

**Analysis of the Request to Modify Condition VII(c) of
the Attorney General's Conditions to the Change in
Governance and Control of Dignity Health on the
Availability and Accessibility of Healthcare Services at
Saint Mary's Medical Center**

Prepared for the Office of the California Attorney General

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Introduction

On September 26, 2019, pursuant to Title 11, California Code of Regulations, Section 999.5, subdivision (h), Dignity Health, a California nonprofit public benefit corporation, on behalf of Saint Mary's Medical Center (SMMC), submitted a request to amend Condition VII and eliminate item (c) applicable at SMMC, set forth in the California Attorney General's November 21, 2018 Conditional Consent to the proposed change of control and governance of Dignity Health. The transaction was pursuant to the terms of the Ministry Alignment Agreement, dated December 6, 2017, by and between Dignity Health and Catholic Health Initiatives. Item (c) of Condition VII requires SMMC to operate The Spine Center, a Section 1206(d) licensed outpatient department of the hospital for five years from the closing date of the Ministry Alignment Agreement (January 31, 2019).

SMMC requests the California Attorney General to amend Condition VII to eliminate item (c) and permit SMMC to close and cease operating The Spine Center as a result of a change in circumstances that was not reasonably foreseen when the Conditional Consent was issued.

JD Healthcare, Inc. was retained by the Office of the California Attorney General to assess the potential impact of the proposed request on the availability and accessibility of healthcare services to the communities served by SMMC. In preparation of this report, JD Healthcare, Inc. performed the following:

- A review of the written request submitted to the California Attorney General on September 26, 2019;
- Interviews with a physician representative of the medical group providing services at The Spine Center, the administrator of The Spine Center, and the CEO of SMMC; and
- An analysis of spine services, the service area, and inpatient market share.

Description

The Spine Center is a hospital outpatient department that has operated on SMMC's campus for several years. It functions as a medical office with six exam rooms for physicians to see scheduled outpatients. A medical group, SF Spine Group PC, performs the medical services of The Spine Center pursuant to a Medical Director and Professional Services Agreement (Professional Services Agreement) with SMMC. SF Spine Group PC also maintains a private

practice in the same medical office building as The Spine Center. The medical office building is owned by SMMC.

As a Section 1206 (d) hospital licensed outpatient department, the hospital is responsible for providing space, non-physician personnel, and other administrative services, and the physicians provide medical services. Despite SMMC's efforts to extend the Professional Services Agreement, SF Spine Group PC indicated its desire to terminate the Professional Services Agreement and cease providing medical services at The Spine Center. SF Spine Group PC communicated to SMMC its intent to provide the same medical services to patients in the physicians' own leased office location, currently within the same building as The Spine Center. SMMC sought to find replacement physicians to continue the operation of The Spine Center, but SMMC efforts were unsuccessful. Since SF Spine Group PC will continue to provide the same services in the same medical office building and continue to admit patients as needed to SMMC, no change in the accessibility or availability of these services that are currently provided by The Spine Center is expected.

Additionally, outpatient and inpatient spine services are currently readily available throughout SMMC's service area at the University of California Medical Center, Pricilla Chan & Mark Zuckerberg San Francisco General Hospital and Trauma Center, California Pacific Medical Center-Pacific Campus, and Stanford Health Care, all of which have greater inpatient spine related market share than SMMC. Over a dozen other hospitals also provide spine-related services to patients from SMMC's service area.

Conclusion

SF Spine Group PC, that provided services at The Spine Center, has made its own independent decision to cease providing outpatient services under the Professional Services Agreement with SMMC. Without physicians to provide these services, The Spine Center cannot continue to operate. However, no negative impact is expected for patient accessibility or availability of these services as the same physicians will continue to provide the same services in the same medical office building and will continue to utilize and support SMMC for emergency and inpatient services.

