

Effect of Strategic Global Management, Inc.'s Acquisition of Gardens Regional Hospital and Medical Center, Inc. on the Availability and Accessibility of Healthcare Services

Prepared for the Office of the California Attorney General

October 7, 2016

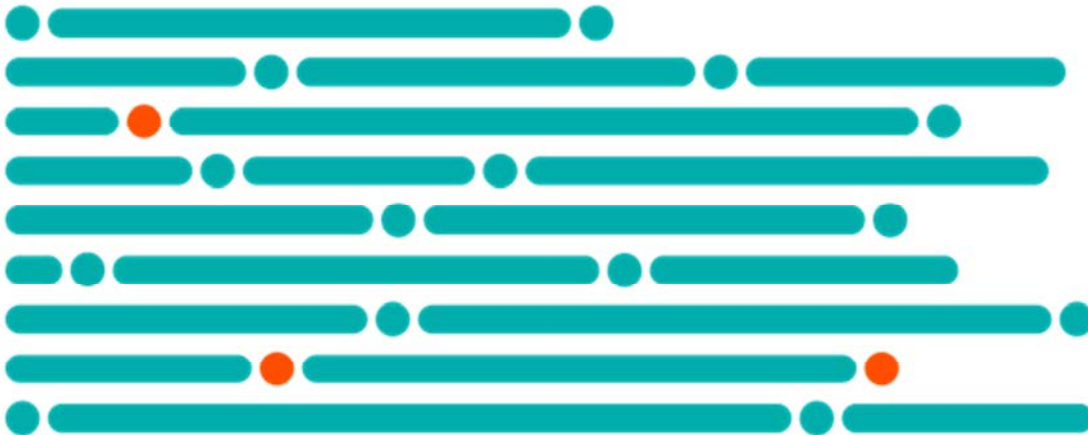


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Introduction & Purpose -

MDS Consulting, a Vizient, Inc. business (MDS), was retained by the Office of the California Attorney General to prepare this healthcare impact statement to assess the potential impact of the proposed Asset Purchase Agreement (APA) by and among Gardens Regional Hospital and Medical Center, Inc., a California nonprofit public benefit corporation (the Seller), and Strategic Global Management, Inc., a California corporation (the Purchaser), on the availability and accessibility of healthcare services to the communities served by the Seller's general acute care hospital, Gardens Regional Hospital and Medical Center (the Hospital). The Seller has requested the California Attorney General's consent for the sale of substantially all of its assets to the Purchaser. The assets include the Hospital and personal property associated with its buildings, including equipment, as well as associated intangible assets and accounts receivable. The Seller owns neither the land on which the Hospital resides, nor the building, in which the Hospital operates, and thus, the land and buildings are excluded from this proposed transaction.

This healthcare impact statement describes the possible effects that the proposed transaction may have on the availability and accessibility of healthcare services to the residents served by the Hospital. In its preparation of this report, MDS performed the following:

- A review of the written notice submitted to the California Attorney General on August 19, 2016, and supplemental information subsequently provided by the Seller;
- A review of press releases and articles related to this and other hospital transactions;
- Interviews with community representatives, representatives of the Hospital's medical staff, management, and employees, members of the Seller's Board of Directors (the Board), the Purchaser's representatives, and others as listed in the Appendix;
- An analysis of financial, utilization, and service information provided by the Seller and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data regarding the Hospital's service area including:
 - Demographic characteristics and trends;
 - Payer mix;
 - Hospital utilization rates and trends;
 - Health status indicators; and
 - Hospital market share.

Background & Description of the Transaction -

History of the Hospital

In 1969, Dr. Irving Moskowitz was given a Special Use Permit¹ from the City of Hawaiian Gardens to construct a hospital on his property located at 21530 South Pioneer Boulevard in Hawaiian Gardens. In 1997, Gardens Regional Hospital and Medical Center, Inc., a nonprofit public benefit corporation, was organized and began its operations by leasing the single story hospital facility constructed by Dr. Moskowitz nearly 30 years before. From the beginning, Gardens Regional Hospital and Medical Center, Inc. was doing business as Tri-City Regional Medical Center. In 2014, it began doing business as Gardens Regional Hospital and Medical Center.

Today, the property and building where the Hospital is located are owned by Cerritos Gardens General Hospital Company. Cerritos Gardens General Hospital Company, located at 21520 South Pioneer Boulevard, Suite 205 in Hawaiian Gardens, is a limited partnership. The General Partner of Cerritos Gardens General Hospital Company is Pioneer Carson Corporation, a California corporation located in Long Beach, California. Cherna Moskowitz, widow of Dr. Moskowitz, is the President, Secretary, Chief Financial Officer, and sole Director of Pioneer Carson Corporation. In addition to the Hospital, the Gardens Casino is also located on property owned by Cerritos Gardens General Hospital Company.

