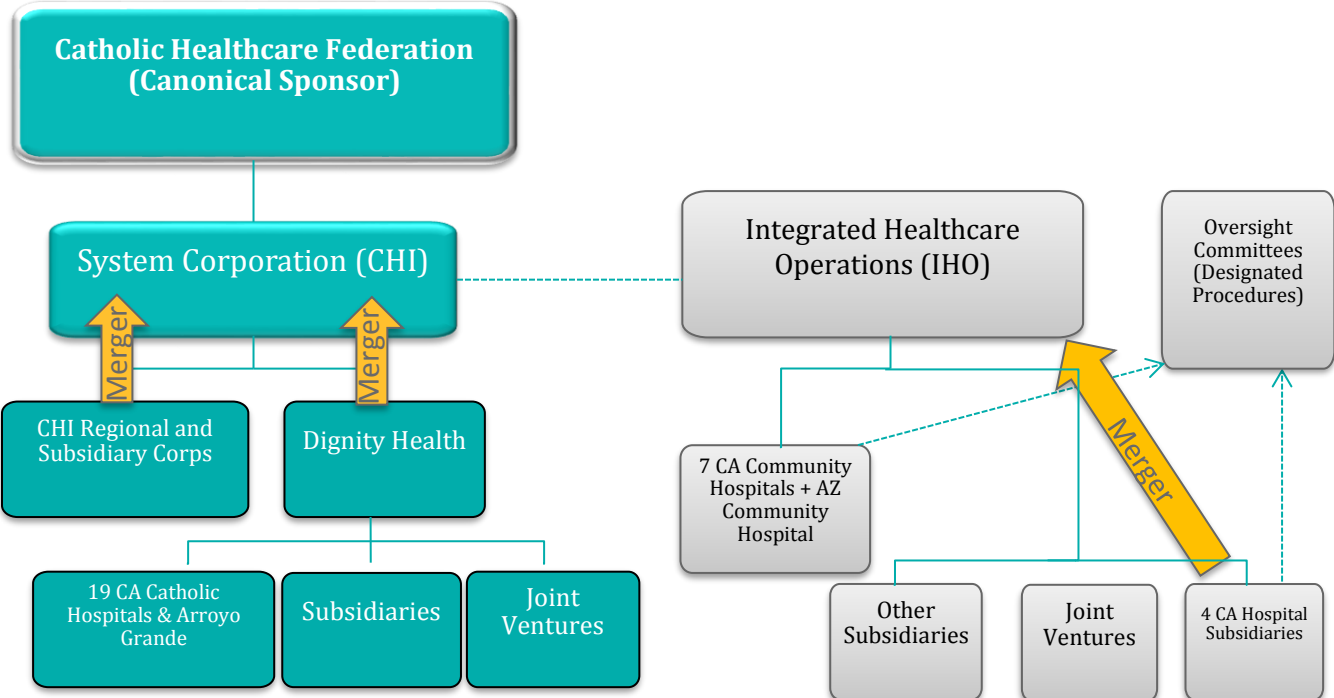


¹⁹ Both Dignity Health’s and IHO’s local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

²⁰The 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-Miners 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 Campus, 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 Campus 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);
 - 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 Medical Center of Stockton and St. Joseph 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 services²¹; and
 - Additional specialty healthcare services at current licensure and designation with current types and/or levels of services.

²¹ 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 Methodist Hospital of Sacramento, Mercy San Juan Medical Centers, Mercy Hospital of Folsom and Mercy General 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.
 - 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.

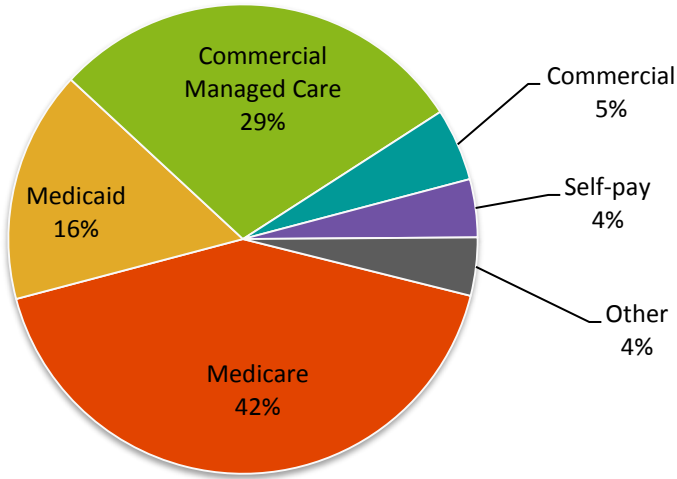
CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017			
<i>Fiscal Year ended June 30, 2017</i>	FY 2016	FY 2017	Change
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of stay, in days	4.8	4.7	-2.1%
Outpatient 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:

CHI COMBINED STATEMENT OF OPERATIONS		
FY 2016 – FY 2017 (In Thousands)		
Unrestricted Revenues and Support	FY 2016	FY 2017
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
Total Operating Revenues	\$15,189,587	\$15,547,464
Expenses		
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
Total Expenses	\$15,560,998	\$16,132,711
Income From Operations	(\$371,411)	(\$585,247)
Non-operating Income (Loss)		
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
Total Non-operating Income (Loss)	(\$204,160)	\$713,637
Excess of revenues over Expenses	(\$575,571)	\$128,390

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;

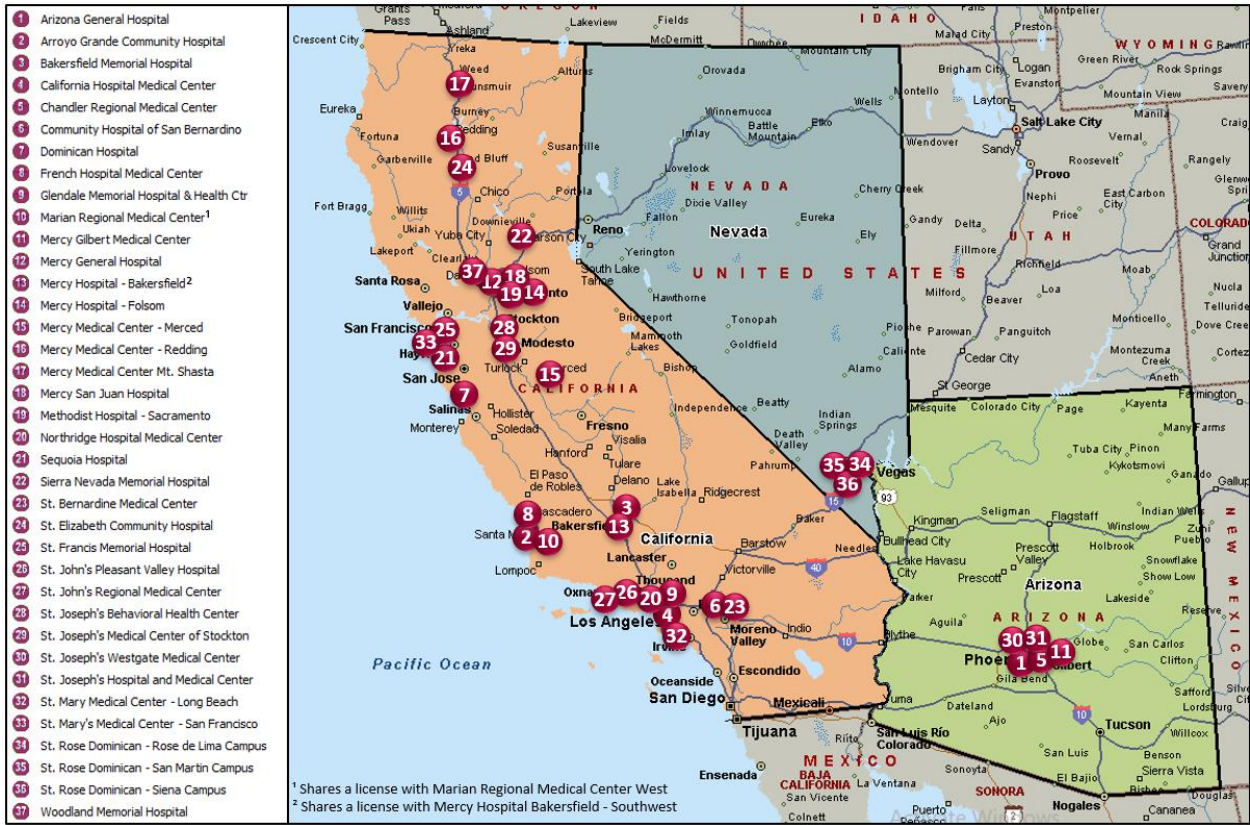
Total expenses increased by 3.7% from \$15.6 billion in FY 2016 to \$16.1 billion in FY 2017. CHI's salaries, wages and employee benefits expense accounted for 46% of total expenses;

- 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.

DIGNITY HEALTH TOTAL PAYER MIX COMPARISON FY 2016²²				
	Dignity Health FY 2016		California FY 2016 ¹	
	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%
Medi-Cal Total	108,082	38.60%	1,031,881	34.40%
Medicare Traditional	88,052	31.40%	829,621	27.60%
Medicare Managed Care	27,196	9.70%	315,579	10.50%
Medicare Total	115,248	41.10%	1,145,200	38.10%
Third-Party Managed Care	47,682	17.00%	648,533	21.60%
Third-Party Managed Care Total	47,682	17.00%	648,533	21.60%
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%
Other Total	9,160	3.30%	177,597	5.90%
Total	280,172	100%	3,003,211	100%

Source: OSHPD Disclosure Reports, FY 2016

¹ 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.

²² 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.

DIGNITY HEALTH COMBINED STATEMENT OF OPERATIONS		
FY 2016 - FY 2017 (In Thousands)		
Unrestricted Revenues and Support	FY 2016	FY 2017
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
Total Unrestricted Revenues And Support	\$12,636,275	\$12,850,107
Expenses		
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
Total Expenses	\$12,699,695	\$12,916,891
Income From Operations	(\$63,420)	(\$66,784)
Non-operating Income (Loss)		
Investment Income (Loss), net	(\$123,869)	\$555,538
Loss on early extinguishment of debt	-	(\$48,012)
Income Tax Expense	(\$14,189)	(\$15,024)
Total Non-operating Income (Loss)	(\$138,058)	\$492,502
Excess of Revenues over Expenses	(\$201,478)	\$425,718

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

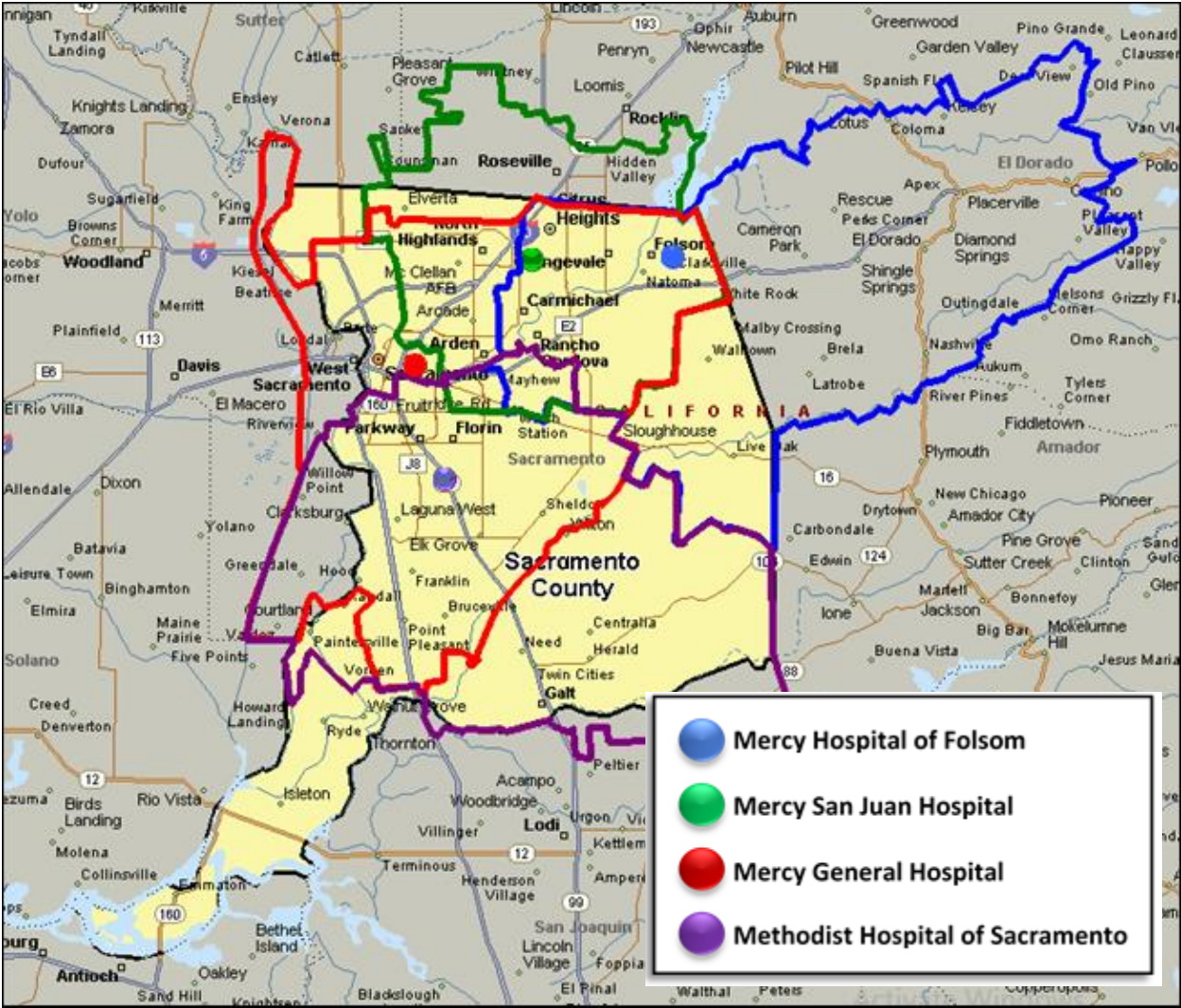
The following table lists the location of each Dignity Health owned and managed hospital in California.

DIGNITY HEALTH'S OWNED & OPERATED CALIFORNIA HOSPITALS		
Hospital	County	City
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 Campus	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	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 Sacramento County Hospital Market Share

Sacramento County is comprised of over 1.4 million residents and encompasses over 1,000 square miles. The map below depicts the four Dignity Health general acute care facilities located in Sacramento County and their respective service areas.



There are a total of 16 general acute care facilities located within Sacramento County, four of which are Dignity Health hospitals. These four hospitals are Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom and Mercy General Hospital. The four hospitals have a combined 33.8% market share of inpatient discharges in Sacramento County. The following table shows Sacramento County inpatient market share for calendar year (CY) 2016, the most recent data available from OSHPD. A profile for each Dignity Health hospital located in Sacramento County is described in the following sections.

SACRAMENTO COUNTY MARKET SHARE BY HOSPITAL CY 2016		
Hospital	CY 2016 Discharges	Market Share
Sutter Medical Center, Sacramento	21,820	15.8%
UC Davis Medical Center	16,934	12.2%
Mercy San Juan Medical Center¹	15,923	11.5%
Kaiser Foundation Hospital - South Sacramento	13,111	9.5%
Kaiser Foundation Hospital - Roseville	12,044	8.7%
Mercy General Hospital¹	11,101	8.0%
Methodist Hospital of Sacramento¹	10,209	7.4%
Kaiser Foundation Hospital - Sacramento	8,126	5.9%
Sutter Roseville Medical Center	6,361	4.6%
Mercy Hospital Of Folsom¹	4,425	3.2%
Sierra Vista Hospital	3,328	2.4%
Heritage Oaks Hospital	2,422	1.7%
Sutter Center For Psychiatry	1,628	1.2%
Adventist Health Lodi Memorial	911	0.7%
Woodland Memorial Hospital¹	772	0.6%
UCSF Medical Center	679	0.5%
St. Joseph's Behavioral Health Center¹	502	0.4%
Fremont Hospital	471	0.3%
Sutter Davis Hospital	469	0.3%
Adventist Health Vallejo	432	0.3%
Crestwood Psychiatric Health Facility-Carmichael	417	0.3%
Sacramento Mental Health Treatment Center	391	0.3%
Crestwood Psychiatric Health Facility-Sacramento	354	0.3%
Shriners Hospitals for Children Northern Calif.	324	0.2%
San Joaquin General Hospital	303	0.2%
Aurora Behavioral Healthcare-Santa Rosa, LLC	271	0.2%
California Pacific Med Ctr-Pacific Campus	215	0.2%
Stanford Health Care	205	0.1%
Kaiser Foundation Hospital - Rehabilitation Center Vallejo	184	0.1%
Lucile Salter Packard Children's Hosp. at Stanford	161	0.1%
Vibra Hospital of Sacramento	152	0.1%
St. Joseph's Medical Center of Stockton¹	141	0.1%
All Other	3,620	2.6%
Total Discharges	138,406	100%
Total Dignity Health Discharges	43,258	33.8%

Source: OSHPD Patient Discharge Database

Note: Excludes normal newborns

¹ Dignity Health Hospital

Profile of Methodist Hospital of Sacramento

Overview

Methodist Hospital of Sacramento is a general acute care hospital located at 500 Hospital Drive in Sacramento, California. The Hospital was established in 1973.

Today, Methodist Hospital of Sacramento offers a range of services including: a Primary Stroke Center, obstetrics, critical care medicine and skilled nursing. The Hospital has 10 surgical operating rooms and a “basic” emergency department²³ with 29 emergency treatment stations. According to Methodist Hospital of Sacramento’s current hospital license, it is licensed for 329 beds as shown below.

METHODIST HOSPITAL OF SACRAMENTO LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Neonatal Intensive Care	12
Perinatal	22
Intensive Care	10
Coronary Care	10
Unspecified General Acute Care	104
Total General Acute Care Beds	158
Skilled Nursing	171
Total Licensed Beds	329

¹ 2018 Hospital License

²³ 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

Methodist Hospital of Sacramento reported 10,582 inpatient discharges, 95,239 patient days, and an average daily census of 261 patients (approximately 79% occupancy) for FY 2017.

METHODIST HOSPITAL OF SACRAMENTO KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	11,345	11,072	10,582
Licensed Beds	329	329	329
Patient Days	96,434	95,209	95,239
Average Daily Census	264	261	261
Occupancy	80.3%	79.3%	79.3%
Average Length of Stay	8.5	8.6	9.0
Emergency Service Visits	66,733	66,511	66,123
Total Live Births	1,994	1,947	1,567

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

¹ FY 2015 and FY 2016 data are from audited OSHPD Disclosure Reports whereas FY 2017 data is from unaudited.

- Since FY 2015, inpatient discharges have decreased by 7% while patient days have decreased by 1%;
- In FY 2017, 66,123 emergency service visits were reported, a 1% decrease from FY 2015;
- Between FY 2015 and FY 2017, total live births decreased by 21%, with an average of 1,836 live births annually.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends at Methodist Hospital of Sacramento. According to the Hospital management, some neonatal intensive care, intensive care and obstetrics discharges were improperly reported to OSHPD as medical/surgical discharges during FY 2015 and FY 2016 and replaced with N/A in the table below.

METHODIST HOSPITAL OF SACRAMENTO SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical	24,357	26,503	27,979	27,605	28,204
Neonatal Intensive Care	2,147	1,828	1,641	1,818	1,390
Intensive Care	4,728	5,126	5,626	5,186	4,641
Obstetrics	4,384	4,209	4,483	4,462	3,524
Skilled Nursing	55,068	56,306	56,705	56,138	57,480
Total	90,684	93,972	96,434	95,209	95,239
DISCHARGES					
Medical/Surgical	7,529	7,853	N/A	N/A	7,623
Neonatal Intensive Care	183	168	N/A	N/A	190
Intensive Care	318	426	N/A	N/A	476
Obstetrics	1,855	1,858	N/A	N/A	1,601
Skilled Nursing	580	628	718	710	692
Total	10,465	10,933	11,345	11,072	10,582
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.2	3.4	N/A	N/A	3.7
Neonatal Intensive Care	11.7	10.9	N/A	N/A	7.3
Intensive Care	14.9	12.0	N/A	N/A	9.8
Obstetrics	2.4	2.3	N/A	N/A	2.2
Skilled Nursing	94.9	89.7	79.0	79.1	83.1
Total	8.7	8.6	8.5	8.6	9.0
AVERAGE DAILY CENSUS					
Medical/Surgical ²	66.7	72.6	N/A	N/A	77.3
Neonatal Intensive Care	5.9	5.0	N/A	N/A	3.8
Intensive Care	13.0	14.0	N/A	N/A	12.7
Obstetrics	12.0	11.5	N/A	N/A	9.7
Skilled Nursing	150.9	154.3	155.4	153.8	157.5
Total	248	257	264	261	261
OTHER SERVICES					
Inpatient Surgeries	2,193	2,135	2,150	2,174	2,327
Outpatient Surgeries	3,526	3,808	3,581	3,693	3,977
Emergency Services Visits	57,604	58,857	66,733	66,511	66,123
Total Live Births	1,812	1,776	1,994	1,947	1,567

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

² Includes Definitive Observation Beds

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

- Total patient days have increased by 5% but decreased the last three years by 1%;
- Inpatient discharges have increased by 1%;

- The average daily census increased by 5% from 248 patients in FY 2013 to 261 patients in FY 2017;
- Emergency service visits have increased by 15% to 66,123 visits in FY 2017; and
- The overall average length of stay is impacted by skilled nursing patients, which generally remain in the hospital for longer time periods.

Financial Profile

Over the last five fiscal years, Methodist Hospital of Sacramento’s net income has had a loss ranging from negative net income of \$5.8 million in FY 2013 to \$11.8 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by nearly 20% and 19% respectively. Over the same period, the Hospital’s operating expenses increased by 22% from \$250.9 million in FY 2013 to \$304.8 million in FY 2017. Other operating revenue²⁴ decreased by 37% from \$2.7 million in FY 2013 to \$1.7 million.

The Hospital’s current-ratio²⁵ has increased over the last five years from 1.26 in FY 2013 to 1.68 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s percentage of bad debt is 0.3% and lower than the statewide average of 0.8%.

METHODIST HOSPITAL OF SACRAMENTO						
FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	90,684	93,972	96,434	95,209	95,239	-
Discharges	10,465	10,933	11,345	11,072	10,582	-
ALOS	8.7	8.6	8.5	8.6	9.0	-
Net Patient Revenue	\$241,806,703	\$238,033,347	\$290,174,480	\$286,235,979	\$289,737,642	-
Other Operating Revenue	\$2,702,520	\$2,408,275	\$2,099,410	\$2,413,714	\$1,716,439	-
Total Operating Revenue	\$244,509,223	\$240,441,622	\$292,273,890	\$288,649,693	\$291,454,081	-
Operating Expenses	\$250,916,265	\$252,803,508	\$288,867,763	\$296,578,869	\$304,813,936	-
Net from Operations	(\$6,407,042)	(\$12,361,886)	\$3,406,127	(\$7,929,176)	(\$13,359,855)	-
Net Non-Operating Revenues and Expenses	\$649,468	\$267,781	\$190,963	\$1,605,372	\$1,512,713	-
Net Income	(\$5,757,574)	(\$12,094,105)	\$3,597,090	(\$6,323,804)	(\$11,847,142)	-
						2016 California Average ²
Current Ratio	1.26	1.44	1.41	1.45	1.68	1.56
Days in A/R	48.7	53.0	42.3	44.2	43.7	57.1
Bad Debt Rate	3.2%	2.6%	1.3%	1.3%	0.3%	0.8%
Operating Margin	-2.62%	-5.14%	1.17%	-2.75%	-4.58%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

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

²⁴ 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.

²⁵ The current ratio compares a company’s total 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

Methodist Hospital of Sacramento’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 49% of total costs were associated with Medi-Cal, followed by 34% with Medicare, and 16% with Third-Party.

METHODIST HOSPITAL OF SACRAMENTO OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$250,916,265	\$252,803,508	\$288,867,763	\$296,578,869	\$304,813,936
Cost of Services By Payer:					
Medicare	\$79,225,798	\$82,049,277	\$98,325,836	\$98,578,915	\$102,394,700
Medi-Cal	\$88,918,146	\$101,220,211	\$138,158,901	\$144,477,575	\$149,839,620
County Indigent	\$9,884,888	\$10,428,091	-	-	\$1,866
Third-Party	\$58,745,155	\$42,448,503	\$42,541,241	\$44,652,068	\$47,786,222
Other Indigent	\$3,776,511	\$3,582,127	\$3,577,565	\$1,907,983	\$2,719,624
All Other Payers	\$10,365,767	\$13,075,300	\$6,264,221	\$6,962,328	\$2,071,904

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ 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 Methodist Hospital of Sacramento 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 3.1% and higher 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.”

METHODIST HOSPITAL OF SACRAMENTO CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$1,038,204	\$320,382,471	\$1,097,751	\$338,322,364	\$1,209,381	\$365,501,463	\$1,291,566	\$396,427,743	\$1,353,241	-
Charity	\$17,931	\$6,563,487	\$16,784	\$5,113,965	\$19,444	\$3,441,227	\$13,185	\$3,457,868	\$13,903	-
Bad Debt	\$33,449	\$5,891,632	\$28,390	\$4,365,936	\$15,734	\$3,262,642	\$16,414	\$3,108,971	\$4,030	-
Total Charity & Bad Debt	\$51,380	\$12,455,119	\$45,175	\$9,479,902	\$35,177	\$6,703,869	\$29,599	\$6,566,839	\$17,933	-
Charity Care as a % of Gross Patient Revenue	1.7%	2.0%	1.5%	1.5%	1.6%	0.9%	1.0%	0.9%	1.0%	-
Bad Debt as a % of Gross Patient Revenue	3.2%	1.8%	2.6%	1.3%	1.3%	0.9%	1.3%	0.8%	0.3%	-
Total as a % of Gross Patient Revenue	4.9%	3.9%	4.1%	2.8%	2.9%	1.8%	2.3%	1.7%	1.3%	-
Uncompensated Care										
Cost to Charge Ratio¹	23.9%	24.5%	22.8%	23.6%	23.7%	24.1%	22.8%	23.8%	22.4%	-
Charity	\$4,287	\$1,608,711	\$3,828	\$1,207,919	\$4,610	\$828,647	\$3,003	\$822,627	\$3,114	-
Bad Debt	\$7,997	\$1,444,039	\$6,476	\$1,031,234	\$3,731	\$785,644	\$3,738	\$739,624	\$903	-
Total	\$12,284	\$3,052,750	\$10,304	\$2,239,153	\$8,341	\$1,614,292	\$6,742	\$1,562,251	\$4,017	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

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

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

The following table shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$4.3 million in FY 2013 to \$3.1 million in FY 2017. The average cost of charity care for the last five-year period was \$3.8 million, while the three-year average cost of charity care was \$3.6 million.

