



CEDARS-SINAI®

Preliminary Non-Binding Response of Interest to the Daughters of Charity Health System Acquisition Opportunity

1. Description of Potential Acquirer

For more than 20 years, LA residents have voted Cedars-Sinai the most preferred hospital within the city. As an academic teaching hospital, Cedars-Sinai Medical Center (“CSMC”) is known for providing the highest quality patient care and serving as a national leader for innovations in patient-centered healthcare delivery. Our dedication to excellence, compassion and innovation is represented in our four-fold mission:

- Leadership and excellence in delivering quality healthcare services,
- Expanding the horizons of medical knowledge through biomedical research,
- Educating and training physicians and other healthcare professionals, and
- Striving to improve the health status of the community.

Cedars-Sinai, the largest nonprofit academic medical center in the western United States, is **known internationally for providing the highest-quality, most advanced patient care**. Approximately 2,100 physicians, 2,800 nurses and thousands of other healthcare professionals and staff share a dedication to continually raising the bar on quality, safety and patient satisfaction. The medical center is a leader in creating innovative approaches to healthcare delivery. Through the institution-wide Cedars-Sinai Medicine initiative, multidisciplinary teams involving more than 300 healthcare professionals research and develop best practices across the continuum of care. Their efforts are bringing the latest knowledge, technology and discoveries to clinical care to improve treatment outcomes for a wide range of diseases and conditions.

Cedars-Sinai is **renowned for the highest quality patient care, dedication to patient satisfaction and rigorous attention to patient safety**. The physicians and staff combined efforts result in consistently high rankings for exceptional patient care. It’s a distinction earned by only 14 percent of Joint Commission-accredited hospitals that reported core measure performance data in 2011: Cedars-Sinai has been honored as a **Joint Commission “top performer” in such key quality areas as heart attack, heart failure, pneumonia and surgical care**. In addition, Cedars-Sinai earned its hospital re-accreditation from The Joint Commission, the independent organization that accredits and certifies more than 17,000 U.S. healthcare organizations and programs. As currently displayed on the CMS Hospital Compare tool, Cedars-Sinai is one of only two hospitals nationwide that have achieved “better than U.S. national benchmark” for eight measures of readmissions, complications, and deaths. Additionally, Cedars-Sinai’s 30-day mortality rates for heart attack (AMI), heart failure, and pneumonia on the CMS Hospital Compare tool have been ranked as “better than U.S. national rate” for each of the five years these data have been reported. We are one of only five U.S. hospitals that have achieved this distinction for five consecutive years, and the only hospital on the West Coast. We are one of only 12 hospitals to have achieved four-time Magnet Recognition for quality patient care, nursing excellence and innovations in professional nursing practice by the American Nurses Association.

Cedars-Sinai's approximately 2,100 physicians on its Medical Staff practice in a variety of settings including hospital-based faculty practices; multispecialty-integrated Foundation model; and private independent or small group physician practices.

Cedars-Sinai's financial base is very strong providing nearly 50,000 admissions and 700,000 outpatient visits resulting in a \$2.8 billion revenue base for FY 2013. CSHS maintains an excellent market position in a fragmented and highly competitive location resulting in a 4% average market share, higher than any other hospital in Los Angeles County. CSHS has been highly successful in competing for both primary community based patients and tertiary activity resulting in market share that spans the state of California, US and internationally for selected high acuity services. Financial metrics are very strong with operating cash flow margins consistently above 10% and particular strong in FY 2013 at 18%. Cedars-Sinai has a conservative 100% fixed rate debt structure with no derivatives.

2. Assets to be acquired

Cedars-Sinai is proposing acquiring the assets of St. Vincent's Medical Center, Los Angeles and St. Francis Medical Center, Lynwood. CSHS plans to offer a detailed bid along with another health system in the greater Los Angeles region.

3. Treatment of the Medical Foundation

Cedars-Sinai and its partner health system would like additional information on the impact and participation of St. Vincent's and St. Francis physicians in the DOC Foundation.

4. Amount and Form of Consideration

Cedars-Sinai plans to detail that out with its partner health system in the next phase of the proposal process.

5. Working Capital Assumptions

Cedars-Sinai plans to detail that out with its partner health system in the next phase of the proposal process. As noted above however, CSHS has access to substantial capital to facilitate such a purchase.

6. CBA Agreements and Non-Union Employee Retention

Cedars-Sinai plans to address this in the next phase of the proposal process.

7. Post-Retirement Obligations

Cedars-Sinai plans to address this in the next phase of the proposal process.

8. Treatment of Other Agreements

Cedars-Sinai plans to address this in the next phase of the proposal process.

9. Sources of Capital

Cedars-Sinai plans to detail that out with its partner Health System in the next phase of the proposal process. As noted above however, CSHS has access to substantial capital to facilitate such a purchase.

10. Anticipated Operating Plan and Capital Commitments

Cedars-Sinai plans to detail that out with its partner Health System in the next phase of the proposal process. As noted above however, CSHS has access to substantial capital to address the facilities capital needs.

11. Community Service and Charity Care

Last year, Cedars-Sinai contributed \$653 million toward community benefit, including charity care, the unreimbursed cost of caring for Medi-Cal and Medicare patients, hundreds of free community education and medical screening/immunization programs, research programs, and education and training for health professionals. We anticipate similar levels of support to meet the needs of St Vincent's and St. Francis communities. Cedars-Sinai is fortunate to have strong and diverse support from the community, people from throughout Los Angeles who share our vision and longstanding values.

12. Process and Timeline

Cedars-Sinai plans to address this in the next phase of the proposal process.

13. Due Diligence

(See attached)

14. Specific Contingencies to Closure

CSHS plans to detail that out with its partner Health System in the next phase of the proposal process.

15. Other Parties

CSHS's Health System partner will be identified at the next phase of the process.

16. Contact Information

All inquiries should be directed to Lori Weise, Vice President, Strategic Planning and Business Development, REDACTED