The Seller has leased the facility from Cerritos Gardens General Hospital Company since 1997. The original lease was effective February 1, 1997 for a period of five years up to and including January 31, 2002. However, the original lease was replaced with the Amended and Restated General Acute Care Hospital Lease (the Lease), effective January 1, 2001 for an additional five-year term. Under the terms of the Lease, the Seller is required to continuously operate a 137-bed general acute care hospital licensed by the California Department of Health Services. Additionally, the Seller is required to pay monthly rent that is increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles-Anaheim-Riverside, California.

As permitted under the terms of the Lease, the Seller exercised its option to extend the Lease on two occasions as follows:

- June 15, 2004 – The Seller exercised an option to extend the Lease for an additional five-year period beginning January 1, 2006 through December 31, 2010 and provided notice to Cerritos Gardens General Hospital Company; and

¹ The conditions of the Special Use Permit require that the hospital facility have an intensive care unit with coronary equipment to handle cardiac patients, contain an emergency department and provide emergency services on a 24-hour basis, seven days a week, provide emergency first aid treatment to patients regardless of financial status, and conform to all requirements necessary for certification under the federal Medicare and Medicaid programs.

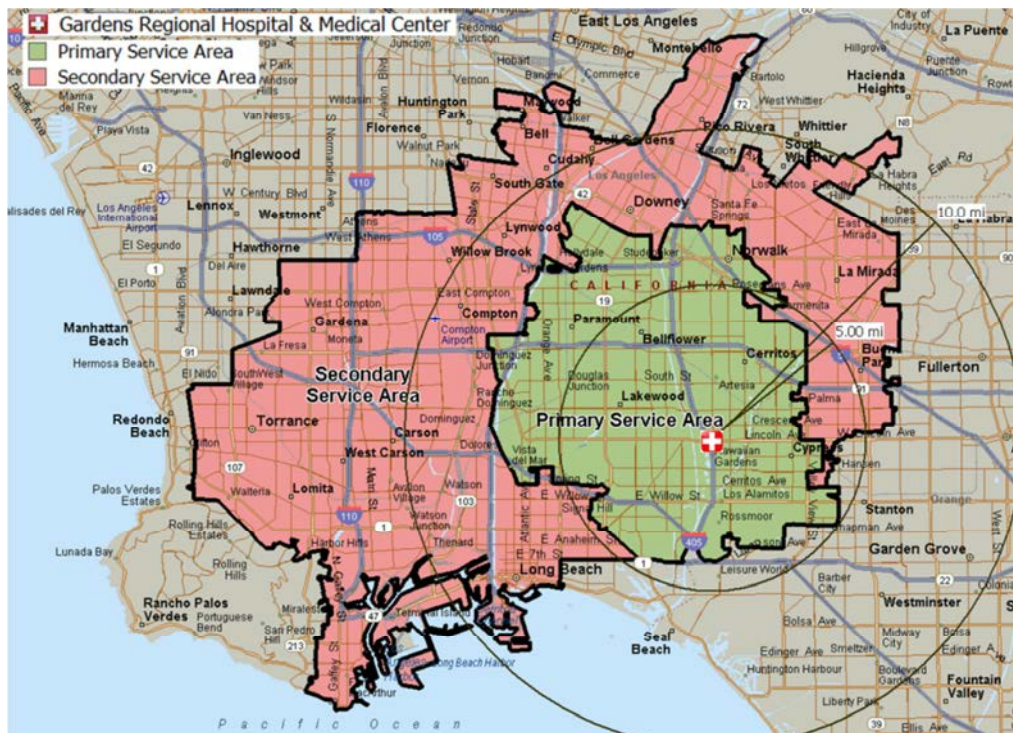
- September 25, 2009 – The Seller exercised an option to extend the Lease for an additional five-year period beginning January 1, 2011 through December 31, 2015 and provided notice to Cerritos Gardens General Hospital Company.

Effective February 25, 2013, the Seller entered into Amendment No. 1 of the Lease with Cerritos Gardens General Hospital Company. Under the terms of the amendment, the Seller was provided with two successive options to extend the Lease for five years. The Seller exercised the option to extend the Lease as follows:

- September 16, 2014 – The Seller exercised an option to extend the Lease for an additional five-year period beginning January 1, 2016 through December 31, 2020 and provided notice to Cerritos Gardens General Hospital Company; and
- November 5, 2014 – The Seller exercised an option to extend the Lease for an additional five-year period beginning January 1, 2021 through December 31, 2025 and provided notice to Cerritos Gardens General Hospital Company.

The Seller also leases two clinic spaces in a Medical Office Building located at 21520 South Pioneer Boulevard in Hawaiian Gardens and an office building located at 22101 Norwalk Boulevard in Hawaiian Gardens for its business operations.