METHODIST HOSPITAL OF SACRAMENTO COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$13,903,288	22.4%	\$3,114,044
FY 2016	\$13,185,107	22.8%	\$3,003,021
FY 2015	\$19,443,696	23.7%	\$4,610,487
FY 2014	\$16,784,293	22.8%	\$3,828,471
FY 2013	\$17,931,292	23.9%	\$4,287,012
FY 2015 - FY 2017 Average			\$3,575,851
FY 2013 - FY 2017 Average			\$3,768,607

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ 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 charges.

METHODIST HOSPITAL OF SACRAMENTO COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$1,161,682	\$783,111	\$1,025,848	\$2,970,641
Visits/Discharges	66	422	1,112	
FY 2016:				
Cost of Charity	\$493,711	\$489,603	\$620,563	\$1,603,877
Visits/Discharges	35	302	827	
FY 2015:				
Cost of Charity	\$1,655,079	\$784,981	\$891,166	\$3,331,226
Visits/Discharges	110	417	1,260	
FY 2014:				
Cost of Charity	\$2,203,360	\$783,453	\$792,392	\$3,779,205
Visits/Discharges	150	421	1,125	
FY 2013:				
Cost of Charity	\$2,106,472	\$798,343	\$848,560	\$3,753,375
Visits/Discharges	146	455	1,191	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussion 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 they will comply with the charity care cost amounts determined in the manner described above.

Community Benefit Services

In the last five years, Methodist Hospital of Sacramento has provided a significant contribution for community benefit services. As shown in the table below, the average annual cost of community benefit services over the last three years has been \$4.8 million. The average annual cost of community benefit services over the last five years has been \$4.5 million.

METHODIST HOSPITAL OF SACRAMENTO 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	\$2,711,754	\$2,143,158	\$3,199,527	\$2,640,212	\$1,322,174	\$2,387,304	\$2,403,365
Benefits for Broader Community	\$1,579,843	\$2,451,966	\$2,654,836	\$2,271,570	\$4,035,874	\$2,987,427	\$2,598,818
Totals	\$4,291,597	\$4,595,124	\$5,854,363	\$4,911,782	\$5,358,048	\$5,374,731	\$5,002,183
Medi-Cal Provider Fee CHFT Grant Expense	(\$788,643)	(\$288,534)	(\$873,562)	(\$393,685)	(\$334,296)	-	-
Adjusted Totals	\$3,502,954	\$4,306,590	\$4,980,801	\$4,518,097	\$5,023,752	\$4,840,883	\$4,466,439

Source: Dignity Health

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$2.4 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is approximately \$2.6 million; and
- Over the five-year period, the Hospital’s combined total cost of community benefit services increased from approximately \$3.5 million in FY 2013 to \$5.0 million in FY 2017.

The Hospital’s community benefit services over the past five fiscal years included the following programs over \$10,000 in cost in FY 2017:

METHODIST HOSPITAL OF SACRAMENTO 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
Bruceville Enrollment Assistance	\$78,628	\$136,952	\$135,447	\$166,500	\$188,827
Cancer Focused Nurse Navigator	-	-	\$15,534	\$16,076	\$10,616
Charity Prescriptions	-	-	-	-	\$16,199
El Hogar Refer Net	-	-	-	-	\$18,443
Chronic Disease Self-Management Program	\$17,596	\$16,583	\$19,423	\$15,681	\$22,977
Lutheran Social Services Homeless Housing	-	-	-	-	\$24,000
Patient Navigator Program	-	\$109,704	\$122,698	\$60,390	\$19,499
Sacramento Community Partnerships	-	-	\$43,943	\$61,200	\$22,080
Transportation - Poor	-	-	-	-	\$30,045
Wellspace Interim Care Program	-	-	-	-	\$14,917
Counseling Service-Poor	\$574,817	\$932,279	\$785,782	\$577,675	\$135,866
Mercy Family Health Center (Family Practice Residency)	\$1,428,842	\$2,281,293	\$1,751,785	\$1,268,545	\$3,212,541
Renal Dialysis Services	-	-	-	-	\$20,192
Cash and In Kind Donations - Poor	\$18,501	\$16,980	\$240,458	\$28,144	\$100,247
Dignity Health Community Grants	\$123,990	\$128,680	\$126,155	\$126,963	\$145,008
In Kind Donation-Equipment/Supplies	-	-	-	-	\$24,718
Transitional Housing and Lodging -Poor	\$924	\$2,496	\$1,334	-	\$31,498
Community Benefit Assigned Staff	\$67,067	\$136,368	\$126,406	\$134,921	\$131,659
Mercy Faith & Health Partnerships	\$10,226	\$16,328	\$15,391	\$15,750	\$19,277
Mercy Heart and Vascular Institute	-	-	-	-	\$153,181
Professional & Medical Education - Other	-	-	-	\$163,667	\$49,965
Professional & Medical Training/Education-Med Students	-	-	-	\$460,047	\$328,031
Professional & Medical Training/Education-Nursing	-	-	\$722,471	\$236,849	\$151,358
Cash and In Kind Donations - Broader	\$25,000	\$25,869	\$4,331	\$2,187	\$1,043
Mercy Foundation Support	\$115,775	\$118,775	\$135,260	\$120,798	\$117,614

Source: Dignity Health

- Bruceville Enrollment Assistance: Provides assistance to low income patients to enroll in government sponsored health insurance programs including Medi-Cal;
- Cancer Focused Nurse Navigator: Coordinates patient/doctor communication following abnormalities discovered in mammograms, breast ultrasounds, or breast MRIs and provides information to the community about financial assistance for breast cancer screening;
- Charity Prescriptions: Donation of prescription medications to uninsured and underserved patients;
- El Hogar Refer Net: In collaboration with the community based nonprofit mental health provider, El Hogar, this program provides a process for patients admitted to the emergency department with mental illness to receive immediate and ongoing treatment and other social services they need after leaving the Hospital;

- Chronic Disease Self-Management Program: The program offers weekly workshops for six weeks on diabetes in clinical and community settings as well as on other chronic health problems;
- Lutheran Social Services Homeless Housing: This program partners hospital care coordinators with Lutheran Social Services staff to identify and evaluate chronically homeless, high end hospital users and place them in transitional housing units;
- Patient Navigation Program: In partnership with Sacramento Covered and Health Net, this program assists underserved patients who are admitted to the emergency department for non-urgent care by connecting with a primary care Provider, community clinics, and other social support services;
- Sacramento Community Partnerships: A collaboration with other regional health providers and community based nonprofit organizations to address specific priorities identified in the Community Needs Assessment and unmet healthcare needs;
- Transportation – Poor: Providers taxi or other transportation services to the poor;
- WellSpace Interim Care Program: A collaboration between other Dignity Health hospitals and health systems in the region, Sacramento County, and Federally Qualified Health Center, WellSpace Health, to provide shelter and treatment for homeless patients with physical or mental health disorders. The program also provides case management services to connect participants with outpatient services and community resources;
- Counseling Service – Poor: Psychiatric consults for patients who are uninsured and require psychiatric medical evaluations while hospitalized and conservatorship services to low-income patients who may lack capacity or family to help make decisions;
- Mercy Family Health Center (Family Practice Residency): Resident physicians are sponsored by the hospital to provide primary health care services to the poor and underinsured at the Mercy Family Health Center located on the campus of Methodist Hospital;
- Renal Dialysis Services: The Care Coordination Department pays for dialysis services for the underserved;

- Cash– In Kind Donations – Poor: Cash and in-kind donations by the hospital to nonprofit community-based organizations that provide health related services for the underinsured, uninsured, and vulnerable populations in the community;
- Dignity Health Community Grants: Funding from the Hospital awarded to nonprofit organizations working to improve the health and well-being of vulnerable and underserved populations and reduce disparities in the community;
- In Kind Donation – Equipment/Supplies: Provides medical supplies and other equipment, such as wheelchairs for those who cannot afford to rent or purchase these items;
- Transitional Housing and Lodging – Poor: Provides payment for short-term room and board in the community for patients unable to pay this expense after they are discharged from the hospital;
- Community Benefit Assigned Staff: A dedicated Community Health and Outreach team that oversees community health and outreach activities and reporting for all Sacramento region hospitals, develops the Sacramento Service Area Community Needs Assessment, and develops strategic partnerships working collaboratively with other health providers and community based organizations to focus on disproportionate unmet needs;
- Mercy Faith & Health Partnership: A community outreach program that encourages, supports and nurtures local faith communities to develop and sustain health ministry programs that advocate health promotion and disease prevention in their communities;
- Mercy Heart & Vascular Institute – Cardiovascular Disease Management: This program runs CHAMP (Congestive Heart Active Management Program) that provides patients with phone interventions, educational classes, and disease management skills after they are discharged from the Hospital;
- Professional & Medical Education – Other: Education for medical students, physicians, nurses, and other healthcare professionals. This includes Hospital staff serving as preceptors to students;
- Professional & Medical Education – Medical Students: Provides seminars and training for physicians and other medical students. This includes Hospital staff serving as preceptors to students;

- Professional & Medical Education – Nursing: Seminars and training for nurses focused on the health of the broader community. This includes Hospital staff serving as preceptors to students;
- Cash and in Kind Donations – Broader: The Hospital sponsors and participates in community health or health related events and activities that benefit all in the community; and
- Mercy Foundation – A nonprofit organization raising philanthropic support and community awareness for the works of the Sisters of Mercy in healthcare, education, housing for the homeless, and care for the poor and elderly.

Reproductive Health

For CY 2016, Methodist Hospital of Sacramento reported 71 inpatient discharges related to reproductive health services²⁶. The following table lists reproductive services by diagnostic related group discharges (DRG) for CY 2016.

METHODIST HOSPITAL OF SACRAMENTO CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C ¹	41
778-Threatened Abortion	14
777-Ectopic Pregnancy	12
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterectomy	3
779-Abortion W/O D&C ¹	1
Total Discharges:	71

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

- Out of the five diagnostic related groups, DRG 767- Vaginal Delivery with Sterilization has the highest number of reproductive service inpatient discharges.

The following table indicates whether the Hospital performs the following women’s reproductive services.

METHODIST HOSPITAL OF SACRAMENTO REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	Yes
Terminate pregnancy when:	
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	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	No

Source: Dignity Health

²⁶ Methodist Hospital of Sacramento is not a Catholic hospital and is not subject to the Catholic ERDs.

Analysis of Methodist Hospital of Sacramento

Service Area Definition

Methodist Hospital of Sacramento’s service area is comprised of 23 ZIP Codes from which 78% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital’s discharges originated from the top five ZIP Codes, all of which are in the Cities of Sacramento and Elk Grove. In CY 2016, the Hospital’s market share in the service area was 15.5%.

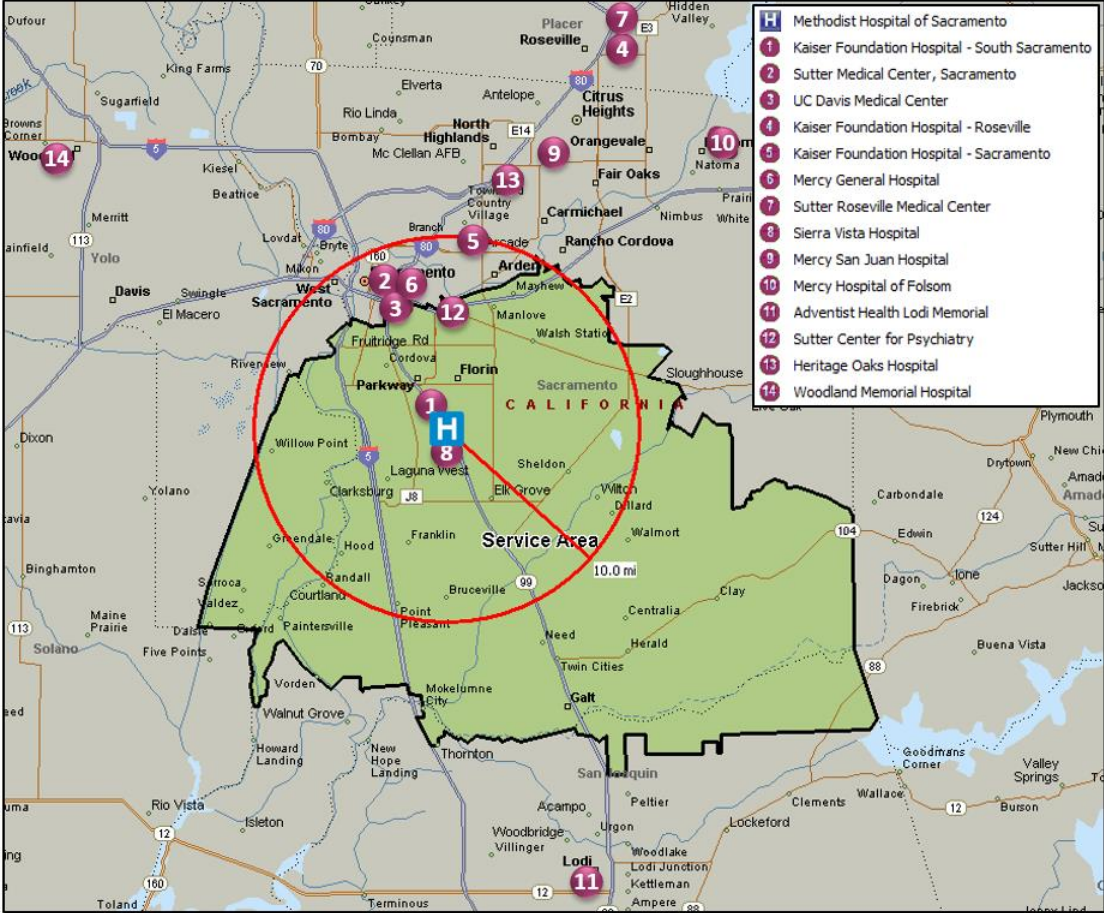
METHODIST HOSPITAL OF SACRAMENTO PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95823	Sacramento	2,030	18.4%	18.4%	8,524	23.8%
95828	Sacramento	1,283	11.6%	30.0%	5,823	22.0%
95624	Elk Grove	918	8.3%	38.3%	4,638	19.8%
95758	Elk Grove	773	7.0%	45.3%	4,321	17.9%
95822	Sacramento	719	6.5%	51.8%	4,744	15.2%
95824	Sacramento	562	5.1%	56.9%	3,340	16.8%
95757	Elk Grove	484	4.4%	61.3%	2,742	17.7%
95829	Sacramento	340	3.1%	64.3%	2,001	17.0%
95632	Galt	324	2.9%	67.3%	2,558	12.7%
95831	Sacramento	284	2.6%	69.8%	3,349	8.5%
95820	Sacramento	273	2.5%	72.3%	4,267	6.4%
95832	Sacramento	263	2.4%	74.7%	1,205	21.8%
95826	Sacramento	122	1.1%	75.8%	3,195	3.8%
95693	Wilton	77	0.7%	76.5%	507	15.2%
95817	Sacramento	63	0.6%	77.1%	1,705	3.7%
95827	Sacramento	55	0.5%	77.6%	2,093	2.6%
95638	Herald	31	0.3%	77.8%	213	14.6%
95612	Clarksburg	14	0.1%	78.0%	116	12.1%
95615	Courtland	13	0.1%	78.1%	54	24.1%
95639	Hood	11	0.1%	78.2%	43	25.6%
95655	Mather	9	0.1%	78.3%	280	3.2%
95830	Sacramento	8	0.1%	78.3%	92	8.7%
95759	Elk Grove	7	0.1%	78.4%	63	11.1%
Subtotal		8,663	78.4%	78.4%	55,873	15.5%
Other ZIPs		2,386	21.6%	100%		
Total Discharges		11,049	100%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Methodist Hospital of Sacramento’s service area has approximately 1.5 million residents. There are four other hospitals located within the Hospital’s service area: Sierra Vista Hospital, Kaiser Foundation Hospital South Sacramento and University of California Davis Medical Center. There are ten other hospitals located within approximately 10 miles from Methodist Hospital of Sacramento. Methodist Hospital of Sacramento is the third-largest inpatient market share leader in the service area.



Hospital Market Share

The table below provides the market share of inpatient discharges by individual hospital within Methodist Hospital of Sacramento’s service area from CY 2013 to CY 2016.

METHODIST HOSPITAL OF SACRAMENTO MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Kaiser Foundation Hospital - South Sacramento	18.4%	19.2%	19.4%	20.3%	↗
Sutter Medical Center, Sacramento	10.8%	10.0%	10.3%	17.1%	↗
Methodist Hospital of Sacramento	16.0%	16.8%	17.2%	15.5%	↘
UC Davis Medical Center	16.1%	15.7%	14.9%	15.0%	↘
Mercy General Hospital	10.3%	10.1%	9.3%	8.7%	↘
Kaiser Foundation Hospital - Roseville	2.5%	2.6%	3.0%	3.1%	↗
Kaiser Foundation Hospital - Sacramento	2.5%	2.4%	2.6%	2.9%	↗
Sierra Vista Hospital	2.8%	2.7%	2.9%	2.9%	→
Mercy San Juan Medical Center	2.8%	2.9%	2.6%	2.4%	↘
Heritage Oaks Hospital	1.0%	1.3%	1.5%	1.4%	→
Adventist Health Lodi Memorial	1.2%	1.4%	1.4%	1.4%	→
Sutter Center For Psychiatry	0.9%	1.0%	1.0%	1.0%	→
Sutter Roseville Medical Center	0.7%	0.8%	0.7%	0.8%	→
Mercy Hospital of Folsom	0.4%	0.5%	0.6%	0.7%	↗
Woodland Memorial Hospital	0.2%	0.3%	0.4%	0.5%	↗
UCSF Medical Center	0.4%	0.4%	0.4%	0.5%	→
Fremont Hospital	0.1%	0.0%	0.2%	0.4%	↗
Sacramento Mental Health Treatment Center	0.9%	0.4%	0.3%	0.4%	→
Crestwood Psychiatric Health Facility-Sacramento	0.5%	0.4%	0.4%	0.3%	↘
St. Joseph's Behavioral Health Center	0.4%	0.5%	0.5%	0.3%	↘
Crestwood Psychiatric Health Facility-Carmichael	0.6%	0.4%	0.3%	0.3%	↘
All Other	10.4%	10.3%	10.3%	4.3%	↘
Total Percentage	100%	100%	100%	100%	
Total Discharges	55,953	55,569	55,606	55,873	→

Source: OSHPD Discharge Database CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges (55,873) in Methodist Hospital of Sacramento’s service area has remained relatively constant CY 2013 and CY 2016;
- From CY 2013 to CY 2016, Kaiser Foundation Hospital - South Sacramento consistently ranked first in terms of overall market share based on inpatient discharges (20.3% in CY 2016); and
- Methodist Hospital of Sacramento ranked among the top three market share leaders based on inpatient discharges between CY 2013 and CY 2016.

Market Share by Payer Type

The following table illustrates the service area’s hospital market share by payer type as reported by OSHPD for CY 2016.

METHODIST HOSPITAL OF SACRAMENTO HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016													
Payer Type	Total Discharges	Kaiser Foundation Hospital - South Sacramento	Sutter Medical Center Sacramento	Methodist Hospital Of Sacramento	University Of California Davis Medical Center	Mercy General Hospital	Kaiser Foundation Hospital – Roseville	Kaiser Foundation Hospital - Sacramento	Sierra Vista Hospital	All Others	Total		
Medicare	19,622	21.6%	14.9%	18.5%	14.5%	12.6%	0.6%	4.6%	0.9%	11.7%	100.0%		
Medi-Cal	18,452	12.0%	19.7%	19.8%	18.5%	7.9%	2.0%	1.1%	3.8%	15.1%	100.0%		
Private Coverage	15,716	29.8%	15.6%	7.7%	12.2%	5.3%	7.6%	3.2%	4.3%	14.3%	100.0%		
All Other	1,544	3.3%	25.3%	7.0%	10.0%	4.6%	0.6%	0.6%	3.0%	45.6%	100.0%		
Self-Pay	539	27.1%	26.9%	10.8%	3.3%	2.6%	3.2%	3.5%	0.2%	22.4%	100.0%		
Total Percentage		20.3%	17.1%	15.5%	15.0%	8.7%	3.1%	2.9%	2.9%	14.6%	100.0%		
Total Discharges	55,873	11,324	9,546	8,663	8,364	4,837	1,729	1,637	1,617	8,156			

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

- The largest payer category of service area inpatient discharges is Medicare with 19,622 discharges (35%), Medi-Cal with 18,452 discharges (33%), and Private Coverage with 15,716 discharges (28%);
- Kaiser Foundation Hospital – South Sacramento is the market share leader for Medicare (22%), Private Coverage (30%) and Self-Pay (27%); and
- Methodist Hospital of Sacramento is the market share leader for Medi-Cal (20%).

Market Share by Service Line

The following table provides the service area’s inpatient market share for CY 2016.

METHODIST HOSPITAL OF SACRAMENTO HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Kaiser Foundation Hospital - South Sacramento	Sutter Medical Center, Sacramento	Methodist Hospital Of Sacramento	University Of California Davis Medical Center	Mercy General Hospital	Kaiser Foundation Hospital - Roseville	Kaiser Foundation Hospital - Sacramento	Sierra Vista Hospital	All Others	Total
General Medicine	16,128	20.3%	15.5%	21.4%	19.5%	8.4%	1.6%	3.4%	0.0%	9.9%	100%
Obstetrics	8,779	26.6%	33.5%	14.1%	6.3%	5.5%	8.0%	0.0%	0.0%	6.0%	100%
Cardiac Services	5,352	20.1%	14.9%	14.6%	16.5%	22.6%	0.9%	2.6%	0.0%	7.8%	100%
Behavioral Health	4,987	1.2%	0.8%	1.4%	1.7%	0.6%	0.0%	0.4%	32.3%	61.4%	100%
General Surgery	4,797	23.5%	13.9%	15.6%	19.4%	9.4%	1.2%	4.2%	0.0%	12.8%	100%
Orthopedics	3,740	27.8%	14.0%	14.7%	14.4%	9.2%	1.2%	5.9%	0.0%	12.9%	100%
Neonatology	3,324	34.2%	23.3%	12.2%	8.5%	2.4%	12.8%	0.0%	0.0%	6.6%	100%
Neurology	2,223	14.3%	16.9%	21.4%	17.8%	7.9%	1.3%	6.2%	0.0%	14.2%	100%
Oncology/Hematology (Medical)	1,466	11.9%	15.5%	11.1%	32.6%	10.4%	5.9%	2.9%	0.0%	9.8%	100%
Other	879	27.4%	10.5%	5.5%	31.9%	2.5%	1.6%	1.9%	0.0%	18.8%	100%
Spine	790	8.2%	18.5%	3.5%	21.1%	14.3%	1.3%	14.6%	0.0%	18.5%	100%
Vascular Services	643	16.3%	22.9%	8.7%	18.2%	14.5%	0.9%	3.0%	0.0%	15.6%	100%
Gynecology	598	10.4%	15.1%	26.3%	12.7%	14.9%	0.7%	6.2%	0.0%	13.9%	100%
Urology	539	24.5%	17.1%	10.4%	18.0%	10.9%	1.9%	1.9%	0.0%	15.4%	100%
ENT	525	23.8%	12.4%	5.5%	33.5%	6.9%	4.6%	1.5%	0.0%	11.8%	100%
Rehabilitation	513	0.0%	0.0%	75.6%	2.5%	20.1%	0.0%	0.0%	0.0%	1.8%	100%
Neurosurgery	429	7.9%	11.9%	0.5%	22.1%	4.9%	3.5%	25.6%	0.0%	23.5%	100%
No-match-found	97	14.4%	9.3%	6.2%	26.8%	9.3%	1.0%	5.2%	0.0%	27.8%	100%
Total Percentage		20.3%	17.1%	15.5%	15.0%	8.7%	3.1%	2.9%	2.9%	14.6%	100%
Total Discharges	55,873	11,324	9,546	8,663	8,364	4,837	1,729	1,637	1,617	8,156	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Methodist Hospital of Sacramento is the service line leader in four of 18 service lines: neurology (21%), general medicine (21%), gynecology (26%), and rehabilitation (76%);
- University of California, Davis Medical Center is the service area inpatient service line leader in four of 18 service lines: urology (34%), oncology/hematology (33%), other (32%), and spine (21%); and
- Kaiser Foundation Hospital – South Sacramento is the service area leader in four of 18 service lines: general surgery (24%), orthopedics (28%), neonatology (34%), and urology (25%).

Market Share by ZIP Code

The following table illustrates the service area’s hospital market share by ZIP Code for CY 2016.