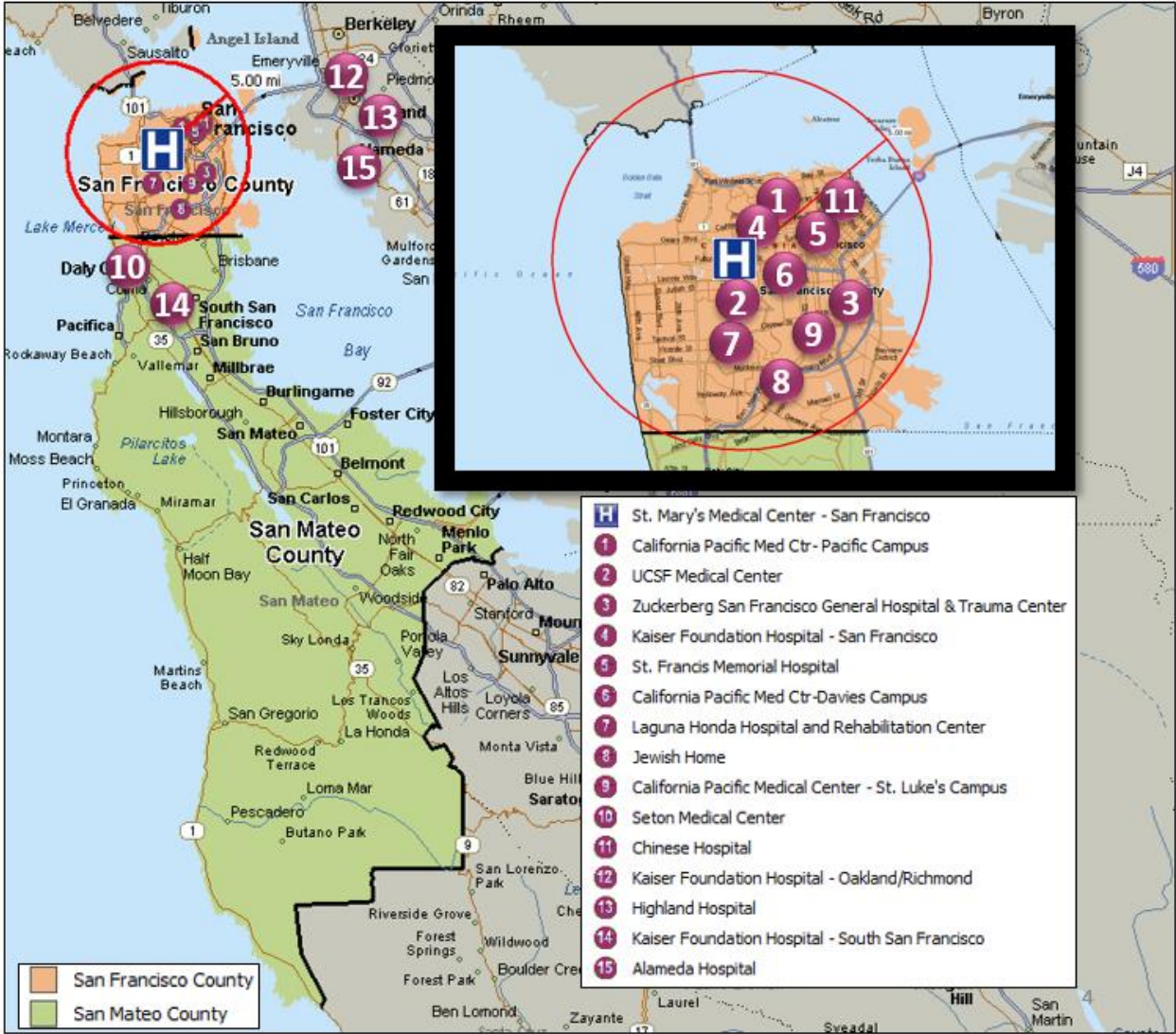
Recommendation

JD Healthcare, Inc. recommends that the California Attorney General amend Condition VII to eliminate item (c) and permit SMMC to close and cease operating The Spine Center.

Appendix

SMMC Service Area Map

For the purposes of this report, the service area defined includes the counties of San Francisco and San Mateo:



Inpatient Spine Market Share, CY 2017

All Inpatient Spine Services, 2017				
Hospital	Discharges	Market Share	Days	ALOS
UCSF MEDICAL CENTER	245	14.2%	1,451	5.9
PRISCILLA CHAN & MARK ZUCKERBERG SAN FRANCISCO GENERAL HOSPITAL & TRAUMA CENTER	221	12.8%	1,525	6.9
CALIFORNIA PACIFIC MED CTR-PACIFIC CAMPUS	159	9.2%	561	3.5
STANFORD HEALTH CARE	142	8.2%	716	5.0
ST. MARY'S MEDICAL CENTER, SAN FRANCISCO	132	7.7%	1,004	7.6
MILLS-PENINSULA MEDICAL CENTER	95	5.5%	410	4.3
SETON MEDICAL CENTER	83	4.8%	356	4.3
CALIFORNIA PACIFIC MED CTR-DAVIES CAMPUS	78	4.5%	459	5.9
LAGUNA HONDA HOSPITAL AND REHABILITATION CENTER	66	3.8%	12,496	189.3
KAISER FOUNDATION HOSPITAL - SAN JOSE	65	3.8%	191	2.9
KAISER FOUNDATION HOSPITAL - OAKLAND/RICHMOND	65	3.8%	306	4.7
SEQUOIA HOSPITAL	64	3.7%	291	4.5
KAISER FOUNDATION HOSPITAL - REDWOOD CITY	52	3.0%	154	3.0
ST. FRANCIS MEMORIAL HOSPITAL	34	2.0%	222	6.5
KAISER FOUNDATION HOSPITAL - SOUTH SAN FRANCISCO	27	1.6%	120	4.4
LUCILE PACKARD CHILDREN'S HOSPITAL STANFORD	20	1.2%	102	5.1
SANTA CLARA VALLEY MEDICAL CENTER	20	1.2%	403	20.2
KAISER FOUNDATION HOSPITAL - SAN FRANCISCO	17	1.0%	35	2.1
EL CAMINO HOSPITAL	15	0.9%	60	4.0
KAISER FOUNDATION HOSPITAL & REHAB CENTER - VALLEJO	15	0.9%	204	13.6
CALIFORNIA PACIFIC MEDICAL CENTER - ST. LUKE'S CAMPUS	13	0.8%	184	14.2
JEWISH HOME	11	0.6%	281	25.5
All Other	83	4.8%	332	4.0
Total	1,722	100%	21,863	12.7

Source: OSHPD Discharge Database, 2017

- SMMC ranks 5th in inpatient spine cases in the service area with 7.7% market share. UCSF Medical Center (ranking 1st with 14.2% market share), Pricilla Chan & Mark Zuckerberg San Francisco General Hospital & Trauma Center (ranking 2nd with 12.8% market share), and California Pacific Medical Center (ranking 3rd with 9.2% market share) are all located within 5 miles of SMMC.