METHODIST HOSPITAL OF SACRAMENTO HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Kaiser Foundation Hospital - South Sacramento	Sutter Medical Center, Sacramento	Methodist Hospital Of Sacramento	University Of California Davis Medical Center	Mercy General Hospital	Kaiser Foundation Hospital - Roseville	Kaiser Foundation Hospital - Sacramento	Sierra Vista Hospital	All Others	Total
95823	Sacramento	8,524	22.1%	14.8%	23.8%	11.3%	7.4%	2.0%	1.4%	4.6%	12.6%	100.0%
95828	Sacramento	5,823	24.1%	14.4%	22.0%	11.7%	7.6%	2.3%	2.1%	3.0%	12.7%	100.0%
95822	Sacramento	4,744	19.8%	20.0%	15.2%	15.2%	11.6%	2.3%	1.7%	3.0%	11.2%	100.0%
95624	Elk Grove	4,638	29.5%	16.6%	19.8%	10.3%	6.2%	2.8%	2.1%	1.9%	10.8%	100.0%
95758	Elk Grove	4,321	28.1%	18.1%	17.9%	10.0%	7.3%	3.1%	1.9%	2.3%	11.4%	100.0%
95820	Sacramento	4,267	12.1%	16.8%	6.4%	29.7%	11.3%	3.0%	2.5%	3.4%	14.8%	100.0%
95831	Sacramento	3,349	21.4%	25.9%	8.5%	14.8%	11.2%	3.3%	1.8%	1.7%	11.5%	100.0%
95824	Sacramento	3,340	13.7%	19.0%	16.8%	23.0%	10.9%	1.3%	1.1%	2.9%	11.3%	100.0%
95826	Sacramento	3,195	4.1%	18.9%	3.8%	17.2%	13.2%	8.3%	14.8%	2.9%	16.7%	100.0%
95757	Elk Grove	2,742	29.6%	18.5%	17.7%	10.1%	5.8%	3.0%	1.5%	2.2%	11.6%	100.0%
95632	Galt	2,558	22.0%	9.6%	12.7%	7.8%	4.2%	1.4%	0.6%	1.8%	40.0%	100.0%
95827	Sacramento	2,093	3.2%	16.0%	2.6%	18.8%	12.2%	7.9%	12.0%	2.1%	25.3%	100.0%
95829	Sacramento	2,001	27.6%	14.9%	17.0%	12.2%	5.7%	3.7%	1.7%	2.4%	14.6%	100.0%
95817	Sacramento	1,705	8.3%	18.1%	3.7%	33.7%	10.4%	2.8%	2.4%	4.5%	16.2%	100.0%
95832	Sacramento	1,205	20.4%	17.7%	21.8%	15.2%	6.0%	2.6%	1.7%	2.1%	12.5%	100.0%
95693	Wilton	507	27.8%	15.2%	15.2%	12.2%	5.1%	1.0%	2.4%	3.4%	17.8%	100.0%
95655	Mather	280	5.7%	12.1%	3.2%	13.6%	5.0%	19.6%	11.1%	4.6%	25.0%	100.0%
95638	Herald	213	25.4%	9.9%	14.6%	8.9%	6.1%	0.9%	0.9%	0.5%	32.9%	100.0%
95612	Clarksburg	116	22.4%	26.7%	12.1%	6.9%	7.8%	1.7%	0.0%	0.9%	21.6%	100.0%
95830	Sacramento	92	23.9%	29.3%	8.7%	5.4%	4.3%	6.5%	5.4%	3.3%	13.0%	100.0%
95759	Elk Grove	63	38.1%	11.1%	11.1%	0.0%	4.8%	4.8%	3.2%	0.0%	27.0%	100.0%
95615	Courtland	54	27.8%	18.5%	24.1%	11.1%	1.9%	0.0%	0.0%	0.0%	16.7%	100.0%
95639	Hood	43	23.3%	18.6%	25.6%	11.6%	7.0%	0.0%	0.0%	4.7%	9.3%	100.0%
Total Percentage			20.3%	17.1%	15.5%	15.0%	8.7%	3.1%	2.9%	2.9%	14.6%	100.0%
Total Discharges		55,873	11,323	9,546	8,663	8,364	4,837	1,729	1,637	1,617	8,157	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Methodist Hospital of Sacramento is the inpatient market share leader in three of the 23 ZIP Codes, all of which are in within the Cities of Sacramento and Hood;
- Kaiser Foundation Hospital South Sacramento is the inpatient market share leader in ten of the 23 ZIP Codes in the Cities of Sacramento, Elk Grove, Galt, Wilton, Herald, and Courtland; and
- Sutter Medical Center Sacramento is also the inpatient market share leader in a different five ZIP Codes in the Cities of Sacramento and Clarksburg.

Profile of Mercy San Juan Medical Center

Overview

Mercy San Juan Medical Center is general acute care hospital located on 6501 Coyle Avenue in Carmichael, California. The Hospital was established in 1967 as Mercy San Juan Hospital before being renamed Mercy San Juan Medical Center in 2001.

Today, Mercy San Juan Medical Center offers a range of services including: a Level II Trauma Center, a Primary Stroke Center, and critical care medicine. The Hospital has 16 surgical operating rooms and a “basic” emergency department with 31 emergency treatment stations. According to Mercy San Juan Medical Center’s current hospital license, it is licensed for 370 beds as shown below.

MERCY SAN JUAN MEDICAL CENTER LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Neonatal Intensive Care	26
Perinatal	32
Intensive Care	45
Pediatric	8
Coronary Care	11
Unspecified General Acute Care	248
Total General Acute Care Beds	370
Total Licensed Beds	370

¹ 2018 Hospital License

Key Statistics

For FY 2017, San Juan Medical Center reported 20,298 inpatient discharges, 95,314 patient days, and an average daily census of 261 patients (approximately 71% occupancy).

MERCY SAN JUAN MEDICAL CENTER KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	25,036	21,097	20,298
Licensed Beds	370	370	370
Patient Days	107,793	103,767	95,314
Average Daily Census	295	284	261
Occupancy	79.8%	76.8%	70.6%
Average Length of Stay	4.3	4.9	4.7
Cardiac Catheterization Procedures	3,122	3,162	3,444
Emergency Service Visits	119,478	77,124	74,867
Total Live Births	2,082	2,001	1,858

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges have significantly decreased by 19%;
- In FY 2017, 74,867 emergency service visits were reported, a 36% decrease from FY 2015;
- In FY 2017, there were 3,444 cardiac catheterization procedures reported; and
- Between FY 2015 and FY 2017, total live births have remained relatively constant, with an average of 1,980 live births annually.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 volume trends at Mercy San Juan Medical Center.

MERCY SAN JUAN MEDICAL CENTER*					
SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical	63,144	71,747	74,195	71,610	65,958
Neonatal Intensive Care	8,651	8,919	8,504	8,719	7,604
Intensive Care	13,256	15,722	17,351	16,146	14,859
Obstetrics	6,672	7,018	6,134	6,018	5,686
Pediatrics Acute	2,195	1,916	1,609	1,274	1,207
Total	93,918	105,322	107,793	103,767	95,314
DISCHARGES					
Medical/Surgical	14,383	17,880	18,217	16,554	14,743
Neonatal Intensive Care	59	506	378	342	361
Intensive Care	927	1,413	1,982	2,117	1,258
Obstetrics	1,526	4,065	3,639	1,544	3,260
Pediatrics Acute	887	1,019	820	540	676
Total	17,782	24,883	25,036	21,097	20,298
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	4.4	4.0	4.1	4.3	4.5
Neonatal Intensive Care	146.6	17.6	22.5	25.5	21.1
Intensive Care	14.3	11.1	8.8	7.6	11.8
Obstetrics	4.4	1.7	1.7	3.9	1.7
Pediatrics Acute	2.5	1.9	2.0	2.4	1.8
Total	5.3	4.2	4.3	4.9	4.7
AVERAGE DAILY CENSUS					
Medical/Surgical ²	173.0	196.6	203.3	196.2	180.7
Neonatal Intensive Care	23.7	24.4	23.3	23.9	20.8
Intensive Care	36.3	43.1	47.5	44.2	40.7
Obstetrics	18.3	19.2	16.8	16.5	15.6
Pediatrics Acute	6.0	5.2	4.4	3.5	3.3
Total	257	289	295	284	261
OTHER SERVICES					
Inpatient Surgeries	4,681	4,765	4,441	4,764	4,634
Outpatient Surgeries	5,969	5,860	5,399	5,583	5,975
Emergency Services Visits	70,530	73,377	119,478	77,124	74,867
Total Live Births	2,149	2,148	2,082	2,001	1,858

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

² Includes Definitive Observation Beds

*The Hospital noted that service volumes for FY 2013 were misreported to OSHPD.

A review of Mercy San Juan Medical Center’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- Total patient days have increased by 2%;
- Inpatient discharges have increased by 14%;
- The average daily census has fluctuated with a 4% decrease from 295 patients in FY 2015 to 284 patients in FY 2016, followed by an 8% decrease in FY 2017; and
- Emergency service visits have increased by 6%.

Financial Profile

Over the last five fiscal years, Mercy San Juan Medical Center has had a positive net income ranging from \$22.4 million in FY 2013 to \$29.8 million in FY 2016, followed by a loss of \$7.8 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by nearly 16% and 15% respectively. Over the same period, the Hospital’s operating expenses increased by approximately 21% from \$512.4 million in FY 2013 to \$621.2 million in FY 2017. Other operating revenue decreased significantly over the five-year period by 55% from \$4.6 million to \$2.1 million.

The Hospital’s current-ratio has fluctuated over the last five years but decreased from 4.38 in FY 2013 to 3.74 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s percentage of bad debt is 0.6% and lower than the state average of 0.8%.

MERCY SAN JUAN MEDICAL CENTER FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 ¹	
Patient Days	93,918	105,322	107,793	103,767	95,314	-
Discharges	17,782	24,883	25,036	21,097	20,298	-
ALOS	5.3	4.2	4.3	4.9	4.7	-
Net Patient Revenue	\$519,522,002	\$547,547,245	\$651,021,293	\$651,159,682	\$602,906,591	-
Other Operating Revenue	\$4,646,115	\$3,976,893	\$3,186,591	\$4,448,794	\$2,080,830	-
Total Operating Revenue	\$524,168,117	\$551,524,138	\$654,207,884	\$655,608,476	\$604,987,421	-
Operating Expenses	\$512,405,807	\$529,464,186	\$610,703,683	\$623,733,661	\$621,216,571	-
Net from Operations	\$11,762,310	\$22,059,952	\$43,504,201	\$31,874,815	(\$16,229,150)	-
Net Non-Operating Revenues and Expenses	\$10,607,602	\$13,308,048	\$3,682,799	(\$2,061,506)	\$8,414,173	-
Net Income	\$22,369,912	\$35,368,000	\$47,187,000	\$29,813,309	(\$7,814,977)	-
						2016 California Average ²
Current Ratio	4.38	4.78	4.04	3.69	3.74	1.56
Days in A/R	49.4	58.3	46.2	50.8	46.7	57.1
Bad Debt Rate	3.8%	2.8%	1.7%	1.0%	0.6%	0.8%
Operating Margin	2.24%	4.00%	6.65%	4.86%	-2.68%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ 1 FY 2015 and FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 data is from unaudited

² FY 2017 California data was not available when the data was collected to prepare this report

Cost of Hospital Services

Mercy San Juan Medical Center’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 43% of total costs were associated with Medicare, followed by 34% with Medi-Cal and 21% with Third-Party.

MERCY SAN JUAN MEDICAL CENTER OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$512,405,807	\$529,464,186	\$610,703,683	\$623,733,661	\$621,216,571
Cost of Services By Payer:					
Medicare	\$211,877,689	\$220,109,065	\$255,543,323	\$262,385,507	\$267,806,107
Medi-Cal	\$127,818,079	\$147,865,311	\$207,252,514	\$222,122,018	\$213,924,147
County Indigent	\$24,002,924	\$16,798,111	\$513,212	\$21,507	\$3,684
Third-Party	\$122,668,538	\$118,960,681	\$134,077,295	\$130,546,924	\$130,437,706
Other Indigent	\$6,584,829	\$2,827,059	\$3,056,034	\$2,327,657	\$3,236,664
All Other Payers	\$19,453,747	\$22,903,959	\$10,261,304	\$6,330,048	\$5,808,264

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ 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 San Juan Medical Center and all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 2.9% and higher 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 SAN JUAN MEDICAL CENTER CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$2,194,488	\$320,382,471	\$2,493,449	\$338,322,364	\$2,683,517	\$365,501,463	\$2,793,538	\$396,427,743	\$2,759,313	-
Charity	\$43,499	\$6,563,487	\$20,842	\$5,113,965	\$20,066	\$3,441,227	\$21,202	\$3,457,868	\$17,065	-
Bad Debt	\$82,346	\$5,891,632	\$69,503	\$4,365,936	\$45,635	\$3,262,642	\$27,712	\$3,108,971	\$15,748	-
Total Charity & Bad Debt	\$125,844	\$12,455,119	\$90,345	\$9,479,902	\$65,700	\$6,703,869	\$48,914	\$6,566,839	\$32,813	-
Charity Care as a % of Gross Patient Revenue	2.0%	2.0%	0.8%	1.5%	0.7%	0.9%	0.8%	0.9%	0.6%	-
Bad Debt as a % of Gross Patient Revenue	3.8%	1.8%	2.8%	1.3%	1.7%	0.9%	1.0%	0.8%	0.6%	-
Total as a % of Gross Patient Revenue	5.7%	3.9%	3.6%	2.8%	2.4%	1.8%	1.8%	1.7%	1.2%	-
Uncompensated Care										
Cost to Charge Ratio	23.1%	24.5%	21.1%	23.6%	22.6%	24.1%	22.2%	23.8%	22.4%	-
Charity	\$10,065	\$1,608,711	\$4,392	\$1,207,919	\$4,543	\$828,647	\$4,700	\$822,627	\$3,829	-
Bad Debt	\$19,053	\$1,444,039	\$14,648	\$1,031,234	\$10,331	\$785,644	\$6,143	\$739,624	\$3,533	-
Total	\$29,118	\$3,052,750	\$19,040	\$2,239,153	\$14,874	\$1,614,292	\$10,843	\$1,562,251	\$7,363	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

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

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

The following table shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$10.1 million in FY 2013 to \$3.8 million in FY 2017. The average cost of charity care for the last five-year periods was \$5.5 million, while the three-year average cost of charity care was \$4.4 million.

MERCY SAN JUAN MEDICAL CENTER COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$17,065,302	22.4%	\$3,829,119
FY 2016	\$21,201,778	22.2%	\$4,700,112
FY 2015	\$20,065,782	22.6%	\$4,542,660
FY 2014	\$20,842,000	21.1%	\$4,392,393
FY 2013	\$43,498,551	23.1%	\$10,064,678
FY 2015 - FY 2017 Average			\$4,357,297
FY 2013 - FY 2017 Average			\$5,505,792

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ 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 in the table below.

MERCY SAN JUAN MEDICAL CENTER COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$1,613,256	\$1,084,145	\$698,613	\$3,396,014
Visits/Discharges	75	388	828	
FY 2016:				
Cost of Charity	\$1,932,078	\$608,859	\$426,967	\$2,967,904
Visits/Discharges	106	253	526	
FY 2015:				
Cost of Charity	\$3,764,343	\$844,810	\$530,159	\$5,139,312
Visits/Discharges	232	381	793	
FY 2014:				
Cost of Charity	\$2,831,491	\$620,206	\$408,847	\$3,860,544
Visits/Discharges	177	298	553	
FY 2013:				
Cost of Charity	\$3,970,611	\$738,095	\$448,457	\$5,157,163
Visits/Discharges	258	372	649	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussion 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 they will comply with the charity care cost amounts determined in the manner described above.

Community Benefit Services

In the last five years, Mercy San Juan Medical Center has spent a significant amount on community benefit services. As shown in the table below, the average annual cost of community benefit services over the last three years has been \$5.7 million. The average annual cost of community benefit services over the last five years has been \$5.3 million.

MERCY SAN JUAN MEDICAL CENTER 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	\$6,931,808	\$3,950,809	\$4,628,475	\$3,577,459	\$3,161,175	\$3,789,036	\$4,449,945	
Benefits for Broader Community	\$378,754	\$311,099	\$4,869,421	\$2,512,761	\$1,426,737	\$2,936,306	\$1,899,754	
Totals	\$7,310,562	\$4,261,908	\$9,497,896	\$6,090,220	\$4,587,912	\$6,725,343	\$6,349,700	
Medi-Cal Provider Fee CHFT Grant Expense	(\$1,594,082)	(\$601,567)	(\$1,781,133)	(\$667,929)	(\$660,144)	-	-	
Adjusted Totals	\$5,716,480	\$3,660,341	\$7,716,763	\$5,422,291	\$3,927,768	\$5,688,941	\$5,288,729	

Source: Dignity Health

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$4.4 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$1.9 million per year; and
- Over the five-year period, the Hospital’s adjusted total cost of community benefit services decreased from \$5.7 million in FY 2013 to \$3.9 million in FY 2017.

The Hospital’s community benefit services over the past five fiscal years included the following programs over \$10,000 in cost in FY 2017:

MERCY SAN JUAN MEDICAL CENTER 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
Catholic School Health Nurse	\$18,071	\$19,880	\$22,074	\$18,070	\$16,838
Chronic Disease Self-Management Program	\$28,194	\$16,639	\$20,030	\$17,376	\$24,713
El Hogar Refer Net	-	-	-	-	\$43,803
Lutheran Social Services Homeless Housing	-	-	-	-	\$57,000
Patient Navigator Program	-	\$127,128	\$156,256	\$76,990	\$16,968
Sacramento Community Partnerships	-	-	\$57,451	\$145,351	\$52,440
Safe Kids Car Seat Classes and Health/Safety Education	\$438,161	\$215,705	\$133,260	\$202,998	\$317,221
Wellspace Interim Care Program	-	-	-	-	\$35,428
Counseling Service-Poor	\$668,402	\$1,075,909	\$663,590	\$829,054	\$470,909
Emergency and Trauma Services (Ambulance Services)	-	-	-	-	\$104,200
Mercy Family Health Center (Family Practice Residency)	\$124,606	\$184,393	\$244,902	\$248,552	\$243,230
Renal Dialysis Services	-	-	-	-	\$65,523
Cash-In Kind Donations-Poor	\$33,501	\$31,893	\$145,096	\$56,015	\$81,425
Dignity Health Community Grants	\$274,417	\$282,686	\$257,573	\$265,399	\$305,987
Sacramento Service Area Partnerships/Donations-Poor	\$766,569	\$429,267	\$356,802	\$53,725	\$13,300
Transitional Housing and Lodging -Poor	\$1,967	\$4,901	\$3,538	-	\$515,725
Community Benefit Assigned Staff	\$110,744	\$106,841	\$112,135	\$118,314	\$116,577
Mercy Faith & Health Partnership	\$24,708	\$33,969	\$33,472	\$35,252	\$38,641
Mercy Heart & Vascular Institute - Cardiovascular Disease Management	-	-	-	-	\$437,660
Professional & Medical Education - Nursing	\$64,551	-	\$4,488,138	\$865,846	\$562,618
Professional & Medical Education - Other	-	-	-	\$1,345,080	\$137,717
Mercy Foundation Support	\$247,255	\$239,436	\$282,976	\$256,625	\$248,295

Source Dignity Health

- Catholic School Health Nurse: The hospital sponsors a nurse to provide health care and screenings to low income children at five Catholic schools;
- Chronic Disease Self-Management Program: The program offers weekly workshops for six weeks on diabetes in clinical and community settings as well as on other chronic health problems;
- El Hogar Refer Net: In collaboration with the community based nonprofit mental health provider, El Hogar, this program provides a process for patients admitted to the emergency department with mental illness to receive immediate and ongoing treatment and other social services they need after leaving the hospital;
- Lutheran Social Services Homeless Housing: This program partners hospital care coordinators with Lutheran Social Services staff to identify and evaluate chronically homeless, high end hospital users and place them in transitional housing units;

- Patient Navigation Program: In partnership with Sacramento Covered and Health Net, this program assists underserved patients who are admitted to the emergency department for non-urgent care by connecting with a primary care provider, community clinics, and other social support services;
- Sacramento Community Partnerships: A collaboration with other regional health providers and community based nonprofit organizations to address specific priorities identified in the Community Needs Assessment and unmet healthcare needs;
- Safe Kids Car Seat Classes and Health/Safety Education: Provides education for children and families on child passenger safety, bicycle safety, pedestrian safety, home safety, safe sleep, fire/burn prevention, drowning prevention, and poison prevention, and distributes lifesaving devices to families in need;
- WellSpace Interim Care Program: A collaboration between other Dignity Health hospitals and health systems in the region, Sacramento County and Federally Qualified Health Center, WellSpace Health, to provide shelter and treatment for homeless patients with physical or mental health disorders. The program also provides case management services to connect participants with outpatient services and community resources;
- Counseling Service – Poor: Psychiatric consults for patients who are uninsured and require psychiatric medical evaluations while hospitalized and conservatorship services to low-income patients who may lack capacity or family to help make decisions;
- Emergency and Trauma Services (Ambulance Services): Subsidized services for emergency and trauma patients, including ambulance and air ambulance transport;
- Mercy Family Health Center (Family Practice Residency): Resident physicians are sponsored by the hospital to provide primary health care services to the poor and underinsured at the Mercy Family Health Center located on the campus of Methodist Hospital;
- Renal Dialysis Services: The Care Coordination Department pays for dialysis services for the underserved;
- Cash – In Kind Donations – Poor: Cash and in-kind donations by the hospital to nonprofit community-based organizations that provide health related services for the underinsured, uninsured, and vulnerable populations in the community;

- Dignity Health Community Grants: Funding from the hospital awarded to nonprofit organizations working to improve the health and well-being of vulnerable and underserved populations and reduce disparities in the community;
- Sacramento Service Area Partnerships/Donations – Poor: A collaboration with other regional health providers and community based nonprofit organizations to address specific priorities identified in the Community Needs Assessment and unmet healthcare needs;
- Transitional Housing and Lodging – Poor: Provides payment for short-term room and board in the community for patients unable to pay this expense after they are discharged from the hospital;
- Community Benefit Assigned Staff: A dedicated Community Health and Outreach team that oversees community health and outreach activities and reporting for all Sacramento region hospitals, develops the Sacramento Service Area Community Needs Assessment, and develops strategic partnerships working collaboratively with other health providers and community based organizations to focus on disproportionate unmet needs.
- Mercy Faith & Health Partnership: A community outreach program that encourages, supports and nurtures local faith communities to develop and sustain health ministry programs that advocate health promotion and disease prevention in their communities;
- Mercy Heart & Vascular Institute – Cardiovascular Disease Management: This program runs CHAMP (Congestive Heart Active Management Program) that provides patients with phone interventions, educational classes, and disease management skills after they are discharged from the Hospital;
- Professional & Medical Education – Nursing: Seminars and training for nurses focused on the health of the broader community. This includes Hospital staff serving as preceptors to students;
- Professional & Medical Education – Other: Education for medical students, physicians, nurses, and other healthcare professionals. This includes Hospital staff serving as preceptors to students; and

- Mercy Foundation – A nonprofit organization raising philanthropic support and community awareness for the works of the Sisters of Mercy in healthcare, education, housing for the homeless, and care for the poor and elderly.

Reproductive Health

Mercy San Juan Medical Center reported 64 inpatient discharges related to reproductive health services for CY 2016.²⁷ The table below lists inpatient reproductive services by diagnostic related group (DRG) discharges for CY 2016.

MERCY SAN JUAN MEDICAL CENTER CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
778-Threatened Abortion	31
767-Vaginal Delivery W Sterilization &/Or D&C ¹	23
777-Ectopic Pregnancy	5
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterectomy	4
779-Abortion W/O D&C ¹	1
Total Discharges:	64

Source: CY 2016 OSHPD Patient Discharge Database
¹D&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.

²⁷ Mercy San Juan Medical Center is a Catholic hospital and is subject to the Catholic ERDs

The following table indicates whether the Hospital performs the following women’s health reproductive services.

MERCY SAN JUAN MEDICAL CENTER REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	Yes, In specific situations following approval
Terminate pregnancy when:	
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	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	No

Source: Dignity Health

Analysis of Mercy San Juan Medical Center

Service Area Definition

Mercy San Juan Medical Center’s service area is comprised of 31 ZIP Codes from which 75.9% of its discharges originated in CY 2016. Approximately 50% of Mercy San Juan Medical Center’s discharges originated from the top eight ZIP Codes. In CY 2016, Mercy San Juan Medical Center’s market share in the service area was 18.0%.

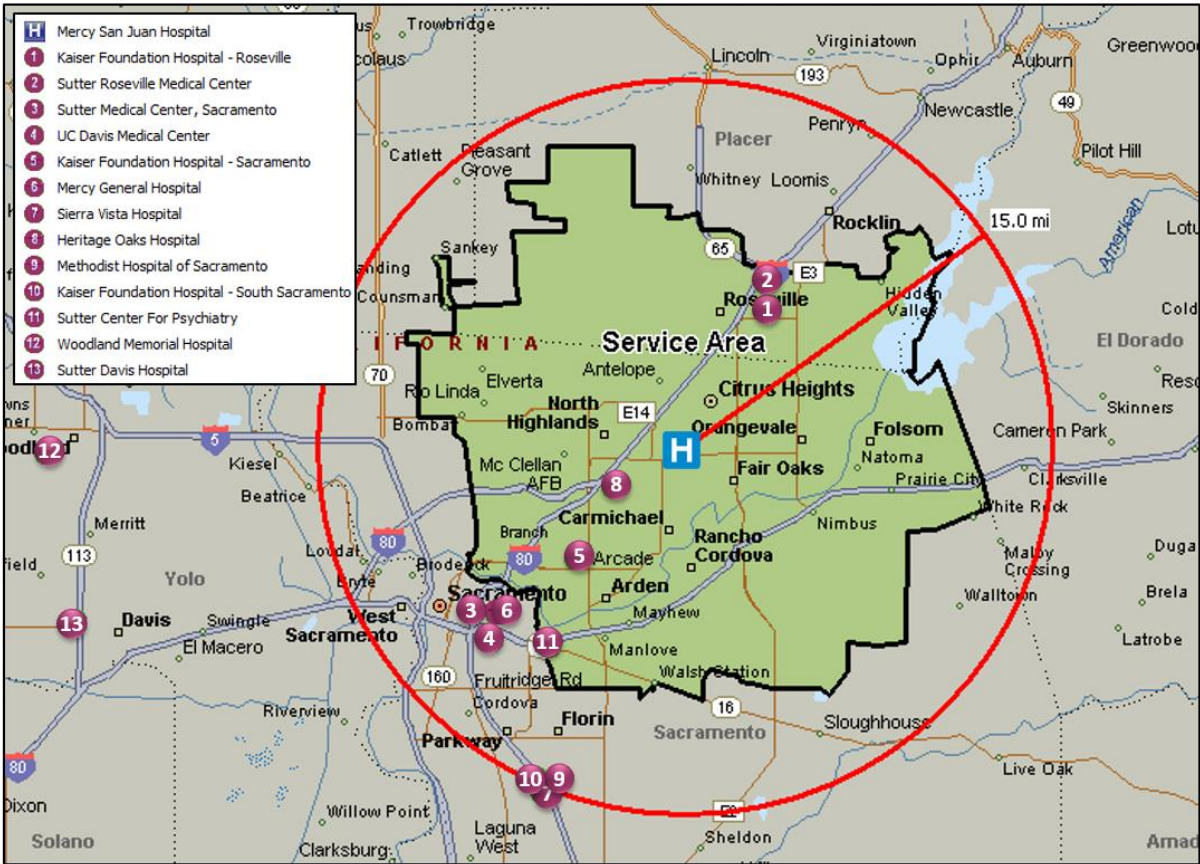
MERCY SAN JUAN MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95608	Carmichael	2,260	11.5%	11.5%	6,429	35.2%
95660	North Highlands	1,490	7.6%	19.0%	4,169	35.7%
95621	Citrus Heights	1,297	6.6%	25.6%	4,455	29.1%
95610	Citrus Heights	1,156	5.9%	31.5%	4,273	27.1%
95628	Fair Oaks	1,069	5.4%	36.9%	3,751	28.5%
95842	Sacramento	1,054	5.3%	42.3%	3,286	32.1%
95841	Sacramento	893	4.5%	46.8%	2,381	37.5%
95843	Antelope	797	4.0%	50.8%	3,520	22.6%
95670	Rancho Cordova	717	3.6%	54.5%	5,180	13.8%
95821	Sacramento	670	3.4%	57.9%	3,881	17.3%
95662	Orangevale	495	2.5%	60.4%	2,951	16.8%
95838	Sacramento	475	2.4%	62.8%	4,120	11.5%
95673	Rio Linda	457	2.3%	65.1%	1,819	25.1%
95630	Folsom	310	1.6%	66.7%	4,558	6.8%
95747	Roseville	266	1.3%	68.0%	4,792	5.6%
95815	Sacramento	232	1.2%	69.2%	3,433	6.8%
95678	Roseville	230	1.2%	70.4%	3,412	6.7%
95825	Sacramento	200	1.0%	71.4%	3,519	5.7%
95864	Sacramento	151	0.8%	72.2%	1,821	8.3%
95626	Elverta	138	0.7%	72.9%	571	24.2%
95827	Sacramento	133	0.7%	73.5%	2,093	6.4%
95661	Roseville	132	0.7%	74.2%	2,583	5.1%
95826	Sacramento	132	0.7%	74.9%	3,195	4.1%
95746	Granite Bay	53	0.3%	75.1%	1,406	3.8%
95742	Rancho Cordova	42	0.2%	75.4%	825	5.1%
95609	Carmichael	40	0.2%	75.6%	128	31.3%
95611	Citrus Heights	29	0.1%	75.7%	110	26.4%
95655	Mather	19	0.1%	75.8%	280	6.8%
95652	McClellan	12	0.1%	75.9%	69	17.4%
95741	Rancho Cordova	11	0.1%	75.9%	108	10.2%
95860	Sacramento	6	0.0%	75.9%	68	8.8%
Subtotal		14,966	75.9%	75.9%	83,186	18.0%
Other ZIPs		4,740	24.1%	100%		
Total Discharges		19,706	100%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Mercy San Juan Medical Center’s service area has approximately 920,000 residents. There are five other hospitals located within Mercy San Juan Medical Center’s service area. There are eight other hospitals approximately 15 miles from the Hospital’s service area. Mercy San Juan Medical Center is the inpatient market share leader in the service area.



Hospital Market Share

The table below provides the market share of inpatient discharges by individual hospital within Mercy San Juan Medical Center’s service area from CY 2013 to CY 2016.

MERCY SAN JUAN MEDICAL CENTER MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Mercy San Juan Medical Center	21.4%	22.3%	21.0%	18.0%	↘
Kaiser Foundation Hospital - Roseville	12.9%	13.3%	14.3%	15.0%	↗
Sutter Roseville Medical Center	13.1%	12.7%	11.8%	13.4%	→
Sutter Medical Center, Sacramento	7.3%	6.9%	6.9%	11.5%	↗
University of California Davis Medical Center	9.7%	9.4%	8.9%	9.0%	↘
Kaiser Foundation Hospital - Sacramento	6.6%	6.3%	6.8%	7.5%	↗
Mercy General Hospital	7.4%	7.4%	6.9%	6.1%	↘
Mercy Hospital Of Folsom	4.4%	4.8%	5.1%	5.1%	↗
Sierra Vista Hospital	2.0%	1.7%	1.8%	1.8%	→
Heritage Oaks Hospital	1.8%	1.8%	2.0%	1.8%	→
Methodist Hospital of Sacramento	1.3%	1.4%	1.5%	1.6%	↗
Kaiser Foundation Hospital - South Sacramento	1.0%	1.2%	1.5%	1.6%	↗
Sutter Center For Psychiatry	1.1%	1.1%	1.1%	1.0%	→
UCSF Medical Center	0.4%	0.4%	0.4%	0.5%	→
Woodland Memorial Hospital	0.2%	0.3%	0.4%	0.5%	↗
St. Joseph’s Behavioral Health Center	0.5%	0.6%	0.6%	0.4%	→
Adventist Health Vallejo	0.0%	0.2%	0.3%	0.3%	→
Fremont Hospital	0.0%	0.0%	0.2%	0.3%	↗
Sutter Davis Hospital	0.2%	0.2%	0.3%	0.2%	→
Crestwood Psychiatric Health Facility-Carmichael	0.4%	0.4%	0.2%	0.2%	↘
Shriners Hospitals for Children Northern Calif.	0.1%	0.2%	0.2%	0.2%	→
Stanford Health Care	0.2%	0.2%	0.2%	0.2%	→
All Other	8.0%	7.1%	7.8%	3.7%	↘
Total Percentage	100%	100%	100%	100%	
Total Discharges	82,643	83,289	83,303	83,186	→

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges in Mercy San Juan Medical Center’s service area remained relatively stable;
- Since CY 2013 to CY 2016, Mercy San Juan Medical Center consistently ranked first in terms of overall market share for its service area (18.0% of inpatient discharges in CY 2016); and
- In CY 2016, Kaiser Foundation Hospital- Roseville ranked second in market share (15%), followed by Sutter Roseville Medical Center (13%).

Market Share by Payer Types

The following table provides the service area’s hospital inpatient market share by payer type as reported by OSHPD for CY 2016.

MERCY SAN JUAN MEDICAL CENTER HOSPITAL MARKET SHARE BY PAYER CY 2016											
Payer Type	Total Discharges	Mercy San Juan Medical Center	Kaiser Foundation Hospital - Roseville	Sutter Roseville Medical Center	Sutter Medical Center, Sacramento	University Of California Davis Medical Center	Kaiser Foundation Hospital - Sacramento	Mercy General Hospital	Mercy Hospital Of Folsom	All Others	Total
Medicare	31,841	21.5%	13.3%	16.8%	7.8%	7.6%	11.2%	7.7%	6.0%	8.1%	100.0%
Private Coverage	24,643	8.8%	26.0%	13.1%	9.0%	9.3%	6.3%	4.1%	5.8%	17.7%	100.0%
Medi-Cal	23,483	23.8%	7.2%	8.7%	17.8%	11.1%	4.1%	6.4%	3.3%	17.5%	100.0%
All Other	2,296	11.8%	1.0%	12.4%	22.9%	8.5%	1.1%	3.0%	4.1%	35.2%	100.0%
Self-Pay	923	10.6%	13.3%	24.1%	15.2%	1.4%	11.5%	2.5%	4.8%	16.7%	100.0%
Total Percentage		18.0%	15.0%	13.4%	11.5%	9.0%	7.5%	6.1%	5.1%	14.4%	100.0%
Total Discharges	83,186	14,966	12,494	11,120	9,555	7,503	6,207	5,071	4,260	12,010	

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

- The largest payer type for inpatient discharges is Medicare with 31,841 discharges (38%), Private Coverage with over 24,600 discharges (30%), and Medi-Cal with approximately 23,400 discharges (28%);
- Mercy San Juan Medical Center is the market share leader for Medicare (22%) and Medi-Cal (24%); and
- Kaiser Foundation Hospital - Roseville is the market share leader for Private Coverage (26%).

Market Share by Service Line

The following table shows the service area’s inpatient market share by service line for CY 2016.

MERCY SAN JUAN MEDICAL CENTER HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Mercy San Juan Medical Center	Kaiser Foundation Hospital - Roseville	Sutter Roseville Medical Center	Sutter Medical Center, Sacramento	University Of California Davis Medical Center	Kaiser Foundation Hospital - Sacramento	Mercy General Hospital	Mercy Hospital Of Folsom	All Others	Total
General Medicine	24,789	22.8%	13.1%	15.9%	9.6%	10.3%	10.5%	6.0%	6.7%	5.2%	100%
Obstetrics	12,021	13.4%	28.7%	11.9%	25.2%	4.7%	0.1%	3.4%	4.6%	8.0%	100%
Cardiac Services	8,177	23.2%	13.0%	14.4%	9.6%	8.1%	7.5%	14.6%	5.0%	4.5%	100%
General Surgery	7,430	18.3%	11.9%	14.5%	8.0%	12.0%	10.5%	6.1%	7.4%	11.5%	100%
Behavioral Health	6,746	3.5%	0.6%	1.2%	0.9%	1.0%	0.9%	0.7%	0.8%	90.3%	100%
Orthopedics	6,480	15.4%	16.3%	16.2%	8.2%	9.3%	10.9%	6.5%	5.5%	11.6%	100%
Neonatology	4,189	12.5%	38.7%	10.1%	17.5%	6.9%	0.0%	1.9%	2.9%	9.5%	100%
Neurology	3,476	23.8%	10.4%	15.7%	10.0%	9.0%	11.7%	5.9%	5.7%	7.8%	100%
Oncology/Hematology (Medical)	2,173	19.0%	13.2%	11.8%	13.7%	18.5%	7.0%	5.4%	4.4%	7.0%	100%
Spine	1,602	7.9%	2.1%	16.3%	12.5%	12.3%	24.8%	10.7%	5.9%	7.6%	100%
Other	1,419	26.5%	4.8%	18.1%	3.9%	22.8%	5.5%	2.3%	1.8%	14.2%	100%
Urology	952	20.8%	9.9%	19.9%	8.7%	12.1%	4.8%	2.9%	6.5%	14.4%	100%
Vascular Services	950	25.3%	14.1%	12.2%	15.2%	10.4%	7.1%	9.9%	1.5%	4.4%	100%
Gynecology	838	23.7%	4.9%	17.1%	12.3%	6.8%	9.7%	10.0%	4.4%	11.1%	100%
ENT	801	17.0%	9.7%	11.9%	10.0%	24.5%	5.0%	5.4%	3.1%	13.5%	100%
Neurosurgery	653	17.3%	2.5%	7.5%	13.3%	15.9%	24.8%	4.6%	0.0%	14.1%	100%
Rehabilitation	228	0.0%	0.0%	0.0%	0.0%	6.6%	0.0%	75.9%	0.0%	17.5%	100%
No-match-found	176	17.0%	4.0%	8.5%	15.9%	17.0%	7.4%	2.3%	2.3%	25.6%	100%
Total Percentage		18.0%	15.0%	13.4%	11.5%	9.0%	7.5%	6.1%	5.1%	14.4%	100%
Total Discharges	83,186	14,966	12,494	11,120	9,555	7,503	6,207	5,071	4,260	12,010	

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

- Mercy San Juan Medical Center is the service line leader in eleven of 18 service lines including: general medicine (23%), cardiac services (23%), general surgery (18%), and neurology (24%);
- Kaiser Foundation Hospital - Roseville is the service area inpatient service line leader in three of 18 service lines: obstetrics (29%), orthopedics (16%), and neonatology (39%); and
- Kaiser Foundation Hospital - Sacramento is the service area inpatient service line leader in spine (25%) and neurosurgery (25%).

Market Share by ZIP Code

The following table illustrates the service area’s hospital market share by ZIP Code for CY 2016.

MERCY SAN JUAN MEDICAL CENTER HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Mercy San Juan Medical Center	Kaiser Foundation Hospital – Roseville	Sutter Roseville Medical Center	Sutter Medical Center, Sacramento	University Of California Davis Medical Center	Kaiser Foundation Hospital – Sacramento	Mercy General Hospital	Mercy Hospital Of Folsom	All Others	Total
95608	Carmichael	6,429	35.2%	9.7%	4.9%	11.0%	8.0%	11.8%	4.4%	2.1%	13.1%	100%
95670	Rancho Cordova	5,180	13.8%	10.4%	3.8%	12.6%	16.4%	9.2%	5.9%	13.4%	14.5%	100%
95747	Roseville	4,792	5.6%	26.9%	44.1%	4.3%	4.7%	2.4%	1.4%	0.8%	9.9%	100%
95630	Folsom	4,558	6.8%	19.4%	6.4%	4.3%	7.6%	2.3%	4.5%	35.1%	13.6%	100%
95621	Citrus Heights	4,455	29.1%	22.0%	19.1%	5.5%	4.9%	2.6%	2.9%	1.9%	11.9%	100%
95610	Citrus Heights	4,273	27.1%	20.4%	18.9%	5.9%	6.1%	2.3%	2.9%	3.9%	12.6%	100%
95660	North Highlands	4,169	35.7%	10.8%	9.6%	10.0%	8.1%	7.3%	4.2%	0.8%	13.5%	100%
95838	Sacramento	4,120	11.5%	8.2%	1.9%	23.4%	13.0%	10.3%	14.1%	0.5%	16.9%	100%
95821	Sacramento	3,881	17.3%	7.3%	2.8%	18.9%	10.5%	16.3%	9.3%	0.7%	16.9%	100%
95628	Fair Oaks	3,751	28.5%	18.6%	10.5%	5.9%	7.5%	4.2%	3.5%	9.4%	11.9%	100%
95843	Antelope	3,520	22.6%	22.0%	20.4%	8.9%	6.6%	2.6%	3.0%	1.1%	12.9%	100%
95825	Sacramento	3,519	5.7%	5.2%	1.1%	25.7%	10.7%	18.0%	15.2%	0.5%	17.8%	100%
95815	Sacramento	3,433	6.8%	5.0%	1.4%	27.0%	12.3%	11.6%	14.7%	0.3%	20.9%	100%
95678	Roseville	3,412	6.7%	22.7%	44.2%	5.2%	4.6%	1.5%	1.5%	1.1%	12.4%	100%
95842	Sacramento	3,286	32.1%	16.3%	11.7%	9.7%	7.2%	4.2%	3.3%	0.9%	14.6%	100%
95826	Sacramento	3,195	4.1%	8.3%	1.4%	18.9%	17.2%	14.8%	13.2%	1.4%	20.6%	100%
95662	Orangevale	2,951	16.8%	23.9%	16.7%	4.4%	5.7%	2.6%	3.3%	16.2%	10.4%	100%
95661	Roseville	2,583	5.1%	24.9%	45.1%	3.6%	4.6%	2.2%	1.7%	1.4%	11.3%	100%
95841	Sacramento	2,381	37.5%	10.9%	7.4%	8.5%	7.3%	5.5%	2.3%	1.2%	19.4%	100%
95827	Sacramento	2,093	6.4%	7.9%	1.5%	16.0%	18.8%	12.0%	12.2%	6.7%	18.7%	100%
95864	Sacramento	1,821	8.3%	6.9%	2.2%	23.0%	11.0%	16.5%	15.6%	1.2%	15.3%	100%
95673	Rio Linda	1,819	25.1%	13.7%	8.6%	12.6%	8.3%	11.3%	7.1%	0.6%	12.6%	100%
95746	Granite Bay	1,406	3.8%	21.8%	42.2%	5.5%	5.2%	2.6%	1.6%	3.3%	13.9%	100%
95742	Rancho Cordova	825	5.1%	20.2%	4.1%	10.2%	16.5%	6.4%	4.6%	14.2%	18.7%	100%
95626	Elverta	571	24.2%	19.1%	12.8%	11.2%	8.8%	6.0%	4.9%	0.7%	12.4%	100%
95655	Mather	280	6.8%	19.6%	3.2%	12.1%	13.6%	11.1%	5.0%	6.4%	22.1%	100%
95609	Carmichael	128	31.3%	3.9%	10.2%	7.8%	3.1%	21.1%	7.0%	3.1%	12.5%	100%
95611	Citrus Heights	110	26.4%	17.3%	19.1%	7.3%	7.3%	1.8%	1.8%	3.6%	15.5%	100%
95741	Rancho Cordova	108	10.2%	8.3%	2.8%	3.7%	18.5%	12.0%	1.9%	16.7%	25.9%	100%
95652	Mcclellan	69	17.4%	4.3%	14.5%	15.9%	7.2%	11.6%	7.2%	0.0%	21.7%	100%
95860	Sacramento	68	8.8%	8.8%	1.5%	16.2%	16.2%	17.6%	2.9%	4.4%	23.5%	100%
Total Percentage			18.0%	15.0%	13.4%	11.5%	9.0%	7.5%	6.1%	5.1%	14.4%	100%
Total Discharges			83,186	14,966	12,494	11,120	9,555	7,503	6,207	5,071	4,260	12,010

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

- Mercy San Juan Medical Center is the inpatient market share leader in 13 of the 31 ZIP Codes within the Cities of Carmichael, Citrus Heights, North Highlands, Fair Oaks, Antelope, Sacramento, Rio Linda, Elverta, and Mcclellan; and
- Sutter Medical Center, Sacramento is the inpatient market share leader in six of the service area ZIP Codes within the Cities of Roseville and Granite Bay.

Profile of Mercy Hospital of Folsom

Overview

Mercy Hospital of Folsom is a general acute care hospital located on 1650 Creekside Drive in Folsom, California. The Hospital was established in 1980 after the Sisters of Mercy purchased Twin Lakes Community Hospital and renamed it Mercy Hospital of Folsom.

Today, Mercy Hospital of Folsom offers a range of services including: obstetrics, critical care medicine, cardiovascular care. The hospital has four surgical operating rooms and basic emergency department with 25 emergency treatment stations. According to Mercy Hospital of Folsom’s current hospital license, the Hospital is licensed for 106 beds as shown below.

MERCY HOSPITAL OF FOLSOM LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Perinatal	8
Intensive Care	8
Unspecified General Acute Care	90
Total General Acute Care Beds	106
Total Licensed Beds	106

¹ 2018 Hospital License

Key Statistics

For FY 2017, Mercy Hospital of Folsom reported 6,880 inpatient discharges, 23,633 patient days, and an average daily census of 65 patients (approximately 61% occupancy).

MERCY HOSPITAL OF FOLSOM KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	7,191	6,843	6,880
Licensed Beds	106	106	106
Patient Days	22,779	24,271	23,633
Average Daily Census	62	66	65
Occupancy	58.9%	62.7%	61.1%
Average Length of Stay	3.2	3.5	3.4
Emergency Service Visits	43,147	45,555	48,421
Total Live Births	927	833	880

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges have decreased by 5%;
- In FY 2017, 48,421 emergency service visits were reported, a 12% increase from FY 2015;
- Between FY 2013 and FY 2017, total live births have remained relatively constant, with an average of 880 live births annually.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 volume trends at Mercy Hospital of Folsom.

MERCY HOSPITAL OF FOLSOM SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	14,139	15,825	18,197	19,991	19,464
Intensive Care	2,120	1,980	2,212	2,229	2,011
Obstetrics	1,975	1,983	2,022	1,799	1,831
Total	18,234	19,788	22,431	24,019	23,306
DISCHARGES					
Medical/Surgical ²	4,626	4,800	5,140	4,891	5,765
Intensive Care	252	237	213	203	211
Obstetrics	924	939	942	827	867
Total	5,802	5,976	6,295	5,921	6,843
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.1	3.3	3.5	4.1	3.4
Intensive Care	8.4	8.4	10.4	11.0	9.5
Obstetrics	2.1	2.1	2.1	2.2	2.1
Total	3.1	3.3	3.6	4.1	3.4
AVERAGE DAILY CENSUS					
Medical/Surgical ²	38.7	43.4	49.9	54.8	53.3
Intensive Care	5.8	5.4	6.1	6.1	5.5
Obstetrics	5.4	5.4	5.5	4.9	5.0
Total	50	54	61	66	64
OTHER SERVICES					
Inpatient Surgeries	1,450	1,544	1,668	1,911	1,917
Outpatient Surgeries	1,496	1,613	1,735	1,830	1,815
Emergency Service Visits	34,945	37,177	43,147	45,555	48,421
Total Live Births	914	929	927	833	880

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

² Includes Definitive Observation Beds

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

- Total patient days have increased by 28%;
- Inpatient discharges have increased by 18%;
- The average daily census has increased by 7% from 61 patients in FY 2015 to 66 patients in FY 2016, followed by a 3% decrease in FY 2017; and
- Emergency service visits have increased significantly by 39%.

Financial Profile

Over the last five fiscal years, Mercy Hospital of Folsom has had a positive net income ranging from \$30.5 million in FY 2013 to \$70.9 million FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by nearly 47% and 44% respectively. Over the same period, the Hospital’s operating expenses increased by 36% from \$145.1 million in FY 2013 to \$197.9 million in FY 2017. Other operating revenue decreased significantly over the five-year period by 75% from \$4.6 million to \$1.1 million.

The Hospital’s current ratio has increased over the last five years from 5.77 in FY 2013 to 14.72 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s percentage of bad debt is 1.3% and greater than the statewide average of 0.8%.

MERCY HOSPITAL OF FOLSOM						
FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	18,680	20,191	22,779	24,271	23,633	-
Discharges	4,981	6,863	7,191	6,843	6,880	-
ALOS	3.8	2.9	3.2	3.5	3.4	-
Net Patient Revenue	\$164,456,622	\$178,792,156	\$211,238,058	\$230,516,401	\$242,235,320	-
Other Operating Revenue	\$4,604,314	\$4,777,944	\$3,703,470	\$1,309,062	\$1,144,469	-
Total Operating Revenue	\$169,060,936	\$183,570,100	\$214,941,528	\$231,825,463	\$243,379,789	-
Operating Expenses	\$145,077,110	\$145,776,596	\$169,205,049	\$184,731,173	\$197,943,827	-
Net from Operations	\$23,983,826	\$37,793,504	\$45,736,479	\$47,094,290	\$45,435,962	-
Net Non-Operating Revenues and Expenses	\$6,497,806	\$9,728,496	\$4,215,496	\$883,967	\$25,437,898	-
Net Income	\$30,481,632	\$47,522,000	\$49,951,975	\$47,978,257	\$70,873,860	-
						2016 California Average ²
Current Ratio	5.77	8.83	10.28	9.96	14.72	1.56
Days in A/R	44.2	50.0	47.7	46.5	44.0	57.1
Bad Debt Rate	3.5%	3.4%	1.9%	1.6%	1.3%	0.8%
Operating Margin	14.19%	20.59%	21.28%	20.31%	18.67%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

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

Cost of Hospital Services

Mercy Hospital of Folsom’s operating cost of services includes both inpatient and outpatient care. In FY 2017, approximately 41% of total costs were associated with Medicare, followed by 34% with Third-Party, and 22% with Medi-Cal.

MERCY HOSPITAL OF FOLSOM OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$145,077,110	\$145,776,596	\$169,205,049	\$184,731,173	\$197,943,827
Cost of Services By Payer:					
Medicare	\$50,988,590	\$57,239,976	\$68,814,026	\$74,844,325	\$81,891,187
Medi-Cal	\$18,745,367	\$21,643,757	\$34,118,902	\$39,890,177	\$43,813,683
County Indigent	\$3,857,795	\$2,677,625	\$61,045	\$16,132	-
Third-Party	\$64,110,607	\$57,857,599	\$62,819,607	\$67,017,225	\$68,164,577
Other Indigent	\$1,246,207	\$449,911	\$626,665	\$454,070	\$902,180
All Other Payers	\$6,128,544	\$5,907,728	\$2,764,804	\$2,509,243	\$3,172,199

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ 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 of Folsom and 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 3% and higher 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 OF FOLSOM CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)											
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017		
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²	
Gross Patient Revenue	\$607,752	\$320,382,471	\$651,787	\$338,322,364	\$772,215	\$365,501,463	\$890,343	\$396,427,743	\$962,726	-	
Charity	\$6,206	\$6,563,487	\$3,536	\$5,113,965	\$4,595	\$3,441,227	\$3,442	\$3,457,868	\$5,459	-	
Bad Debt	\$21,563	\$5,891,632	\$21,876	\$4,365,936	\$14,425	\$3,262,642	\$14,384	\$3,108,971	\$12,513	-	
Total Charity & Bad Debt	\$27,769	\$12,455,119	\$25,413	\$9,479,902	\$19,020	\$6,703,869	\$17,826	\$6,566,839	\$17,972	-	
Charity Care as a % of Gross Patient Revenue	1.0%	2.0%	0.5%	1.5%	0.6%	0.9%	0.4%	0.9%	0.6%	-	
Bad Debt as a % of Gross Patient Revenue	3.5%	1.8%	3.4%	1.3%	1.9%	0.9%	1.6%	0.8%	1.3%	-	
Total as a % of Gross Patient Revenue	4.6%	3.9%	3.9%	2.8%	2.5%	1.8%	2.0%	1.7%	1.9%	-	
Uncompensated Care											
Cost to Charge Ratio	23.1%	24.5%	21.6%	23.6%	21.4%	24.1%	20.6%	23.8%	20.4%	-	
Charity	\$1,434	\$1,608,711	\$765	\$1,207,919	\$985	\$828,647	\$709	\$822,627	\$1,116	-	
Bad Debt	\$4,984	\$1,444,039	\$4,732	\$1,031,234	\$3,092	\$785,644	\$2,963	\$739,624	\$2,558	-	
Total	\$6,418	\$3,052,750	\$5,497	\$2,239,153	\$4,076	\$1,614,292	\$3,672	\$1,562,251	\$3,674	-	

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

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

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

The following table shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from approximately \$1.4 million in FY 2013 to \$1.1 million in FY 2017. The average cost of charity care for the last five-year period was approximately \$1.0 million, while the three-year average cost of charity care was \$936,615.

MERCY HOSPITAL OF FOLSOM COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$5,459,285	20.4%	\$1,115,981
FY 2016	\$3,442,117	20.6%	\$709,120
FY 2015	\$4,594,725	21.4%	\$984,744
FY 2014	\$3,536,447	21.6%	\$765,027
FY 2013	\$6,205,515	23.1%	\$1,434,313
FY 2015 - FY 2017 Average			\$936,615
FY 2013 - FY 2017 Average			\$1,001,837

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ 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 OF FOLSOM COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$314,663	\$344,919	\$349,883	\$1,009,465
Visits/Discharges	19	124	368	
FY 2016:				
Cost of Charity	\$191,100	\$205,838	\$213,904	\$610,842
Visits/Discharges	12	82	245	
FY 2015:				
Cost of Charity	\$578,639	\$317,311	\$305,210	\$1,201,160
Visits/Discharges	39	115	371	
FY 2014:				
Cost of Charity	\$275,315	\$221,345	\$197,757	\$694,417
Visits/Discharges	19	84	228	
FY 2013:				
Cost of Charity	\$630,662	\$299,854	\$356,262	\$1,286,778
Visits/Discharges	47	145	385	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussion 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 they will comply with the charity care cost amounts determined in the manner described above.

Community Benefit Services

In the last five years, Mercy Hospital of Folsom has spent a significant amount on community benefit services. As shown in the table below, the average annual cost of community benefit services over the last three years has been \$1.3 million. The average annual cost of community benefit services over the last five years has been \$1.7 million.

MERCY HOSPITAL OF FOLSOM 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	\$3,072,892	\$1,242,350	\$1,256,332	\$802,459	\$679,260	\$912,684	\$1,410,659	
Benefits for Broader Community	\$156,478	\$121,491	\$247,159	\$697,843	\$354,102	\$433,035	\$315,415	
Totals	\$3,229,370	\$1,363,841	\$1,503,491	\$1,500,302	\$1,033,362	\$1,345,718	\$1,726,073	
Medi-Cal Provider Fee CHFT Grant Expense	-	-	(\$42,284)	(\$27,156)	(\$11,376)	-	-	
Adjusted Totals	\$3,229,370	\$1,363,841	\$1,461,207	\$1,473,146	\$1,021,986	\$1,318,780	\$1,709,910	

Source: Dignity Health

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$1.4 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$315,000 per year; and
- Over the five-year period, the Hospital’s adjusted total cost of community benefit services decreased from \$3.2 million in FY 2013 to \$1.0 million in FY 2017.

The Hospital’s community benefit services over the past five fiscal years include the following programs over \$10,000:

MERCY HOSPITAL FOLSOM					
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
Charity Prescriptions	\$5,315	\$203	\$9,403	\$13,075	\$16,278
Chronic Disease Self-Management Program	\$15,487	\$14,301	\$18,864	\$14,256	\$20,354
El Hogar Refer Net	-	-	-	-	\$11,527
Lutheran Social Services Homeless Housing	-	-	-	-	\$15,000
Patient Navigator Program	-	\$60,046	\$26,503	\$13,078	\$18,130
Sacramento Community Partnerships	-	-	\$44,308	\$38,250	\$13,800
Counseling Service-Poor	\$168,188	\$240,698	\$228,024	\$181,410	\$209,081
Cash-In Kind Donations-Poor	\$19,994	\$21,949	\$144,093	\$42,446	\$55,224
Dignity Health Community Grants	\$70,841	\$78,432	\$72,718	\$73,045	\$84,833
CHFT Hospital Grant Program	-	-	\$42,284	\$27,156	\$11,376
Transitional Housing and Lodging -Poor	\$46	\$298	\$7,100	\$232	\$67,350
Community Benefit Assigned Staff	\$55,663	\$117,596	\$126,441	\$124,647	\$122,184
Mercy Faith & Health Partnership	\$7,525	\$10,315	\$9,249	\$9,632	\$10,317
Mercy Heart & Vascular Institute - Cardiovascular Disease Management (Congestive Heart Active Management Program)	-	-	-	-	\$109,415
Professional & Medical Education - Nursing	-	-	\$121,261	\$200,568	\$115,546
Professional & Medical Education - Other	-	-	-	\$359,615	\$45,347
Mercy Foundation Support	\$52,801	\$70,328	\$77,894	\$69,084	\$65,339

Source: Dignity Health

- Charity Prescriptions: Donation of prescription medications to uninsured and underserved patients;
- Chronic Disease Self-Management Program: The program offers weekly workshops for six weeks on diabetes in clinical and community settings as well as on other chronic health problems;
- El Hogar Refer Net: In collaboration with the community based nonprofit mental health provider, El Hogar, this program provides a process for patients admitted to the emergency department with mental illness to receive immediate and ongoing treatment and other social services they need after leaving the Hospital;
- Lutheran Social Services Homeless Housing: This program partners hospital care coordinators with Lutheran Social Services staff to identify and evaluate chronically homeless, high end hospital users and place them in transitional housing units;
- Patient Navigation Program: In partnership with Sacramento Covered and Health Net, this program assists underserved patients who are admitted to the emergency department for non-urgent care by connecting with a primary care provider, community clinics, and other social support services;

- Sacramento Community Partnerships: A collaboration with other regional health providers and community based nonprofit organizations to address specific priorities identified in the Community Needs Assessment and unmet healthcare needs;
- Counseling Service – Poor: Psychiatric consults for patients who are uninsured and require psychiatric medical evaluations while hospitalized and conservatorship services to low-income patients who may lack capacity or family to help make decisions;
- Cash – In Kind Donations – Poor: Cash and in-kind donations by the hospital to nonprofit community-based organizations that provide health related services for the underinsured, uninsured and vulnerable populations in the community;
- Dignity Health Community Grants: Funding from the hospital awarded to nonprofit organizations working to improve the health and well-being of vulnerable and underserved populations and reduce disparities in the community;
- Transitional Housing and Lodging – Poor: Provides payment for short-term room and board in the community for patients unable to pay this expense after they are discharged from the Hospital;
- Mercy Faith & Health Partnership: A community outreach program that encourages, supports and nurtures local faith communities to develop and sustain health ministry programs that advocate health promotion and disease prevention in their communities;
- Mercy Heart & Vascular Institute – Cardiovascular Disease Management: This program runs CHAMP (Congestive Heart Active Management Program) that provides patients with phone interventions, educational classes, and disease management skills after they are discharged from the Hospital;
- Professional & Medical Education – Nursing: Seminars and training for nurses focused on the health of the broader community. This includes Hospital staff serving as preceptors to students;
- Professional & Medical Education – Other: Education for medical students, physicians, nurses, and other healthcare professionals. This includes Hospital staff serving as preceptors to students; and

- Mercy Foundation – A nonprofit organization raising philanthropic support and community awareness for the works of the Sisters of Mercy in healthcare, education, housing for the homeless, and care for the poor and elderly.

Reproductive Health

Mercy Hospital of Folsom reported 18 inpatient discharges related to reproductive health services.²⁸ The table below lists reproductive services by diagnostic related group (DRG) discharges for CY 2016.

MERCY HOSPITAL OF FOLSOM CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C ¹	8
778-Threatened Abortion	6
777-Ectopic Pregnancy	2
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterectomy	1
779-Abortion W/O D&C ¹	1
Total Discharges:	18

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

- Out of the five diagnostic related groups, DRG 767- Vaginal Delivery with sterilization has the most reproductive service inpatient discharges.

The following table indicates whether the Hospital performs the following women’s health reproductive services.

MERCY HOSPITAL FOLSOM REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	Yes, but only with permission following perinatology and mission team review
Terminate pregnancy when:	
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	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	Yes, very rarely

Source: Dignity Health

²⁸ Mercy Hospital of Folsom is a Catholic hospital and is subject to the Catholic ERDs

Analysis of Mercy Hospital of Folsom

Service Area Definition

Mercy Hospital of Folsom’s service area is comprised of 20 ZIP Codes from which 79.6% of its inpatient discharges originated in CY 2016. Approximately 53% of Mercy Hospital of Folsom’s discharges originated from the top four ZIP Codes, including the Cities of Folsom, El Dorado Hills, Rancho Cordova and Shingle Springs. In CY 2016, Mercy Hospital of Folsom’s market share in the service area was 13%.

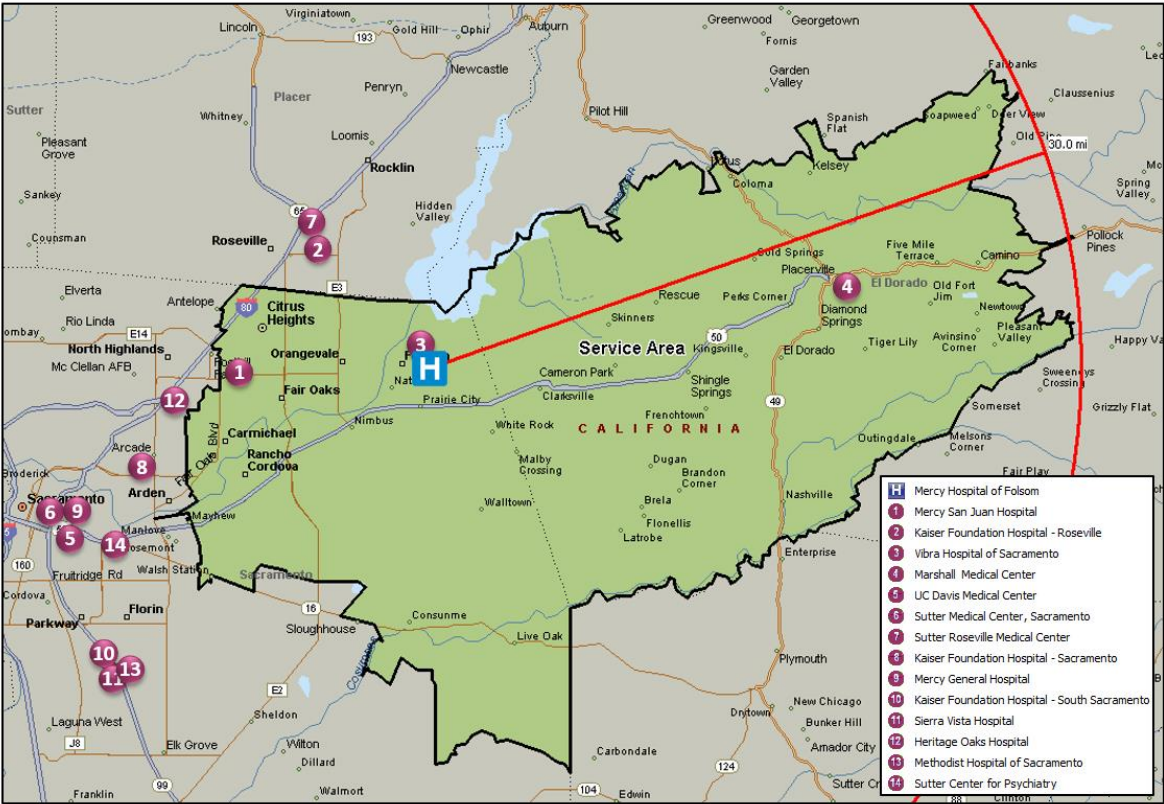
MERCY HOSPITAL OF FOLSOM PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95630	Folsom	1,598	23.0%	23.0%	4,558	35.1%
95762	El Dorado Hills	820	11.8%	34.9%	2,470	33.2%
95670	Rancho Cordova	692	10.0%	44.8%	5,180	13.4%
95682	Shingle Springs	547	7.9%	52.7%	2,742	19.9%
95662	Orangevale	479	6.9%	59.6%	2,951	16.2%
95628	Fair Oaks	353	5.1%	64.7%	3,751	9.4%
95667	Placerville	183	2.6%	67.3%	4,207	4.3%
95610	Citrus Heights	168	2.4%	69.8%	4,273	3.9%
95827	Sacramento	140	2.0%	71.8%	2,093	6.7%
95608	Carmichael	133	1.9%	73.7%	6,429	2.1%
95742	Rancho Cordova	117	1.7%	75.4%	825	14.2%
95683	Sloughhouse	91	1.3%	76.7%	512	17.8%
95672	Rescue	77	1.1%	77.8%	396	19.4%
95623	El Dorado	29	0.4%	78.2%	522	5.6%
95619	Diamond Springs	20	0.3%	78.5%	638	3.1%
95741	Rancho Cordova	18	0.3%	78.8%	108	16.7%
95709	Camino	18	0.3%	79.0%	509	3.5%
95655	Mather	18	0.3%	79.3%	280	6.4%
95763	Folsom	16	0.2%	79.5%	81	19.8%
95613	Coloma	3	0.0%	79.6%	44	6.8%
Subtotal		5,520	79.6%	79.6%	42,569	13.0%
Other ZIPs		1,417	20.4%	100%		
Total Discharges		6,937	100%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Mercy Hospital of Folsom’s service area has approximately 494,000 residents. There are three other hospitals located within Mercy Hospital of Folsom’s service area: Marshall Medical Center, Vibra Hospital of Sacramento, and Mercy San Juan Medical Center. There are 11 other hospitals located within approximately 30 miles from Mercy Hospital of Folsom. Mercy San Juan Medical Center is the inpatient market share leader in the service area.



Hospital Market Share

The table below provides the market share of inpatient discharges by individual hospital within Mercy Hospital of Folsom’s service area from CY 2013 to CY 2016.

MERCY HOSPITAL OF FOLSOM MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Mercy San Juan Medical Center	18.4%	19.0%	17.6%	15.5%	↘
Kaiser Foundation Hospital - Roseville	13.3%	13.6%	14.1%	15.1%	↗
Mercy Hospital of Folsom	12.0%	12.3%	12.9%	13.0%	↗
Marshall Medical Center	9.5%	9.2%	9.9%	10.0%	↗
University of California Davis Medical Center	9.2%	9.0%	8.7%	8.9%	→
Sutter Medical Center, Sacramento	6.1%	5.7%	4.6%	7.9%	↗
Sutter Roseville Medical Center	6.4%	6.3%	6.1%	6.8%	↗
Kaiser Foundation Hospital - Sacramento	5.3%	5.1%	5.2%	5.5%	↗
Mercy General Hospital	5.1%	5.1%	4.9%	4.2%	↘
Kaiser Foundation Hospital - South Sacramento	1.1%	1.2%	1.3%	1.5%	↗
Sierra Vista Hospital	1.6%	1.4%	1.5%	1.4%	→
Heritage Oaks Hospital	1.5%	1.4%	1.4%	1.4%	→
Methodist Hospital of Sacramento	0.9%	1.0%	1.2%	1.2%	→
Sutter Center for Psychiatry	1.1%	1.0%	0.9%	0.8%	↘
UCSF Medical Center	0.5%	0.6%	0.6%	0.7%	→
Telecare El Dorado County P.H.F.	0.5%	0.6%	0.3%	0.4%	→
Woodland Memorial Hospital	0.2%	0.2%	0.3%	0.4%	↗
St. Joseph's Behavioral Health Center	0.4%	0.5%	0.5%	0.4%	→
Stanford Health Care	0.3%	0.3%	0.3%	0.2%	→
All Other	6.6%	6.6%	7.7%	4.5%	↘
Total Percentage	100%	100%	100%	100%	
Total Discharges	42,271	41,915	42,133	42,569	↗

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of inpatient discharges (42,569) has remained relatively stable between CY 2013 and CY 2016;
- From CY 2013 to CY 2016, Mercy Hospital of Folsom has consistently ranked third in terms of overall market share for the service area based on inpatient discharges (13% in CY 2016); and
- Mercy San Juan Medical Center has the largest market share (15.5% in CY 2016).

Market Share by Payer Type

The following table provides the service area’s hospital inpatient market share by payer type as reported by OSHPD for CY 2016.

MERCY HOSPITAL OF FOLSOM HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Mercy San Juan Medical Center	Kaiser Foundation Hospital Roseville	Mercy Hospital Of Folsom	Marshall Medical Center	University Of California Davis Medical Center	Sutter Medical Center, Sacramento	Sutter Roseville Medical Center	Kaiser Foundation Hospital - Sacramento	All Others	Total
Medicare	18,314	18.4%	13.8%	14.4%	13.0%	7.3%	5.8%	7.1%	7.9%	12.3%	100.0%
Private Coverage	13,887	7.9%	23.4%	13.6%	5.6%	10.1%	7.1%	7.3%	4.8%	20.1%	100.0%
Medi-Cal	8,945	21.9%	6.3%	9.0%	11.8%	10.5%	11.8%	5.0%	2.5%	21.1%	100.0%
All Other	1,061	10.7%	1.1%	12.1%	3.1%	10.7%	22.6%	8.3%	0.6%	30.8%	100.0%
Self-Pay	362	10.8%	14.9%	14.9%	3.0%	0.8%	13.8%	16.0%	5.2%	20.4%	100.0%
Total Percentage		15.5%	15.1%	13.0%	10.0%	8.9%	7.9%	6.8%	5.5%	17.2%	100.0%
Total Discharges	42,569	6,582	6,414	5,520	4,262	3,802	3,384	2,915	2,356	7,334	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer type for inpatient discharges is Medicare with 18,314 discharges (43%), Private Coverage with 13,887 inpatient discharges (33%), and Medi-Cal with 8,945 inpatient discharges (21%);
- Mercy San Juan Medical Center is the market share leader for Medicare (18%) and Medi-Cal (22%);
- Kaiser Foundation Hospital Roseville is the market share leader for Private Coverage (23%); and
- Sutter Roseville Medical Center is the market share leader for Self-Pay (16%).

Market Share by Service Line

The following table provides the service area’s inpatient market share by service line for CY 2016.

MERCY HOSPITAL OF FOLSOM HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Mercy San Juan Medical Center	Kaiser Foundation Hospital - Roseville	Mercy Hospital Of Folsom	Marshall Medical Center	University Of California Davis Medical Center	Sutter Medical Center, Sacramento	Sutter Roseville Medical Center	Kaiser Foundation Hospital - Sacramento	All Others	Total
General Medicine	13,004	19.1%	13.5%	16.8%	14.3%	9.1%	5.2%	7.3%	6.8%	7.8%	100.0%
Obstetrics	5,194	10.8%	30.3%	13.1%	7.4%	5.2%	17.9%	7.4%	0.0%	7.9%	100.0%
Cardiac Services	4,299	19.0%	13.2%	11.7%	9.5%	8.2%	9.3%	5.9%	5.5%	17.9%	100.0%
General Surgery	3,965	15.5%	11.9%	17.8%	8.8%	11.7%	5.3%	7.2%	6.9%	14.9%	100.0%
Orthopedics	3,948	13.1%	17.2%	12.8%	9.8%	9.0%	6.3%	7.8%	8.0%	16.1%	100.0%
Behavioral Health	2,891	3.0%	0.7%	2.1%	1.9%	1.2%	0.6%	0.6%	0.7%	89.2%	100.0%
Neonatology	2,052	10.1%	37.4%	7.1%	11.3%	7.0%	12.9%	6.9%	0.0%	7.5%	100.0%
Neurology	1,900	21.3%	10.6%	15.3%	9.5%	9.3%	6.4%	8.1%	8.5%	11.1%	100.0%
Oncology/Hematology (Medical)	1,195	14.4%	11.5%	9.9%	12.1%	18.2%	11.2%	6.1%	4.2%	12.5%	100.0%
Spine	957	6.5%	2.5%	9.1%	2.5%	14.0%	12.2%	11.4%	21.3%	20.5%	100.0%
Other	736	28.1%	5.0%	6.0%	6.8%	20.7%	2.0%	11.0%	4.1%	16.3%	100.0%
Urology	539	16.1%	8.7%	14.1%	12.6%	13.5%	7.1%	9.1%	3.0%	15.8%	100.0%
Vascular Services	479	25.9%	14.4%	5.8%	5.8%	9.0%	18.0%	6.5%	5.8%	8.8%	100.0%
ENT	390	13.1%	9.7%	7.7%	7.2%	24.4%	7.9%	7.2%	4.1%	18.7%	100.0%
Neurosurgery	377	23.6%	1.3%	0.3%	0.3%	14.3%	14.3%	4.2%	21.2%	20.4%	100.0%
Gynecology	372	22.3%	3.5%	13.2%	5.9%	8.6%	9.9%	9.7%	8.3%	18.5%	100.0%
Rehabilitation	167	0.0%	0.0%	0.0%	18.0%	3.6%	0.0%	0.0%	0.0%	78.4%	100.0%
No-match-found	74	9.5%	5.4%	5.4%	14.9%	17.6%	14.9%	2.7%	5.4%	24.3%	100.0%
Total Percentage		15.5%	15.1%	13.0%	10.0%	8.9%	7.9%	6.8%	5.5%	17.2%	100.0%
Total Discharges	42,569	6,582	6,414	5,520	4,262	3,802	3,384	2,913	2,356	7,336	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Mercy Hospital of Folsom is a service line leader in its service area for general surgery (17.8%);
- Mercy San Juan Medical Center is the service area service line leader for nine service lines, ranging from a market share percentage of behavioral health (3%) to vascular services (25.9%); and
- Kaiser Foundation Hospital Roseville is the service area service line leader in three service lines – obstetrics (30.3%), orthopedics (17.2%), and neonatology (37.4%).

Market Share by ZIP Code

The following table illustrates service area’s hospital market share by ZIP Code for CY 2016.

MERCY HOSPITAL OF FOLSOM HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Mercy San Juan Medical Center	Kaiser Foundation Hospital - Roseville	Mercy Hospital Of Folsom	Marshall Medical Center	University Of California Davis Medical Center	Sutter Medical Center, Sacramento	Sutter Roseville Medical Center	Kaiser Foundation Hospital - Sacramento	All Others	Total
95608	Carmichael	6,429	35.2%	9.7%	2.1%	0.1%	8.0%	11.0%	4.9%	11.8%	17.3%	100.0%
95670	Rancho Cordova	5,180	13.8%	10.4%	13.4%	0.2%	16.4%	12.6%	3.8%	9.2%	20.2%	100.0%
95630	Folsom	4,558	6.8%	19.4%	35.1%	0.4%	7.6%	4.3%	6.4%	2.3%	17.7%	100.0%
95610	Citrus Heights	4,273	27.1%	20.4%	3.9%	0.0%	6.1%	5.9%	18.9%	2.3%	15.4%	100.0%
95667	Placerville	4,207	1.4%	12.0%	4.3%	54.9%	5.0%	5.9%	2.1%	2.5%	11.9%	100.0%
95628	Fair Oaks	3,751	28.5%	18.6%	9.4%	0.2%	7.5%	5.9%	10.5%	4.2%	15.2%	100.0%
95662	Orangevale	2,951	16.8%	23.9%	16.2%	0.2%	5.7%	4.4%	16.7%	2.6%	13.5%	100.0%
95682	Shingle Springs	2,742	4.0%	15.0%	19.9%	28.3%	6.6%	5.4%	2.9%	2.6%	15.2%	100.0%
95762	El Dorado Hills	2,470	5.1%	18.8%	33.2%	3.6%	8.4%	5.4%	4.6%	2.9%	18.0%	100.0%
95827	Sacramento	2,093	6.4%	7.9%	6.7%	0.0%	18.8%	16.0%	1.5%	12.0%	30.8%	100.0%
95742	Rancho Cordova	825	5.1%	20.2%	14.2%	0.1%	16.5%	10.2%	4.1%	6.4%	23.2%	100.0%
95619	Diamond Springs	638	0.9%	14.6%	3.1%	56.6%	4.4%	8.8%	1.6%	2.7%	7.4%	100.0%
95623	El Dorado	522	1.1%	12.8%	5.6%	48.7%	7.1%	7.5%	3.1%	1.9%	12.3%	100.0%
95683	Sloughhouse	512	5.9%	8.4%	17.8%	0.0%	10.4%	14.3%	1.4%	8.4%	33.6%	100.0%
95709	Camino	509	1.2%	3.3%	3.5%	64.8%	4.9%	9.2%	2.0%	1.0%	10.0%	100.0%
95672	Rescue	396	4.8%	20.5%	19.4%	16.7%	8.1%	4.3%	3.5%	3.5%	19.2%	100.0%
95655	Mather	280	6.8%	19.6%	6.4%	0.4%	13.6%	12.1%	3.2%	11.1%	26.8%	100.0%
95741	Rancho Cordova	108	10.2%	8.3%	16.7%	0.0%	18.5%	3.7%	2.8%	12.0%	27.8%	100.0%
95763	Folsom	81	6.2%	16.0%	19.8%	4.9%	17.3%	2.5%	7.4%	1.2%	24.7%	100.0%
95613	Coloma	44	2.3%	9.1%	6.8%	43.2%	9.1%	4.5%	0.0%	2.3%	22.7%	100.0%
Total Percentage			15.5%	15.1%	13.0%	10.0%	8.9%	7.9%	6.8%	5.5%	17.2%	100.0%
Total Discharges			42,569	6,582	6,414	5,520	4,262	3,802	3,384	2,915	2,356	7,334

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

- Mercy Hospital of Folsom is the inpatient market share leader in four of the 20 ZIP Codes;
- Marshall Medical Center is the inpatient market share leader in six of the ZIP Codes; and
- Kaiser Foundation Hospital Roseville is the inpatient market share leader in a different four ZIP Codes.

Profile of Mercy General Hospital

Overview

Mercy General Hospital is a general acute care hospital located at 4001 J Street in Sacramento. The Hospital was established by the Sisters of Mercy in 1925 and was initially named Mercy Hospital before being renamed to Mercy General Hospital.

Today, Mercy General Hospital offers a range of services including: obstetrics, critical care medicine, and cardiovascular care. The hospital has 18 surgical operating rooms and a “basic” emergency department with 20 emergency treatment stations. According to Mercy General Hospital’s current hospital license, the Hospital is licensed for 419 beds as shown below.

MERCY GENERAL HOSPITAL LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Rehabilitation	30
Perinatal	17
Intensive Care	46
Unspecified General Acute Care	326
Total General Acute Care Beds	419
Total Licensed Beds	419

¹ 2018 Hospital License

Key Statistics

For FY 2017 Mercy General Hospital reported 15,535 inpatient discharges, 66,071 patient days, resulting in an average daily census of 181 patients (approximately 43% occupancy).

MERCY GENERAL HOSPITAL KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	16,160	15,927	15,535
Licensed Beds	394	419	419
Patient Days	75,409	67,362	66,071
Average Daily Census	207	185	181
Occupancy	52.4%	44.0%	43.2%
Average Length of Stay	4.7	4.2	4.3
Cardiac Catheterization Procedures	5,718	5,112	4,945
Emergency Service Visits	44,309	46,347	45,026
Total Live Births	1,824	926	1,088

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Between FY 2015 and FY 2017, inpatient discharges have decreased by 4%, while patient days decreased by 12%;
- In FY 2017, 45,026 emergency service visits were reported, a 2% increase from FY 2015;
- In FY 2017, 4,945 cardiac catheterization procedures were reported; and
- Between FY 2013 and FY 2017, total live births decreased by 40% with an average of 1,279 live births annually.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 volume trends Mercy General Hospital.

MERCY GENERAL HOSPITAL SERVICE VOLUMES FY 2013 - FY 2017					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 ¹
Medical/Surgical ²	47,083	45,624	49,264	48,697	47,942
Intensive Care	10,444	10,093	10,441	9,885	9,260
Obstetrics	5,555	5,979	8,597	2,533	2,853
Physical Rehabilitation Care	6,781	7,161	7,107	6,247	6,016
Skilled Nursing	6,335	-	-	-	-
Total	76,198	68,857	75,409	67,362	66,071
DISCHARGES					
Medical/Surgical ²	12,800	12,580	10,557	11,345	8,830
Intensive Care	406	391	2,238	3,138	4,040
Obstetrics	2,536	2,531	1,842	940	2,216
Physical Rehabilitation Care	510	535	1,523	504	449
Skilled Nursing	468	-	-	-	-
Total	16,720	16,037	16,160	15,927	15,535
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.7	3.6	4.7	4.3	5.4
Intensive Care	25.7	25.8	4.7	3.2	2.3
Obstetrics	2.2	2.4	4.7	2.7	1.3
Physical Rehabilitation Care	13.3	13.4	4.7	12.4	13.4
Skilled Nursing	13.5	-	-	-	-
Total	4.6	4.3	4.7	4.2	4.3
AVERAGE DAILY CENSUS					
Medical/Surgical ²	129.0	125.0	135.0	133.4	131.3
Intensive Care	28.6	27.7	28.6	27.1	25.4
Obstetrics	15.2	16.4	23.6	6.9	7.8
Physical Rehabilitation Care	18.6	19.6	19.5	17.1	16.5
Skilled Nursing	17.4	-	-	-	-
Total	209	189	207	185	181
OTHER SERVICES					
Inpatient Surgeries	3,390	3,136	3,149	3,666	3,538
Outpatient Surgeries	9,666	10,112	10,173	10,063	3,601
Emergency Services Visits	32,931	34,071	36,998	38,931	38,047
Total Live Births	2,123	2,086	1,824	926	1,088

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

² Includes Definitive Observation Beds

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

- Total patient days have decreased by 13%;
- Inpatient discharges have decreased by 7%;
- The average daily census has decreased by 13% from 209 patients in FY 2013 to 181 patients in FY 2017; and
- Emergency service visits increased by 15% to 38,047 visits in FY 2017.

Financial Profile

Over the last five fiscal years, Mercy General Hospital has had positive, yet declining net income ranging from \$67.6 million in FY 2013 to \$48.0 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by nearly 11% and 10%, respectively. Over that same period, the Hospital’s operating expenses increased by 12% from \$487.4 million in FY 2013 to \$547.3 million in FY 2017. Other operating revenue decreased by 44% over the five-year period from \$6.1 million to \$3.4 million.

The Hospital’s current ratio has fluctuated over the last five years but increased from 3.67 in FY 2013 to 3.90 in FY 2017. The California average in FY 2016 was 1.56. Mercy General Hospital’s percentage of bad debt is 0.5% and higher than the statewide average of 0.8%.

MERCY GENERAL HOSPITAL FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 ¹	
Patient Days	76,198	68,857	75,409	67,362	66,071	-
Discharges	16,720	16,037	16,160	15,927	15,535	-
ALOS	4.6	4.3	4.7	4.2	4.3	-
Net Patient Revenue	\$532,788,097	\$495,294,534	\$597,436,892	\$568,817,857	\$588,823,420	-
Other Operating Revenue	\$6,137,416	\$5,598,699	\$3,860,342	\$5,485,504	\$3,447,242	-
Total Operating Revenue	\$538,925,513	\$500,893,233	\$601,297,234	\$574,303,361	\$592,270,662	-
Operating Expenses	\$487,409,207	\$464,928,942	\$552,647,283	\$542,343,880	\$547,276,097	-
Net from Operations	\$51,516,306	\$35,964,291	\$48,649,951	\$31,959,481	\$44,994,565	-
Net Non-Operating Revenues and Expenses	\$16,118,977	\$13,534,538	\$590,049	(\$4,296,809)	\$2,985,320	-
Net Income	\$67,635,283	\$49,498,829	\$49,240,000	\$27,662,672	\$47,979,885	-
						2016 California Average ²
Current Ratio	3.67	4.17	3.35	3.37	3.90	1.56
Days in A/R	43.8	51.7	42.7	45.4	45.0	57.1
Bad Debt Rate	1.5%	1.2%	0.8%	0.5%	0.5%	0.8%
Operating Margin	9.56%	7.18%	8.09%	5.56%	7.60%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

Cost of Hospital Services

Mercy General Hospital’s operating cost of services includes both inpatient and outpatient care. In FY 2017, approximately 50% of total costs were associated with Medicare, 27% with Third-Party, and 22% with Medi-Cal.

MERCY GENERAL HOSPITAL OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 ¹
Operating Expenses	\$487,409,207	\$464,928,942	\$552,647,283	\$542,343,880	\$547,276,097
Cost of Services By Payer:					
Medicare	\$224,677,100	\$234,452,394	\$279,980,192	\$275,041,565	\$273,916,497
Medi-Cal	\$66,577,537	\$83,183,844	\$112,241,833	\$121,867,292	\$122,465,029
County Indigent	\$24,756,556	\$10,713,398	\$848,142	\$11,598	\$14,840
Third-Party	\$158,791,214	\$125,370,801	\$153,924,066	\$141,230,133	\$146,121,593
Other Indigent	\$4,180,079	\$2,554,142	\$1,433,755	\$1,509,693	\$2,351,725
All Other Payers	\$8,426,721	\$8,654,363	\$4,219,296	\$2,683,599	\$2,406,414

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 Hospital data is from audited OSHPD Disclosure Reports. FY 2017 is unaudited.

Charity Care

The following table shows a comparison of charity care and bad debt for Mercy General Hospital and 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 1.5% and lower 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 GENERAL HOSPITAL CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$2,410,805	\$320,382,471	\$2,337,634	\$338,322,364	\$2,581,413	\$365,501,463	\$2,599,956	\$396,427,743	\$2,691,063	-
Charity	\$22,198	\$6,563,487	\$19,851	\$5,113,965	\$10,335	\$3,441,227	\$10,026	\$3,457,868	\$13,688	-
Bad Debt	\$35,138	\$5,891,632	\$27,658	\$4,365,936	\$21,519	\$3,262,642	\$11,946	\$3,108,971	\$13,120	-
Total Charity & Bad Debt	\$57,337	\$12,455,119	\$47,509	\$9,479,902	\$31,854	\$6,703,869	\$21,972	\$6,566,839	\$26,808	-
Charity Care as a % of Gross Patient Revenue	0.9%	2.0%	0.8%	1.5%	0.4%	0.9%	0.4%	0.9%	0.5%	-
Bad Debt as a % of Gross Patient Revenue	1.5%	1.8%	1.2%	1.3%	0.8%	0.9%	0.5%	0.8%	0.5%	-
Total as a % of Gross Patient Revenue	2.4%	3.9%	2.0%	2.8%	1.2%	1.8%	0.8%	1.7%	1.0%	-
Uncompensated Care										
Cost to Charge Ratio¹	20.0%	24.5%	19.6%	23.6%	21.3%	24.1%	20.6%	23.8%	20.2%	-
Charity	\$4,431	\$1,608,711	\$3,901	\$1,207,919	\$2,197	\$828,647	\$2,070	\$822,627	\$2,766	-
Bad Debt	\$7,015	\$1,444,039	\$5,435	\$1,031,234	\$4,575	\$785,644	\$2,467	\$739,624	\$2,651	-
Total	\$11,446	\$3,052,750	\$9,335	\$2,239,153	\$6,772	\$1,614,292	\$4,537	\$1,562,251	\$5,418	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

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

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

The following table shows Mercy General Hospital historical costs for charity care as reported to OSHPD. Mercy General Hospital’s charity care costs have decreased from \$4.4 million in FY 2013 to \$2.8 million in FY 2017. The average cost of charity care for the last five-year period was approximately \$3.1 million, while for the three-year average the cost of charity care was \$3.5 million.

MERCY GENERAL HOSPITAL COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$13,687,655	20.2%	\$2,766,097
FY 2016	\$10,025,943	20.6%	\$2,070,232
FY 2015	\$10,335,206	21.3%	\$2,197,179
FY 2014	\$19,850,800	19.6%	\$3,900,556
FY 2013	\$22,198,242	20.0%	\$4,431,460
FY 2015 - FY 2017 Average			\$3,509,732
FY 2013 - FY 2017 Average			\$3,073,105

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ 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 GENERAL HOSPITAL COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$1,015,723	\$1,076,477	\$276,610	\$2,368,810
Visits/Discharges	42	364	335	
FY 2016:				
Cost of Charity	\$871,404	\$650,043	\$183,014	\$1,704,461
Visits/Discharges	46	287	280	
FY 2015:				
Cost of Charity	\$1,678,591	\$888,731	\$218,442	\$2,785,764
Visits/Discharges	87	327	332	
FY 2014:				
Cost of Charity	\$2,754,395	\$896,126	\$223,252	\$3,873,773
Visits/Discharges	151	351	319	
FY 2013:				
Cost of Charity	\$2,549,844	\$924,406	\$240,285	\$3,714,535
Visits/Discharges	142	421	372	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussion 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 they will comply with the charity care cost amounts determined in the manner described above.

Community Benefit Services

In the last five years, Mercy General Hospital has provided significant community benefit services. As shown in the table below, the average annual cost of community benefit services over the three years has been \$6.7 million. The average annual cost of community benefit services over the last five years has been \$7.2 million.

MERCY GENERAL 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	\$6,933,716	\$5,207,309	\$6,101,918	\$5,743,604	\$3,157,213	\$5,000,912	\$5,428,752
Benefits for Broader Community	\$2,844,527	\$2,449,192	\$2,453,653	\$2,551,331	\$1,875,866	\$2,293,617	\$2,434,914
Totals	\$9,778,243	\$7,656,501	\$8,555,571	\$8,294,935	\$5,033,079	\$7,294,528	\$7,863,666
Medi-Cal Provider Fee CHFT Grant Expense	(\$818,959)	(\$281,078)	(\$989,008)	(\$493,127)	(\$413,892)	-	-
Adjusted Totals	\$8,959,284	\$7,375,423	\$7,566,563	\$7,801,808	\$4,619,187	\$6,662,519	\$7,164,131

Source: Dignity Health

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$5.4 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$2.4 million per year; and
- Over the five-year period, the Hospital’s adjusted total cost of community benefit services decreased from \$9.0 million in FY 2013 to \$4.6 million in FY 2017.

The Hospital’s community benefit services over the past five fiscal years included the following programs over \$10,000 in cost in FY 2017:

MERCY GENERAL HOSPITAL					
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
Catholic School Health Nurse	\$18,179	\$21,218	\$20,956	\$17,248	\$16,001
Chronic Disease Self-Management Program	\$27,443	\$17,904	\$20,090	\$17,871	\$24,595
El Hogar Refer Net	-	-	-	-	\$41,497
Lutheran Social Services Homeless Housing	-	-	-	-	\$54,000
Mercy Heart and Vascular Institute - Cardiac Conditioning Charity Care	\$154,307	\$111,325	\$369,423	\$455,362	\$589,080
Patient Navigator Program	-	\$106,355	\$115,679	\$57,070	\$17,152
Sacramento Community Partnerships	-	-	\$80,308	\$137,701	\$49,680
Wellspace Interim Care Program	-	-	-	-	\$33,564
Counseling Service-Poor	\$204,144	\$324,503	\$247,961	\$329,017	\$493,402
House of Mercy	\$58,858	\$51,907	-\$23,412	-\$25,632	-\$20,075
Mercy Family Health Center (Family Practice Residency)	\$981,104	\$677,050	\$512,614	\$520,246	\$512,599
Mercy Clinic Loaves & Fishes	\$469,756	\$265,544	\$103,839	\$96,375	\$72,587
Renal Dialysis Service	-	-	-	-	\$55,414
Cash-In Kind Donations-Poor	\$40,079	\$31,220	\$183,105	\$51,463	\$44,763
Dignity Health Community Grants	\$247,815	\$258,639	\$246,833	\$236,246	\$280,457
Sacramento Service Area Partnerships	\$177,290	\$184,965	\$85,444	\$12,995	\$12,600
Transitional Housing and Lodging -Poor	\$868	\$1,206	\$610	-	\$22,547
Mercy Faith & Health Partnerships	\$24,621	\$36,254	\$31,747	\$33,608	\$36,516
Mercy Heart and Vascular Institute - American Heart Association Heart Walk	\$13,857	\$10,831	\$12,976	\$9,397	\$46,942
Mercy Heart and Vascular Institute - Cardiovascular Disease Management	\$1,531,089	\$1,734,351	\$1,294,361	\$959,928	\$393,894
Mercy Heart and Vascular Institute - Education - Other	\$47,594	\$94,787	\$31,885	\$58,904	\$60,854
Professional & Medical Education - Nursing	\$82,166	\$65,543	\$770,993	\$837,748	\$724,570
Professional & Medical Education - Other	-	-	-	\$405,086	\$377,206
Mercy Foundation Support	\$814,208	\$777,338	\$834,704	\$772,759	\$740,527

Source: Dignity Health

- Catholic School Health Nurse: The hospital sponsors a nurse to provide health care and screenings to low income children at five Catholic schools;
- Chronic Disease Self-Management Program: The program offers weekly workshops for six weeks on diabetes in clinical and community settings as well as on other chronic health problems;
- El Hogar Refer Net: In collaboration with the community based nonprofit mental health provider, El Hogar, this program provides a process for patients admitted to the emergency department with mental illness to receive immediate and ongoing treatment and other social services they need after leaving the Hospital;

- Lutheran Social Services Homeless Housing: This program partners hospital care coordinators with Lutheran Social Services staff to identify and evaluate chronically homeless, high end hospital users and place them in transitional housing units;
- Mercy Heart and Vascular Institute - Cardiac Conditioning Charity Care: Provides education classes and materials, and expedites referrals to outpatient programs for uninsured patients;
- Patient Navigation Program: In partnership with Sacramento Covered and Health Net, this program assists underserved patients who are admitted to the emergency department for non-urgent care by connecting with a primary care provider, community clinics, and other social support services;
- Sacramento Community Partnerships: A collaboration with other regional health providers and community based nonprofit organizations to address specific priorities identified in the Community Needs Assessment and unmet healthcare needs;
- WellSpace Interim Care Program: A collaboration between other Dignity Health hospitals and health systems in the region, Sacramento County and Federally Qualified Health Center, WellSpace Health, to provide shelter and treatment for homeless patients with physical or mental health disorders. The program also provides case management services to connect participants with outpatient services and community resources;
- Counseling Service – Poor: Psychiatric consults for patients who are uninsured and require psychiatric medical evaluations while hospitalized and conservatorship services to low-income patients who may lack capacity or family to help make decisions;
- House of Mercy: A program for families who cannot afford hotel accommodations while their family member is receiving care or for out of area patients who are recovering or receiving ongoing treatment at the Hospital;
- Mercy Family Health Center (Family Practice Residency): Resident physicians are sponsored by the hospital to provide primary health care services to the poor and underinsured at the Mercy Family Health Center located on the campus of Methodist Hospital;
- Mercy Clinic Loaves & Fishes: A collaboration between The Loaves & Fishes organization, County of Sacramento, and Mercy General to provide free episodic and urgent health care to the homeless people;

- Renal Dialysis Services: The Care Coordination Department pays for dialysis services for the underserved;
- Cash – In Kind Donations – Poor: Cash and in-kind donations by the Hospital to nonprofit community-based organizations that provide health related services for the underinsured, uninsured and vulnerable populations in the community;
- Dignity Health Community Grants: Funding from the Hospital awarded to nonprofit organizations working to improve the health and well-being of vulnerable and underserved populations and reduce disparities in the community;
- Sacramento Service Area Partnerships/Donations – Poor: A collaboration with other regional health providers and community based nonprofit organizations to address specific priorities identified in the Community Needs Assessment and unmet healthcare needs;
- Transitional Housing and Lodging – Poor: Provides payment for short-term room and board in the community for patients unable to pay this expense after they are discharged from the Hospital;
- Mercy Faith & Health Partnership: A community outreach program that encourages, supports and nurtures local faith communities to develop and sustain health ministry programs that advocate health promotion and disease prevention in their communities;
- Mercy Heart and Vascular Institute – American Heart Association Heart Walk: Hospital support for the American Heart Association’s Heart Walk;
- Mercy Heart & Vascular Institute – Cardiovascular Disease Management: This program runs CHAMP (Congestive Heart Active Management Program) that provides patients with phone interventions, educational classes, and disease management skills after they are discharged from the Hospital;
- Mercy Heart and Vascular Institute – Education – Other: Provides free informational materials and educational classes on how to manage heart failure;
- Professional & Medical Education – Nursing: Seminars and training for nurses focused on the health of the broader community. This includes Hospital staff serving as preceptors to students;

- Professional & Medical Education – Other: Education for medical students, physicians, nurses, and other healthcare professionals. This includes Hospital staff serving as preceptors to students; and
- Mercy Foundation – A nonprofit organization raising philanthropic support and community awareness for the works of the Sisters of Mercy in healthcare, education, housing for the homeless, and care for the poor and elderly.

Reproductive Health

Mercy General Hospital reported 27 inpatient discharges related to reproductive health services²⁹. The table below lists all reproductive services by diagnostic related group discharges (DRG) for CY 2016.

MERCY GENERAL HOSPITAL CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
777-Ectopic Pregnancy	10
767-Vaginal Delivery W Sterilization &/Or D&C ¹	5
778-Threatened Abortion	5
779-Abortion W/O D&C ¹	5
770-Abortion W D&C ¹ , Aspiration Curettage or Hysterectomy	2
Total Discharges:	27

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

- Out of the five diagnostic related groups, 777-Ectopic Pregnancy has the highest number of reproductive service inpatient discharges.

²⁹ Mercy General Hospital is a Catholic hospital and is subject to the Catholic ERDs

The following table indicates whether the Hospital performs the following women’s health reproductive services.

MERCY GENERAL HOSPITAL REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	No
Terminate pregnancy when:	
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	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	Yes

Source: Dignity Health

Analysis of Mercy General Hospital's Service Area

Service Area Definition

Mercy General Hospital's service area is comprised of 45 ZIP Codes from which 78.4% of its inpatient discharges originated in 2016. Approximately 50% Mercy General Hospital's discharges originated from the top 17 ZIP codes. In 2016, Mercy General Hospital's market share in the service area was 8.5%.

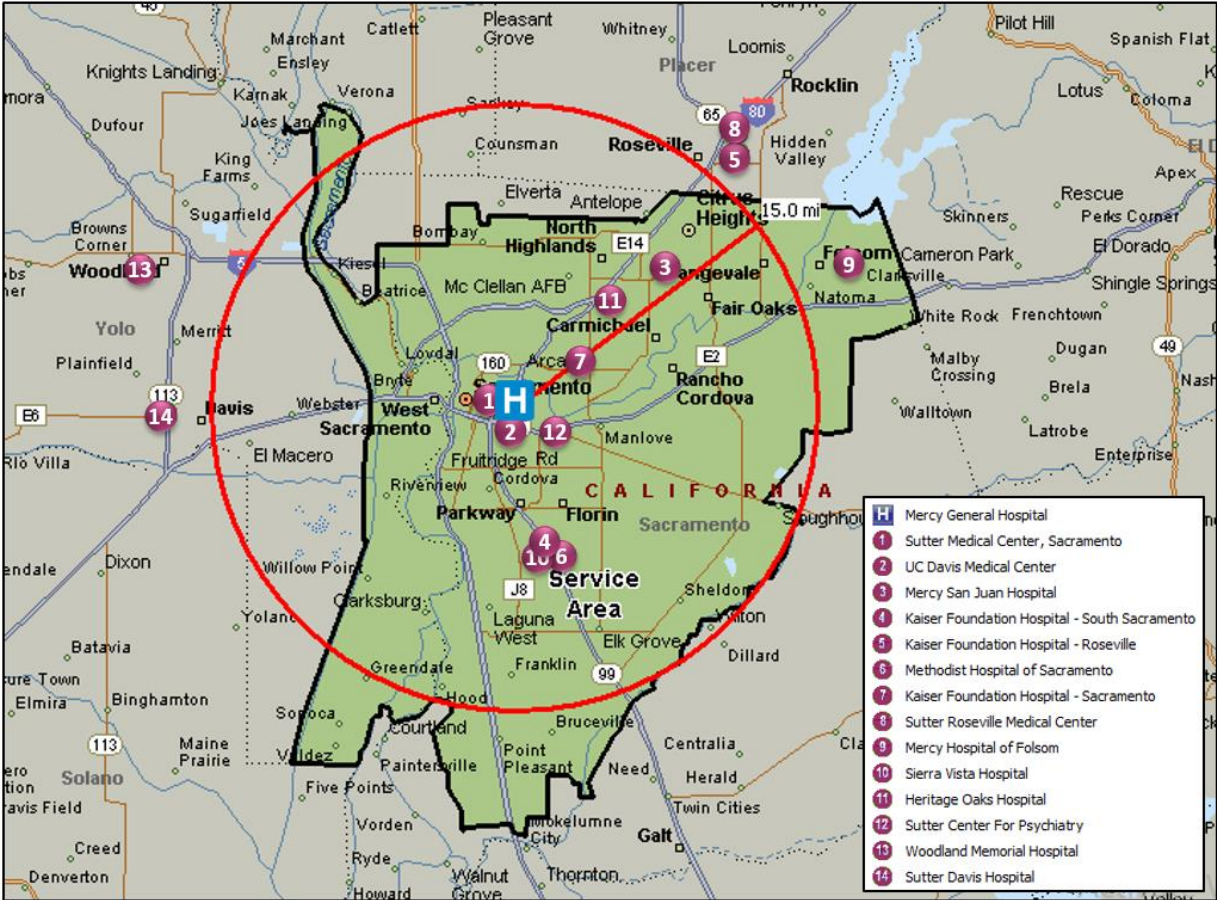
MERCY GENERAL HOSPITAL PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cum % of Discharges	Total Area Discharges	Market Share
95823	Sacramento	635	4.4%	4.4%	8,524	7.4%
95838	Sacramento	580	4.1%	8.5%	4,120	14.1%
95822	Sacramento	548	3.8%	12.3%	4,744	11.6%
95825	Sacramento	535	3.7%	16.1%	3,519	15.2%
95815	Sacramento	506	3.5%	19.6%	3,433	14.7%
95820	Sacramento	483	3.4%	23.0%	4,267	11.3%
95828	Sacramento	443	3.1%	26.1%	5,823	7.6%
95826	Sacramento	422	3.0%	29.1%	3,195	13.2%
95831	Sacramento	376	2.6%	31.7%	3,349	11.2%
95833	Sacramento	374	2.6%	34.3%	3,296	11.3%
95824	Sacramento	365	2.6%	36.9%	3,340	10.9%
95821	Sacramento	359	2.5%	39.4%	3,881	9.3%
95691	West Sacramento	337	2.4%	41.8%	3,214	10.5%
95758	Elk Grove	317	2.2%	44.0%	4,321	7.3%
95835	Sacramento	307	2.1%	46.1%	2,456	12.5%
95670	Rancho Cordova	304	2.1%	48.3%	5,180	5.9%
95624	Elk Grove	289	2.0%	50.3%	4,638	6.2%
95834	Sacramento	284	2.0%	52.3%	2,370	12.0%
95864	Sacramento	284	2.0%	54.3%	1,821	15.6%
95608	Carmichael	280	2.0%	56.2%	6,429	4.4%
95819	Sacramento	268	1.9%	58.1%	1,261	21.3%
95827	Sacramento	255	1.8%	59.9%	2,093	12.2%
95818	Sacramento	223	1.6%	61.4%	1,717	13.0%
95816	Sacramento	221	1.5%	63.0%	1,604	13.8%
95630	Folsom	205	1.4%	64.4%	4,558	4.5%
95814	Sacramento	193	1.4%	65.8%	1,355	14.2%
95660	North Highlands	177	1.2%	67.0%	4,169	4.2%
95817	Sacramento	177	1.2%	68.3%	1,705	10.4%
95605	West Sacramento	166	1.2%	69.4%	1,446	11.5%
95757	Elk Grove	160	1.1%	70.5%	2,742	5.8%
95628	Fair Oaks	132	0.9%	71.5%	3,751	3.5%
95673	Rio Linda	129	0.9%	72.4%	1,819	7.1%
95621	Citrus Heights	127	0.9%	73.3%	4,455	2.9%
95610	Citrus Heights	123	0.9%	74.1%	4,273	2.9%
95811	Sacramento	122	0.9%	75.0%	959	12.7%
95829	Sacramento	115	0.8%	75.8%	2,001	5.7%
95842	Sacramento	108	0.8%	76.5%	3,286	3.3%
95662	Orangevale	98	0.7%	77.2%	2,951	3.3%
95832	Sacramento	72	0.5%	77.7%	1,205	6.0%
95841	Sacramento	54	0.4%	78.1%	2,381	2.3%
95655	Mather	14	0.1%	78.2%	280	5.0%
95612	Clarksburg	9	0.1%	78.3%	116	7.8%
95865	Sacramento	6	0.0%	78.3%	48	12.5%
95652	Mcclellan	5	0.0%	78.3%	69	7.2%
95853	Sacramento	5	0.0%	78.4%	16	31.3%
Subtotal		11,192	78.4%	78.4%	132,180	8.5%
Other ZIPs		3,088	21.6%	100%		
Total Discharges		14,280	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Mercy General Hospital’s service area has approximately 1.5 million residents. There are ten other hospitals located within Mercy General Hospital’s service area. There are four other hospitals located within approximately 15 miles from Mercy General Hospital. Mercy General Hospital has the fifth-largest inpatient market share leader in the service area.



Hospital Market Share

The table below provides the market share of inpatient discharges by individual hospital within Mercy General Hospital’s service area from CY 2013 to CY 2016.

MERCY GENERAL HOSPITAL MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Sutter Medical Center, Sacramento	6.8%	6.3%	10.2%	16.5%	↗
UC Davis Medical Center	13.7%	13.3%	12.6%	12.7%	↘
Mercy San Juan Medical Center	13.4%	14.0%	13.1%	11.2%	↘
Kaiser Foundation Hospital - South Sacramento	8.2%	8.6%	8.8%	9.3%	↗
Mercy General Hospital	10.1%	10.0%	9.2%	8.5%	↘
Kaiser Foundation Hospital - Roseville	7.1%	7.3%	8.1%	8.4%	↗
Methodist Hospital of Sacramento	7.4%	7.7%	8.1%	7.3%	↘
Kaiser Foundation Hospital - Sacramento	5.3%	5.1%	5.5%	6.1%	↗
Sutter Roseville Medical Center	3.9%	3.9%	3.6%	4.2%	↗
Mercy Hospital of Folsom	2.7%	2.9%	3.1%	3.1%	↗
Sierra Vista Hospital	2.4%	2.2%	2.4%	2.4%	→
Heritage Oaks Hospital	1.5%	1.7%	1.8%	1.8%	↗
Sutter Center For Psychiatry	1.1%	1.2%	1.2%	1.2%	→
Woodland Memorial Hospital	0.3%	0.5%	0.6%	0.7%	↗
Sutter Davis Hospital	0.6%	0.6%	0.6%	0.7%	→
UCSF Medical Center	0.4%	0.4%	0.4%	0.5%	→
St. Joseph's Behavioral Health Center	0.4%	0.6%	0.5%	0.3%	↘
Fremont Hospital	0.0%	0.0%	0.2%	0.3%	↗
Adventist Health Vallejo	0.1%	0.2%	0.3%	0.3%	↗
Crestwood Psychiatric Health Facility-Carmichael	0.5%	0.5%	0.3%	0.3%	↘
Sacramento Mental Health Treatment Center	0.7%	0.3%	0.2%	0.3%	↘
Crestwood Psychiatric Health Facility-Sacramento	0.4%	0.3%	0.3%	0.3%	→
Shriners Hospitals For Children Northern California	0.1%	0.2%	0.2%	0.2%	→
California Pacific Med Ctr-Pacific Campus	0.1%	0.1%	0.2%	0.1%	→
Stanford Health Care	0.2%	0.2%	0.2%	0.1%	→
All Other	12.4%	11.7%	8.5%	3.1%	↘
Total Percentage	100%	100%	100%	100%	
Total Discharges	131,621	131,739	132,412	132,180	↗

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges in Mercy General Hospital’s service area remained relatively stable;
- Sutter Medical Center, Sacramento is the market share leader based on inpatient discharges (17% in CY 2016); and

Market Share by Payer Type

The following table provides the service area’s hospital inpatient market share by payer type as reported by OSHPD for CY 2016.

MERCY GENERAL HOSPITAL HOSPITAL MARKET SHARE BY PAYER CY 2016											
Payer Type	Total Discharges	Sutter Medical Center, Sacramento	University Of California Davis Medical Center	Mercy San Juan Medical Center	Kaiser Foundation Hospital - South Sacramento	Mercy General Hospital	Kaiser Foundation Hospital - Roseville	Methodist Hospital Of Sacramento	Kaiser Foundation Hospital - Sacramento	All Others	Total
Medicare	47,633	13.5%	11.7%	14.2%	9.4%	11.8%	6.0%	7.7%	9.6%	16.0%	100.0%
Medi-Cal	42,188	20.7%	15.3%	13.4%	5.8%	7.8%	4.6%	10.4%	2.9%	19.0%	100.0%
Private Coverage	37,048	14.5%	11.5%	5.5%	13.9%	5.6%	16.7%	3.9%	5.8%	22.7%	100.0%
All Other	3,949	23.4%	10.0%	7.1%	1.4%	3.5%	0.7%	3.3%	0.8%	49.7%	100.0%
Total Percentage		16.4%	12.8%	11.3%	9.3%	8.5%	8.4%	7.4%	6.1%	19.9%	100.0%
Total Discharges	130,818	21,475	16,721	14,742	12,134	11,147	10,967	9,643	7,971	26,018	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer types for inpatient discharges is Medicare with 47,633 inpatient (36%), followed by Medi-Cal with 42,188 inpatient discharges (32%), and Private Coverage with 37,048 inpatient discharges (28%);
- Mercy San Juan Medical Center is the market share leader for Medicare (14.2%);
- Sutter Medical Center, Sacramento is the market share leader for Medi-Cal (20.7%); and
- Kaiser Foundation Hospital Roseville is the market share leader for Private Coverage (16.7%).

Market Share by Service Line

The following table provides the service area’s inpatient market share by service line for CY 2016.

MERCY GENERAL HOSPITAL HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Sutter Medical Center, Sacramento	University Of California Davis Medical Center	Mercy San Juan Medical Center	Kaiser Foundation Hospital - South Sacramento	Mercy General Hospital	Kaiser Foundation Hospital – Roseville	Methodist Hospital Of Sacramento	Kaiser Foundation Hospital – Sacramento	All Others	Total
General Medicine	38,999	15.7%	15.6%	14.3%	8.6%	8.8%	6.2%	8.9%	8.7%	13.2%	100.0%
Obstetrics	20,026	32.1%	6.0%	7.4%	12.7%	5.0%	18.3%	8.6%	0.1%	9.9%	100.0%
Cardiac Services	12,606	15.0%	12.8%	14.2%	9.3%	19.9%	6.0%	6.0%	6.5%	10.3%	100.0%
Behavioral Health	11,913	1.3%	1.5%	2.1%	0.6%	0.8%	0.2%	0.7%	0.6%	92.3%	100.0%
General Surgery	11,455	12.9%	16.5%	12.3%	11.7%	9.0%	5.7%	7.4%	8.7%	15.8%	100.0%
Orthopedics	9,266	12.6%	12.9%	10.8%	11.5%	9.4%	7.8%	8.2%	10.5%	16.2%	100.0%
Neonatology	7,311	22.4%	8.2%	7.2%	17.2%	2.6%	25.5%	8.3%	0.0%	8.7%	100.0%
Neurology	5,377	16.0%	14.0%	15.6%	5.9%	8.3%	5.3%	8.8%	10.0%	16.2%	100.0%
Oncology/Hematology (Medical)	3,446	15.8%	26.1%	12.0%	5.5%	9.1%	7.8%	4.7%	6.3%	12.6%	100.0%
Other	2,174	7.9%	30.3%	19.2%	14.3%	3.4%	2.7%	2.4%	4.0%	15.8%	100.0%
Spine	2,105	14.6%	16.9%	6.5%	3.4%	14.0%	1.8%	1.3%	19.8%	21.8%	100.0%
Vascular Services	1,491	21.3%	14.4%	19.6%	7.0%	13.2%	7.1%	3.6%	5.8%	8.0%	100.0%
Urology	1,344	14.8%	16.7%	14.1%	13.3%	8.3%	4.5%	4.6%	4.6%	19.0%	100.0%
Gynecology	1,304	16.1%	10.0%	14.8%	5.8%	15.0%	2.1%	13.5%	8.4%	14.4%	100.0%
ENT	1,246	12.0%	30.6%	11.2%	15.6%	6.6%	5.6%	2.3%	4.7%	11.4%	100.0%
Neurosurgery	1,011	13.3%	20.9%	15.2%	3.9%	5.3%	3.3%	0.2%	23.3%	14.6%	100.0%
Rehabilitation	724	0.0%	3.7%	0.0%	0.0%	38.1%	0.0%	56.2%	0.0%	1.9%	100.0%
No-match-found	245	15.5%	22.9%	13.9%	5.7%	6.1%	3.3%	2.4%	5.7%	24.5%	100.0%
Total Percentage		16.5%	12.7%	11.2%	9.3%	8.5%	8.4%	7.3%	6.1%	20.0%	100.0%
Total Discharges	132,180	21,807	16,747	14,841	12,300	11,192	11,075	9,706	8,099	26,413	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Mercy General Hospital is the service line leader for cardiac services (20%);
- Sutter Medical Center, Sacramento is the service area service line leader in five of 18 service lines: general medicine (16%), obstetrics (32%), neurology (16%); vascular services (21%), and gynecology (16%); and
- University of California, Davis Medical Center is the service line leader in seven of 18 service lines including: general surgery (17%), orthopedics (13%), oncology/hematology (26%), and urology (17%).

Market Share by ZIP Code

The following table provides the service area’s hospital market share by ZIP Code for CY 2016.

MERCY GENERAL HOSPITAL HOSPITAL MARKET SHARE BY ZIP CODE CY 2016													
ZIP Code	Community	Total Discharges	Sutter Medical Center, Sacramento	University Of California Davis Medical Center	Mercy San Juan Hospital	Kaiser Foundation Hospital - South Sacramento	Mercy General Hospital	Kaiser Foundation Hospital - Roseville	Methodist Hospital Of Sacramento	Kaiser Foundation Hospital - Sacramento	All Others	Total	
95823	Sacramento	8,524	14.8%	11.3%	2.5%	22.1%	7.4%	2.0%	23.8%	1.4%	14.7%	100.0%	
95608	Carmichael	6,429	11.0%	8.0%	35.2%	1.2%	4.4%	9.7%	1.3%	11.8%	17.5%	100.0%	
95828	Sacramento	5,823	14.4%	11.7%	2.6%	24.1%	7.6%	2.3%	22.0%	2.1%	13.1%	100.0%	
95670	Rancho Cordova	5,180	12.6%	16.4%	13.8%	2.3%	5.9%	10.4%	2.5%	9.2%	26.9%	100.0%	
95822	Sacramento	4,744	20.0%	15.2%	2.2%	19.8%	11.6%	2.3%	15.2%	1.7%	12.0%	100.0%	
95624	Elk Grove	4,638	16.6%	10.3%	1.9%	29.5%	6.2%	2.8%	19.8%	2.1%	10.8%	100.0%	
95630	Folsom	4,558	4.3%	7.6%	6.8%	0.9%	4.5%	19.4%	0.9%	2.3%	53.3%	100.0%	
95621	Citrus Heights	4,455	5.5%	4.9%	29.1%	1.1%	2.9%	22.0%	1.0%	2.6%	30.8%	100.0%	
95758	Elk Grove	4,321	18.1%	10.0%	1.9%	28.1%	7.3%	3.1%	17.9%	1.9%	11.8%	100.0%	
95610	Citrus Heights	4,273	5.9%	6.1%	27.1%	0.9%	2.9%	20.4%	0.8%	2.3%	33.7%	100.0%	
95820	Sacramento	4,267	16.8%	29.7%	2.0%	12.1%	11.3%	3.0%	6.4%	2.5%	16.1%	100.0%	
95660	North Highlands	4,169	10.0%	8.1%	35.7%	1.0%	4.2%	10.8%	1.3%	7.3%	21.6%	100.0%	
95838	Sacramento	4,120	23.4%	13.0%	11.5%	2.0%	14.1%	8.2%	3.0%	10.3%	14.4%	100.0%	
95821	Sacramento	3,881	18.9%	10.5%	17.3%	2.1%	9.3%	7.3%	3.1%	16.3%	15.3%	100.0%	
95628	Fair Oaks	3,751	5.9%	7.5%	28.5%	1.4%	3.5%	18.6%	1.0%	4.2%	29.5%	100.0%	
95825	Sacramento	3,519	25.7%	10.7%	5.7%	2.3%	15.2%	5.2%	3.4%	18.0%	13.8%	100.0%	
95815	Sacramento	3,433	27.0%	12.3%	6.8%	2.0%	14.7%	5.0%	2.7%	11.6%	18.0%	100.0%	
95831	Sacramento	3,349	25.9%	14.8%	1.6%	21.4%	11.2%	3.3%	8.5%	1.8%	11.6%	100.0%	
95824	Sacramento	3,340	19.0%	23.0%	2.2%	13.7%	10.9%	1.3%	16.8%	1.1%	12.0%	100.0%	
95833	Sacramento	3,296	25.2%	15.3%	3.9%	4.0%	11.3%	9.7%	3.2%	11.7%	15.6%	100.0%	
95842	Sacramento	3,286	9.7%	7.2%	32.1%	1.0%	3.3%	16.3%	1.8%	4.2%	24.3%	100.0%	
95691	West Sacramento	3,214	24.0%	18.6%	1.9%	6.1%	10.5%	6.4%	2.1%	7.0%	23.4%	100.0%	
95826	Sacramento	3,195	18.9%	17.2%	4.1%	4.1%	13.2%	8.3%	3.8%	14.8%	15.5%	100.0%	
95662	Orangevale	2,951	4.4%	5.7%	16.8%	0.8%	3.3%	23.9%	0.7%	2.6%	41.7%	100.0%	
95757	Elk Grove	2,742	18.5%	10.1%	1.6%	29.6%	5.8%	3.0%	17.7%	1.5%	12.3%	100.0%	
95835	Sacramento	2,456	23.2%	14.8%	5.3%	3.6%	12.5%	14.6%	2.1%	9.1%	14.8%	100.0%	
95841	Sacramento	2,381	8.5%	7.3%	37.5%	1.3%	2.3%	10.9%	1.4%	5.5%	25.3%	100.0%	
95834	Sacramento	2,370	23.7%	12.4%	3.5%	4.2%	12.0%	11.6%	3.2%	8.1%	21.2%	100.0%	
95827	Sacramento	2,093	16.0%	18.8%	6.4%	3.2%	12.2%	7.9%	2.6%	12.0%	21.0%	100.0%	
95829	Sacramento	2,001	14.9%	12.2%	2.7%	27.6%	5.7%	3.7%	17.0%	1.7%	14.3%	100.0%	
95864	Sacramento	1,821	23.0%	11.0%	8.3%	2.0%	15.6%	6.9%	1.3%	16.5%	15.4%	100.0%	
95673	Rio Linda	1,819	12.6%	8.3%	25.1%	2.0%	7.1%	13.7%	1.8%	11.3%	18.0%	100.0%	
95818	Sacramento	1,717	27.8%	18.9%	2.1%	9.7%	13.0%	4.5%	2.5%	6.1%	15.4%	100.0%	
95817	Sacramento	1,705	18.1%	33.7%	2.1%	8.3%	10.4%	2.8%	3.7%	2.4%	18.6%	100.0%	
95816	Sacramento	1,604	32.3%	14.0%	2.7%	3.9%	13.8%	3.1%	2.2%	6.0%	22.0%	100.0%	
95605	West Sacramento	1,446	25.4%	19.9%	2.1%	3.0%	11.5%	3.8%	1.9%	6.0%	26.3%	100.0%	
95814	Sacramento	1,355	26.6%	20.7%	3.2%	3.5%	14.2%	1.9%	1.4%	4.0%	24.4%	100.0%	
95819	Sacramento	1,261	27.6%	15.4%	1.9%	4.4%	21.3%	7.1%	1.1%	9.8%	11.3%	100.0%	
95832	Sacramento	1,205	17.7%	15.2%	1.9%	20.4%	6.0%	2.6%	21.8%	1.7%	12.7%	100.0%	
95811	Sacramento	959	30.9%	12.2%	3.1%	2.1%	12.7%	3.4%	2.7%	4.1%	28.8%	100.0%	
95655	Mather	280	12.1%	13.6%	6.8%	5.7%	5.0%	19.6%	3.2%	11.1%	22.9%	100.0%	
95612	Clarksburg	116	26.7%	6.9%	1.7%	22.4%	7.8%	1.7%	12.1%	0.0%	20.7%	100.0%	
95652	Mcclellan	69	15.9%	7.2%	17.4%	2.9%	7.2%	4.3%	2.9%	11.6%	30.4%	100.0%	
95865	Sacramento	48	20.8%	4.2%	0.0%	0.0%	12.5%	2.1%	4.2%	4.2%	52.1%	100.0%	
95853	Sacramento	16	31.3%	12.5%	12.5%	12.5%	31.3%	0.0%	0.0%	0.0%	0.0%	100.0%	
Total Percentage			16.5%	12.7%	11.2%	9.3%	8.5%	8.4%	7.3%	6.1%	20.0%	100.0%	
Total Discharges			132,180	21,807	16,747	14,841	12,300	11,192	11,075	9,706	8,099	26,413	

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

- Mercy General Hospital is the inpatient market share leader in one of the 45 ZIP Codes in Sacramento;
- Sutter Medical Center, Sacramento is the market share leader in 21 of the 45 ZIP Codes; and
- Mercy San Juan Medical Center is also a market share leader in nine of the 45 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 health 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 Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom and Mercy General Hospital as licensed acute care hospitals for five years after the Effective Date. Each hospital provides a significant amount of healthcare to the communities served as shown by their inpatient volume and market share.

Methodist Hospital of Sacramento

In FY 2017, the hospitals located within Methodist Hospital of Sacramento’s service area had a combined total of 1,415 licensed beds with an aggregate average occupancy rate of approximately 76%. In FY 2017, the Hospital had 329 licensed beds that operated at an occupancy rate of 79%. In CY 2016, it had a 16% market share of the service area inpatient discharges. Furthermore, of the hospitals located within Methodist Hospital of Sacramento’s service area, the Hospital had 17% of the total inpatient discharges, representing 24% of the patient days. The table below shows the hospitals located within the Hospital’s service area.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Methodist Hospital Of Sacramento	Sacramento	329	10,582	95,239	261	79%	-
Kaiser Foundation Hospitals - South Sacramento ¹	Sacramento	217	14,412	47,056	129	59%	0.7
University Of California, Davis Med Center	Sacramento	625	30,850	186,185	510	82%	9.5
Sierra Vista Hospital ¹	Sacramento	171	4,919	44,650	122	72%	0.2
Sutter Center For Psychiatry	Sacramento	73	2,886	20,245	55	76%	7.4
Total		1,415	63,649	393,375	1,078	76%	

Source: OSHPD Disclosure Report, Google Maps

¹ FY2017 OSHPD Discharges not reported. Audited FY 2016 is shown

Since Methodist Hospital of Sacramento has the second-highest occupancy rate (79%) and has about 16% market share of the hospitals located within the service area, it is a very important provider of healthcare services to the community.

Mercy San Juan Medical Center

In FY 2017, the hospitals located within Mercy San Juan Medical Center’s service area had a combined total of 1,520 licensed beds with an aggregate average occupancy rate of 66%. In FY 2017, Mercy San Juan Medical Center had 370 licensed beds that operated at an occupancy rate of 71%. In CY 2016, Mercy San Juan Medical Center was the market share leader with 18.0% of the service area discharges. Furthermore, of the hospitals located within Mercy San Juan Medical Center’s service area, Mercy San Juan Medical Center had 26% of both the total inpatient discharges and patient days. The following table shows the hospitals located with Mercy San Juan Medical Center’s service area.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Mercy San Juan Medical Center	Carmichael	370	20,298	95,314	261	71%	-
Kaiser Foundation Hospitals - Roseville	Roseville	340	20,557	73,933	203	60%	7.4
Sutter Roseville Medical Center	Roseville	325	20,180	90,605	248	76%	8.7
Kaiser Foundation Hospitals – Sacramento	Sacramento	287	11,000	44,376	122	42%	7.7
Heritage Oaks Hospital	Sacramento	125	3,870	39,667	109	87%	3.8
Sutter Center For Psychiatry	Sacramento	73	2,923	20,692	57	78%	12.2
Total		1,520	78,828	364,587	999	66%	

Source: OSHPD Disclosure Report, Google Maps

Since Mercy San Juan Medical Center has the most licensed beds, has a high occupancy rate (71%), and is the market share leader of inpatient discharges of the hospitals located within the service area, it is a very important provider of healthcare services to the community.

Mercy Hospital of Folsom

In FY 2017, the hospitals located within Mercy Hospital of Folsom's service area had a combined total of 659 licensed beds with an aggregate average occupancy rate of 67%. In FY 2017 Mercy Hospital of Folsom had 106 licensed beds that operated at an occupancy rate of 61%. In CY 2016, Mercy Hospital of Folsom was the third-largest market share leader with 13% of the service area inpatient discharges. Furthermore, of the hospitals located within Mercy Hospital of Folsom’s service area, Mercy Hospital of Folsom had 21% of the total inpatient discharges, representing 15% of the patient days. The following table shows the hospitals located within Mercy Hospital of Folsom’s service area.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Mercy Hospital Of Folsom	Folsom	106	6,880	23,633	65	61.1%	-
Mercy San Juan Medical Center	Carmichael	370	20,298	95,314	261	70.6%	10.6
Vibra Hospital Of Sacramento ¹	Folsom	58	677	17,313	47	81.8%	1.7
Marshall Hospital	Placerville	125	5,528	24,722	68	54.2%	22.9
Total		659	33,383	160,982	441	67%	

Source: OSHPD Disclosure Report

¹ FY2017 OSHPD Discharges not reported. Only "submitted" FY 2016 is available.

While Mercy Hospital of Folsom does not have the most inpatient discharges, given its occupancy rate (61%), it is a very important provider of healthcare services to the community.

Mercy General

In FY 2017, the hospitals located within Mercy General Hospital’s service area had a combined total of 3,141 licensed beds with an aggregate average occupancy rate of 68%. In FY 2017, Sutter Medical Center - Sacramento was the largest hospital within the service area, with 523 licensed beds that operated at an occupancy rate of 70%. Mercy General Hospital was the second-largest area hospital with 419 licensed beds, operating at a 43% occupancy rate. In CY 2016, Sutter Medical Center, Sacramento was the market share leader with 16.6% of the service area inpatient discharges. Furthermore, Mercy General Hospital had 11% of the total inpatient discharges, representing 9% of the patient days. The table below shows the hospitals located within Mercy General Hospital’s service area.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Mercy General Hospital	Sacramento	419	15,535	66,071	181	43%	-
Sutter Medical Center - Sacramento	Sacramento	523	30,763	134,400	368	70%	1.2
Mercy San Juan Medical Center	Carmichael	370	21,097	103,767	284	77%	13.1
Kaiser Foundation Hospitals - Sacramento	Sacramento	287	11,000	44,376	122	42%	5.9
Heritage Oaks Hospital	Sacramento	125	3,870	39,667	109	87%	8.9
Sutter Center For Psychiatry	Sacramento	73	2,923	20,692	57	78%	3.1
Sierra Vista Hospital	Sacramento	171	4,919	44,650	122	72%	8.7
Methodist Hospital Of Sacramento	Sacramento	329	11,072	95,209	261	79%	8.9
Kaiser Foundation Hospitals - South Sacramento	Sacramento	217	14,412	47,056	129	59%	8.8
University Of California Davis Medical Center	Sacramento	627	31,312	178,210	488	78%	1.5
Total		3,141	146,903	774,098	2,121	68%	

Source: OSHPD Disclosure Report, Google Maps

Since Mercy General Hospital ranks in the top five in licensed beds, inpatient discharges, patient days, and average daily census among the hospitals located within its service area, it is an important provider of healthcare services to the community.

Emergency Services

Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital are important providers of emergency services to the residents of their respective surrounding communities. In FY 2017, Methodist Hospital of Sacramento reported 66,123 emergency service visits to its 29 emergency treatment stations, operating at over 114% capacity³⁰. During that same time period, Mercy San Juan Medical Center (a Level II Trauma Center) reported 74,867 emergency service visits to its 31 treatment stations, operating at 121% of capacity. In FY 2017, Mercy Hospital of Folsom reported 48,421 emergency service visits to its 25 emergency treatment stations, operating at 97% capacity. In

³⁰ Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station, per year, to estimate the capacity.

FY 2017, Mercy General Hospital reported 45,026 emergency service visits to its 20 emergency treatment stations, operating at over 113% capacity.

As a result of the 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. Keeping Methodist Hospital of Sacramento’s, Mercy San Juan Medical Center’s, Mercy Hospital of Folsom’s, and Mercy General Hospital’s emergency departments open is 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 Methodist Hospital of Sacramento’s existing emergency services include:

- 29 Treatment Stations; and
- Certified Primary Stroke Center.

The five-year commitments to Mercy San Juan Medical Center’s existing emergency services include:

- 31 Treatment Stations;
- Paramedic Base Station;
- Level II Trauma Center; and
- Certified Comprehensive Stroke Center.

The five-year commitments to Mercy Hospital of Folsom’s existing emergency services include:

- 25 Treatment Stations.

The five-year Commitments to Mercy General Hospital’s existing emergency services include:

- 20 Treatment Stations;
- STEMI Receiving Center; and
- Certified Primary Stroke Center.

As a result of healthcare reform, aging demographics, and the growing shortage of primary care physicians, emergency department utilization is expected to continue to increase within each hospital’s service area. Maintaining Methodist Hospital of Sacramento’s, Mercy San Juan Medical Center’s, Mercy Hospital of Folsom’s and Mercy General Hospital’s emergency departments open with at least their current number of emergency department stations and

current Trauma Center Level designations is critical to providing emergency services within each Hospital’s service area.

Reproductive Health Services

Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital are all important providers of healthcare services to women. These four hospitals reported the following average live births per year between FY 2015 and FY 2017:

- Methodist Hospital of Sacramento: 1,836 live births per year;
- Mercy San Juan Medical Center: 1,980 live births per year;
- Mercy Hospital of Folsom: 880 live births per year; and
- Mercy General Hospital: 1,279 live births per year.

Methodist Hospital of Sacramento is a non-Catholic hospital and is not subject to the ERDs. Under the Ministry Alignment Agreement, all Dignity Health non-Catholic hospitals are not subject to the ERDs. Dignity Health’s non-Catholic hospitals will transition to IHO on the Effective Date. All IHO hospitals will adopt Dignity Health’s Statement of Common Values that prohibits direct abortion, in-vitro fertilization, and physician-assisted suicide. Because these hospitals are subject to Dignity Health’s Statement of Common Values and not to the ERDs, no reductions in the availability or accessibility of reproductive healthcare services are expected at Methodist Hospital of Sacramento as a result of this transaction.

Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital are Catholic hospitals 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 San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient. Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital are important providers of a range of women’s reproductive services and provided 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 availability and accessibility of reproductive health services are expected at Mercy San Juan Medical Center, Mercy Hospital of Folsom, or Mercy General Hospital as a result of the Ministry Alignment Agreement.

The following table shows recorded inpatient reproductive service procedures in CY 2016 at Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom and Mercy General Hospital.

CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP				
Diagnostic Related Group	Mercy San			
	Methodist Hospital of Sacramento	Juan Medical Center	Mercy Hospital of Folsom	Mercy General Hospital
767-Vaginal Delivery W Sterilization &/Or D&C ¹	41	23	8	5
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterectomy	3	4	1	2
779-Abortion W/O D&C ¹	1	1	1	5
777-Ectopic Pregnancy	12	5	2	10
778-Threatened Abortion	14	31	6	5
Total Discharges:	71	64	18	27

Source: CY 2016 OSHPD Patient Discharge Database

¹D&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 charity care costs. Dignity Health has stated that they will comply with the charity care cost amounts determined in the manner previously described.

CHARITY CARE COSTS				
	Dignity Health ¹		OSHPD Reported ²	
	FY 2015- FY 2017 Average	FY 2013- FY 2017 Average	FY 2015- FY 2017 Average	FY 2013- FY 2017 Average
Methodist Hospital of Sacramento	\$2,635,248	\$3,575,851	\$3,575,851	\$3,768,607
Mercy San Juan Medical Center	\$3,834,410	\$4,104,187	\$4,357,297	\$5,505,792
Mercy Hospital of Folsom	\$940,489	\$960,532	\$936,615	\$1,001,837
Mercy General Hospital	\$2,286,344	\$2,889,469	\$3,509,732	\$3,073,105

¹ Dignity Health charity care commitment as calculated by Dignity Health FY 2015 - FY 2017

² Charity care as reported in OSHPD Disclosure Reports FY 2013 - FY 2017.

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

Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital all participate in the Medicare and Medi-Cal programs, contract with Medi-Cal managed care plans, and provide services to other indigent, county 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. Additionally, in Sacramento County, qualified low-income patients are able to access the County owned clinics and hospitals. As a result, county indigent and other indigent patients have decreased. 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 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.

Sacramento County has a Geographic Managed Care Model that offers several commercial plans.

The percentage of Sacramento 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 Sacramento County, the Geographic Managed Care Model is provided by: Aetna Better Health, Anthem Blue Cross, Health Net, Kaiser Health Plan, Molina Healthcare, and UnitedHealthcare Community Plan³¹. Currently, Dignity Health is contracted with Anthem Blue Cross, Health Net, and Molina Health Plan.

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 current contracts that exist at Dignity Health's Sacramento County Hospitals.

³¹ This plan will exit the Sacramento County Geographic Managed Care on October 31, 2018.

DIGNITY HEALTH SACRAMENTO COUNTY MEDI-CAL CONTRACTS	
Dignity Health Hospital	Health Plan
Methodist Hospital of Sacramento	<ul style="list-style-type: none"> • Anthem Blue Cross Medi-Cal (Sacramento) • Health Net • Molina Health Plan (Sacramento)
Mercy San Juan Medical Center	<ul style="list-style-type: none"> • Anthem Blue Cross Medi-Cal (Sacramento) • Health Net • Molina Health Plan (Sacramento)
Mercy Hospital of Folsom	<ul style="list-style-type: none"> • Anthem Blue Cross Medi-Cal (Sacramento) • Health Net • Molina Health Plan (Sacramento)
Mercy General Hospital	<ul style="list-style-type: none"> • Anthem Blue Cross Medi-Cal (Sacramento) • Health Net • Molina Health Plan (Sacramento)

Source: Dignity Health

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.

Effects on Community Benefit Programs

Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General 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 to maintain expenditures for community benefit services based on an average of the expenditures for the years FY 2015-2017. The table below shows the annual average for both the three and five fiscal years at Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital.

SACRAMENTO COUNTY COMMUNITY BENEFIT		
	FY 2015 - FY 2017*	FY 2013 - FY 2017*
Methodist Hospital of Sacramento	\$4,840,883	\$4,466,439
Mercy San Juan Medical Center	\$5,688,941	\$5,288,729
Mercy Hospital of Folsom	\$1,318,780	\$1,709,910
Mercy General Hospital	\$6,662,519	\$7,164,131

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

While all four facilities offer various community benefit programs, the Ministry Alignment Agreement includes commitments to maintain many of the current community benefit programs. The table below shows the service and program commitments made by Dignity Health and CHI.

COMMITTED COMMUNITY BENEFIT SERVICES AND PROGRAMS	
Hospital Name	Community Benefit Service and Program Name
Methodist Hospital of Sacramento	<ul style="list-style-type: none"> • Chronic Disease Self-Management Program • Lutheran Social Services Homeless Housing • Wellspace Interim Care Program • Mercy Family Health Center (Family Practice Residency) • Dignity Health Community Grants
Mercy San Juan Medical Center	<ul style="list-style-type: none"> • Chronic Disease Self-Management Program • Lutheran Social Services Homeless Housing • Wellspace Interim Care Program) • Dignity Health Community Grants
Mercy Hospital of Folsom	<ul style="list-style-type: none"> • Chronic Disease Self-Management Program • Lutheran Social Services Homeless Housing • Dignity Health Community Grants
Mercy General Hospital	<ul style="list-style-type: none"> • Chronic Disease Self-Management Program • Lutheran Social Services Homeless Housing • Wellspace Interim Care Program • Dignity Health Community Grants

Effects on Hospital Licensed Services

Methodist Hospital of Sacramento, Mercy San Juan Medical Center Mercy Hospital of Folsom, and Mercy General 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 Methodist Hospital of Sacramento:

- Obstetric services, including a minimum of 22 licensed perinatal beds;
- Intensive Care Newborn Nursery services, including a minimum of 12 licensed neonatal intensive care unit beds;
- Critical care services, including a minimum of 10 licensed intensive care beds and a minimum of 10 licensed coronary care beds; and
- Skilled nursing services, including a minimum of 171 distinct part skilled nursing beds (Bruceville Terrace).

Licensed Service Commitments for Mercy San Juan Medical Center:

- Critical care services, including a minimum of 45 licensed intensive care beds and a minimum of 11 licensed coronary care beds; and
- Obstetric services, including a minimum of 32 licensed perinatal beds;
- Intensive Care Newborn Nursery services, including a minimum of 26 licensed neonatal intensive care unit beds; and
- Pediatric services, including a minimum of 8 licensed pediatric beds.

Licensed Service Commitments for Mercy Hospital of Folsom:

- Obstetrics care, including a minimum of 8 licensed perinatal beds; and
- Intensive care services, including a minimum of 8 licensed intensive care beds.

Licensed Service Commitments for Mercy General Hospital:

- Intensive care services, including a minimum of 46 licensed intensive care beds;
- Rehabilitation services, including a minimum of 30 licensed rehabilitation beds; and
- Obstetric services, including a minimum of 17 licensed perinatal 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 Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom and Mercy General Hospital for at least five years as a result of the Ministry Alignment Agreement.

Effects on Programs and Services

Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General 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 Commitment for Methodist Hospital of Sacramento:

- General cardiology services;
- Oncology services, including inpatient medical and surgical oncology services;
- Orthopedic surgery services, including total joint replacements;
- General surgery services, including bariatric surgery services;
- Outpatient Clinic – Mercy Family Health Center Clinic;
- Outpatient Services - Surgery at Dignity Health Medical Plaza;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Occupational therapy services;
- Physical therapy services;
- Respiratory care services;
- Social services; and
- Speech pathology services.

Programs and Services Commitment for Mercy San Juan Medical Center:

- Cardiovascular services and cardiac catheterization laboratory services;
- Cardiovascular surgery services;
- Interventional cardiology services;
- Electrophysiology services, and general cardiology services;
- Oncology services, including radiation therapy and outpatient chemotherapy;
- Orthopedic surgery services, including total joint replacements;
- General surgery services, including bariatric surgery services;
- Outpatient Services – Surgery;
- Outpatient Services – ED Fast Track Clinic³²;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Physical therapy services; and
- Respiratory care services.

Programs and Services Commitment for Mercy Hospital of Folsom:

- Cardiovascular services, including general cardiology;
- Neuroscience services, including general neuroscience services;
- Orthopedic surgery services, including total joint replacements;
- General surgery services;
- Outpatient Services - Rehabilitation Services;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Physical therapy services; and
- Respiratory care services.

³² While Dignity Health committed Methodist Hospital of Sacramento to ED Fast Track Clinic, this is no longer in service and has been replaced with a crisis stabilization unit.

Programs and Services Commitment Mercy General Hospital:

- Oncology services, including inpatient medical and surgical oncology services;
 - Radiation therapy services;
 - Outpatient Services – chemotherapy;
- Neuroscience services, including neurosurgery services;
- Outpatient Services – Neurology/Cath Lab;
- Orthopedic surgery services, including total joint replacements;
- General surgery services;
- Outpatient Services - Women’s Health Clinic;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient), including Mobile Unit – MRI;
- Outpatient Services – clinical pathology/cardiology;
- Laboratory services;
- Occupational therapy services;
- Physical therapy services;
- Respiratory care services;
- Social services;
- Speech pathology services; and
- Speech therapy services.

Since Dignity Health and CHI have committed to maintaining these additional licensed services and programs for five years after the Effective Date at Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital, no negative impacts on the access 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 Methodist Hospital of Sacramento:

- California Nurses Association (CNA);
- Engineers L39 (ENGR L39);
- Engineers and Scientists of California Local 20, (ESC); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

Union Contracts for Mercy San Juan Medical Center:

- California Nurses Association (CNA);
- Engineers and Scientists of California Local 20, (ESC); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

Union Contracts for Mercy Hospital of Folsom:

- California Nurses Association (CNA);
- Engineers and Scientists of California Local 20, (ESC); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

Union Contracts for Mercy General Hospital:

- California Nurses Association (CNA);
- Engineers and Scientists of California Local 20, (ESC); 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 Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General 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 staffs' privileges, no reductions in the medical staff at Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital are expected.

Effects on City and County Contracts

Methodist Hospital of Sacramento, Mercy San Juan Medical Center, Mercy Hospital of Folsom, and Mercy General Hospital have a number of contracts with Sacramento 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 have no 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:

Methodist Hospital of Sacramento

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento 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, Methodist Hospital of Sacramento 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. 29 Treatment Stations; and
 - b. Certified Primary Stroke Center.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Obstetric services, including a minimum of 22 licensed perinatal beds;
 - b. Intensive Care Newborn Nursery services, including a minimum of 12 licensed neonatal intensive care unit beds;
 - c. Critical care services, including a minimum of 10 licensed intensive care beds and a minimum of 10 licensed coronary care beds; and
 - d. Skilled nursing services, including a minimum of 171 distinct part skilled nursing beds (Bruceville Terrace).
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:

- a. General cardiology services;
 - b. Oncology services, including inpatient medical and surgical oncology services;
 - c. Orthopedic surgery services, including total joint replacements;
 - d. General surgery services, including bariatric surgery services;
 - e. Outpatient Clinic – Mercy Family Health Center Clinic;
 - f. Outpatient Services - Surgery at Dignity Health Medical Plaza ;
 - g. Nuclear medicine services;
 - h. Imaging and radiology services (inpatient and outpatient);
 - i. Laboratory services;
 - j. Occupational therapy services;
 - k. Physical therapy services;
 - l. Respiratory care services;
 - m. Social services; and
 - n. Speech pathology services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall maintain currently provided women’s healthcare services.
 6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento 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 Methodist Hospital of Sacramento shall provide an annual amount of charity care equal to or greater than \$3,768,607 (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, Methodist Hospital of Sacramento’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 – FY 2017 would be \$3,575,851. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Methodist Hospital of Sacramento in connection with the operations and provision of services at Methodist Hospital of Sacramento. 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 a 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, Methodist Hospital of Sacramento shall continue to expend a five-year average of no less than \$4,466,439 annually in community benefit services. This amount should be increased annually based on the Consumer Price from the Bureau of Labor Statistics. In

addition, the following community benefit programs shall continue to be offered for at least five years from closing;

- a. Chronic Disease Self-Management Program;
 - b. Lutheran Social Services Homeless Housing;
 - c. Wellspace Interim Care Program;
 - d. Mercy Family Health Center (Family Practice Residency); and
 - e. Dignity Health Community Grants.

8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento 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, Methodist Hospital of Sacramento 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, Methodist Hospital of Sacramento 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: Anthem Blue Cross Medi-Cal or its successor;
 - b. Commercial Plan: Health Net or its successor; and
 - c. Commercial Plan: Molina Health Plan or its successor.

11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Methodist Hospital of Sacramento shall maintain its current city/county contracts for the programs listed below:
 - a. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
 - b. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.

12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Methodist Hospital of Sacramento 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. Methodist Hospital of Sacramento shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

Mercy San Juan Medical Center:

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center 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 San Juan Medical Center 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. 31 Treatment Stations;
 - b. Paramedic Base Station;
 - c. Level II Trauma Center; and
 - d. Certified Comprehensive Stroke Center.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Critical care services, including a minimum of 45 licensed intensive care beds and a minimum of 11 licensed coronary care beds;
 - b. Obstetric services, including a minimum of 32 licensed perinatal beds;
 - c. Intensive Care Newborn Nursery services, including a minimum of 26 licensed neonatal intensive care unit beds;
 - d. Pediatric services, including a minimum of 8 licensed pediatric beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall maintain the following services as committed to in Exhibit L of the Ministry Alignment Agreement:
 - a. Cardiology services and cardiac catheterization laboratory services;
 - b. Cardiovascular surgery services;
 - c. Interventional cardiology services;
 - d. Electrophysiology services;
 - e. General cardiology services;

- f. Oncology services, including radiation therapy and outpatient chemotherapy;
 - g. Orthopedic surgery services, including total joint replacements;
 - h. General surgery services, including bariatric surgery services;
 - i. Outpatient Services – Surgery;
 - j. Nuclear medicine services;
 - k. Imaging and radiology services (inpatient and outpatient); and
 - l. Laboratory services;
 - m. Physical therapy services; and
 - n. Respiratory care services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall maintain currently provided women’s healthcare services;
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center 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 San Juan Medical Center shall provide an annual amount of charity care equal to or greater than \$5,505,792 (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 San Juan Medical Center’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$4,357,297. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Mercy San Juan Medical Center in connection with the operations and provision of services at Mercy San Juan Medical Center. 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 a 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 San Juan Medical Center shall continue to expend no less than \$5,288,729 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from closing;
- a. Chronic Disease Self-Management Program;
 - b. Lutheran Social Services Homeless Housing;
 - c. Wellspace Interim Care Program; and

- d. Dignity Health Community Grants.
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center 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 San Juan Medical Center 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 San Juan Medical Center 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:
 - e. Commercial Plan: Anthem Blue Cross Medi-Cal or its successor;
 - f. Commercial Plan: Health Net or its successor; and
 - g. Commercial Plan: Molina Health Plan or its successor.
 11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy San Juan Medical Center shall maintain its current city/county contract for the program listed below:
 - a. Base Hospital Medical Control Agreement;
 - b. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
 - c. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.
 12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy San Juan Medical Center 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 San Juan Medical Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual or transgender individuals.

Mercy Hospital of Folsom

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital of Folsom 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 of Folsom 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. 25 Treatment Stations.
3. For at least five years from closing, Mercy Hospital of Folsom shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Obstetrics care, including a minimum of 8 licensed perinatal beds; and
 - b. 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 of Folsom shall maintain the following services as committed to in Exhibit L of the Ministry Alignment Agreement:
 - a. Cardiovascular services, including general cardiology;
 - b. Neuroscience services, including general neuroscience services;
 - c. Orthopedic surgery services, including total joint replacements;
 - d. General surgery services;
 - e. Outpatient Services - Rehabilitation Services;
 - f. Nuclear medicine services;
 - g. Inpatient and outpatient imaging and radiology;
 - h. Laboratory services;
 - i. Lactation services;
 - j. Psychiatric services;
 - k. Physical therapy services; and
 - l. Respiratory care services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall maintain currently provided women’s healthcare services;
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital of Folsom 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 of Folsom shall provide an annual amount of charity care equal to or

greater than \$1,001,837 (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 available data. For FY 2018, Mercy Hospital of Folsom’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 – FY 2017 would be \$936,615. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Mercy Hospital of Folsom in connection with the operations and provision of services at Mercy Hospital of Folsom. 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 a 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 of Folsom shall continue to expend a five-year average of no less than \$1,709,910 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from closing;
 - a. Chronic Disease Self-Management Program;
 - b. Lutheran Social Services Homeless Housing; and
 - c. Dignity Health Community Grants.
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital of Folsom 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 of Folsom 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 of Folsom 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: Anthem Blue Cross Medi-Cal or its successor;
 - b. Commercial Plan: Health Net or its successor; and
 - c. Commercial Plan: Molina Health Plan or its successor.
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall maintain its current city/county contracts for the programs listed below:
- a. Memorandum of Understanding – Paternity Opportunity Program Private Hospital;
 - b. Transfer Agreement;
 - c. ALS Agreement;
 - d. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
 - e. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy Hospital of Folsom 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 of Folsom shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual or transgender individuals.

Mercy General Hospital

1. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy General 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 General 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:
 - 20 Treatment Stations;
 - STEMI Receiving Center; and
3. Certified Primary Stroke Center. For at least five years from closing, Mercy General Hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive care services, including a minimum of 46 licensed intensive care beds;

- b. Rehabilitation services, including a minimum of 30 licensed rehabilitation beds; and
 - c. Obstetric services, including a minimum of 17 licensed perinatal beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy General Hospital shall maintain the following services as committed to in Exhibit L of the Ministry Alignment Agreement:
- a. Coronary care and cardiology services;
 - b. Cardiac catheterization laboratory services;
 - c. Interventional cardiology services;
 - d. Cardiovascular surgery services;
 - e. Outpatient Services - Electrophysiology Lab;
 - f. Mercy Advanced Heart Disease Clinic;
 - g. Outpatient Services - Surgery Center;
 - h. Neuroscience services, including neurosurgery services;
 - i. Oncology services, including inpatient medical and surgical oncology services, and radiation therapy services;
 - j. Orthopedic surgery services, including total joint replacements;
 - k. General surgery services;
 - l. Outpatient Services – Rehabilitation Services;
 - m. Nuclear medicine services;
 - n. Imaging and radiology services (inpatient and outpatient);
 - o. Laboratory services;
 - p. Physical therapy services;
 - q. Respiratory care services;
 - r. Social services; and
 - s. Speech pathology services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy Hospital of Folsom shall maintain currently provided women’s healthcare services;
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy General 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 Mercy General Hospital shall provide an annual amount of charity care equal to or greater than \$3,073,105 (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 available data. For FY 2018, Mercy General Hospital’s required Minimum charity care amount using the three-

year rolling average from FY 2015 to FY 2017 would be \$3,509,732. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Mercy General Hospital in connection with the operations and provision of services at Mercy General 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, Mercy General Hospital shall continue to expend a five-year average of no less than \$7,164,131 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the Bureau of Labor Statistics, California. In addition, the following community benefit programs shall continue to be offered for at least five years from closing;
 - a. Chronic Disease Self-Management Program;
 - b. Lutheran Social Services Homeless Housing;
 - c. Wellspace Interim Care Program; and
 - d. Dignity Health Community Grants.

8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy General 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, Mercy General 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, Mercy General 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: Anthem Blue Cross Medi-Cal or its successor;
 - b. Commercial Plan: Health Net or its successor; and
 - c. Commercial Plan: Molina Health Plan or its successor.

11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Mercy General Hospital shall maintain its current city/county contracts for the programs listed below:
 - a. Community Work Experience;
 - b. STEMI Designation Agreement;
 - c. Base Hospital Agreement;
 - d. Agreement for Provision of Specified Medical Services (Medical Indigent Services Program); and
 - e. Memorandum of Understanding – Automated Vital Statistics System (AVSS)/NET.

12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Mercy General 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. Mercy General Hospital shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual or transgender individuals.

Methodist Hospital of Sacramento License

License: 03000064

Effective: 12/31/2017

Expires: 12/30/2018

Licensed Capacity: 329

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**

Methodist Hospital of Sacramento

7500 Hospital Drive
Sacramento, CA 95823-5403

Bed Classifications/Services

- 158 General Acute Care
- 22 Perinatal
- 12 Intensive Care Newborn Nursery
- 10 Coronary Care
- 10 Intensive Care
- 104 Unspecified General Acute Care

Other Approved Services

- Basic Emergency Medical
- Mobile Unit - Lithotripsy
- Nuclear Medicine
- Occupational Therapy
- Outpatient Clinics - Family Health at Mercy
Family Health Center, 7601 Hospital Drive,
Suite 103, Sacramento
- Outpatient Services - Surgery at Dignity Health
Medical Plaza, 8220 Wymark Drive, Suite
103, Elk Grove
- Physical Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

Bruceville Terrace - D/P SNF of Methodist Hospital

8151 Bruceville Road
Sacramento, CA 95823-2300

Bed Classifications/Services

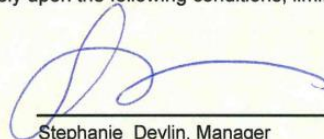
- 171 Skilled Nursing

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

None

Karen L. Smith, MD, MPH

Director and State Public Health Officer



Stephanie Devlin, Manager

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

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Mercy San Juan Medical Center License

License: 030000063
 Effective: 12/31/2017
 Expires: 12/30/2018
 Licensed Capacity: 370

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 San Juan Medical Center

6501 Coyle Avenue
 Carmichael, CA 95608-0306

Bed Classifications/Services

- 370 General Acute Care
- 45 Intensive Care
- 32 Perinatal
- 26 Intensive Care-Newborn Nursery
- 11 Coronary Care
- 8 Pediatric
- 248 Unspecified General Acute Care

Other Approved Services

- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Cardiovascular Surgery
- Nuclear Medicine
- Outpatient Services: ED Fast Track Clinic at 6501 Coyle Avenue, Carmichael
- Outpatient Services: Surgery at 6660 Coyle Avenue, Suite 100, Carmichael
- Physical Therapy
- Respiratory Care Services



This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
 Basic Emergency Services (Level II Trauma Center)
 I.C. Newborn Nursery (12 Level III, 12 Level II, 2 Level I)

Karen L. Smith, MD, MPH

Director and State Public Health Officer

Stephanie Devlin, Manager

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

Mercy Hospital of Folsom License

License: 030000372
 Effective: 12/31/2017
 Expires: 12/30/2018
 Licensed Capacity: 106

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 of Folsom
 1650 Creekside Drive
 Folsom, CA 95630-3400

<p>Bed Classifications/Services</p> <ul style="list-style-type: none"> 106 General Acute Care 8 Intensive Care 8 Perinatal 90 Unspecified General Acute Care 	<p>Other Approved Services</p> <ul style="list-style-type: none"> Basic Emergency Medical Nuclear Medicine Outpatient Services - Radiology or Imaging Clinic - MRI Outpatient Services - Rehabilitation Services at Rehabilitation Services, 1580 Creekside Drive, Suite 140, Folsom Physical Therapy Respiratory Care Services
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This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
 None

<p><i>Karen L. Smith, MD, MPH</i></p> <hr style="border: 0; border-top: 1px solid black;"/> Director and State Public Health Officer	<hr style="border: 0; border-top: 1px solid black;"/> Stephanie Devlin, Manager
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Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
 Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

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Mercy General Hospital License

License: 03000062

Effective: 12/31/2017

Expires: 12/30/2018

Licensed Capacity: 419

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 General Hospital

4001 J Street
Sacramento, CA 95819-3626

Bed Classifications/Services

- 419 General Acute Care
- 46 Intensive Care
- 30 Rehabilitation
- 17 Perinatal
- 326 Unspecified General Acute Care

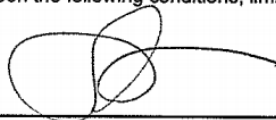
Other Approved Services

- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Cardiovascular Surgery
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services at Mercy Advanced Heart Disease Clinic, 3810 J Street, Sacramento
- Outpatient Services - Electrophysiology Lab at 3941 J Street, Lower Level, Sacramento
- Outpatient Services - Rehabilitation Services at 7777 Greenback Lane, Suite 110, Citrus Heights
- Outpatient Services - Surgery Center at 3941 J Street, Lower Level, Sacramento
- Physical Therapy
- Physical Therapy at 1700 Alhambra Blvd., Suite 102, Sacramento
- Radiation Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

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None

Karen L. Smith, MD, MPH

Director and State Public Health Officer



Stephanie Devlin, Manager

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

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