Today, the Hospital is licensed for 137 beds and has a medical staff comprised of approximately 200 physicians and other healthcare professionals. The Hospital offers services including emergency care, intensive care, general surgery, and outpatient services.



Reasons for the Sale

Due to a history of poor financial performance, the Board decided that filing for Chapter 11 Bankruptcy and seeking a willing buyer was necessary to avoid closing the Hospital. In the Seller's written notice to the California Attorney General, the Board states Chapter 11 Bankruptcy was necessary because of the confluence of several factors that have affected the Hospital's financial performance including:

- The reduction in the Hospital's Disproportionate Share Payments² for serving a large number of Medi-Cal and uninsured or indigent patients;
- The difficulty, as a small independent hospital, to negotiate favorable reimbursement rates from commercial payers;
- The financial implications of declining patient census volume and the increasing cost of operations, salaries, wages and benefits;
- The decline in bariatric surgeries and other types of surgery, and the difficulty in managing an appropriate patient length of stay;
- The difficulty in implementing the change to electronic medical records;
- The mismanagement of the Hospital's operations and turnover of key personnel; and
- The ongoing litigation and arbitration matters that the Hospital is a party to for which insurance coverage does not exist.

The Board believes that in absence of the proposed transaction with the Purchaser, the Hospital would potentially face closure, resulting in healthcare deficits in the communities served by the Hospital.

² According to the OSHPD, Disproportionate Share Payments are payments received by hospitals that serve a high percentage of Medi-Cal and other low-income patients, as provided by SB 855 (Statutes of 1991). These payments are funded by intergovernmental transfers from public agencies (counties, districts, and the University of California system) to the State of California and from federal matching funds. Disproportionate Share Payments are received by qualifying hospitals for each Medi-Cal paid inpatient day, up to a certain maximum, and are included in Medi-Cal net patient revenue.

Transaction Process & Objectives

In order to ensure continued operations of the Hospital, the Board completed an auction in bankruptcy of substantially all of its assets over a period of four days. During the auction process, which concluded on July 19, 2016, the Board considered the monetary and non-monetary components of the bids and considered whether each of the bids agreed to the following:

- An agreement to maintain the function of the Hospital as a short-term, acute care hospital with an emergency department;
- No requirement to sell certain “causes of action”;
- A retention of more than 50% of the Hospital’s employees;
- No requirement for the Hospital to reject its Collective Bargaining Agreement (CBA)³; and
- Confirmation that apart from governmental approvals, such as that from the California Attorney General, no consents are required to close the transaction.

After consideration of these criteria when evaluating each of the bids, the Purchaser was selected. The Board believes the Purchaser and its affiliate, KPC Global Management, LLC (KPC), are well qualified to manage the Hospital and to stabilize the Hospital’s operations.

Transaction Timing

Since the early 2000s, the Hospital has had contractual relationships with several hospital management firms. The relationships with the various management firms and the events leading up to this proposed transaction are chronologically ordered as follows:

- January 1, 2012 to June 30, 2014 – Roxbury Healthcare manages the Hospital;
- July 14, 2014 to June 1, 2015 – Sycamore Health Care Services, formed by many of the executives from Roxbury Healthcare, manages the Hospital;
- September 18, 2015 to October 11, 2015 – As a result of the dissolution of the relationship with Sycamore Health Care Services, Hardesty, LLC manages the Hospital as an interim management company until a more permanent plan can be established;

³ A Collective Bargaining Agreement is an agreement between employers and employees aimed at regulating working conditions.

- October 12, 2015 to April 11, 2016 – Paladin-Gardens Management manages the Hospital;
- April 12, 2016 to April 18, 2016 – Genesis Healthcare Management manages the Hospital;
- April 22, 2016 – An Interim Chief Executive Officer, Interim Chief Financial Officer, and Interim Chief Nursing Officer are hired to operate the Hospital;
- June 6, 2016 – The Seller files a Voluntary Petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Los Angeles District with the intention to sell certain assets of the Seller as a means to keep the Hospital open;
- June 15, 2016 – The Board approves entering into a Debtor in Possession lending arrangement (DIP Loan⁴) and a stalking-horse⁵ asset purchase agreement with Promise Gardens Lending Company, Inc.;
- July 6, 2016 – The Bankruptcy Court for the Central District of California, Los Angeles District approves procedures in connection with the sale of certain assets of the Seller;
- July 19, 2016 – The Seller concludes a four-day auction, and the Purchaser is chosen as the winning bidder;
- July 25, 2016 – The Seller enters into the APA with the Purchaser;
- July 28, 2016 – The Bankruptcy Court for the Central District of California, Los Angeles District approves the sale to the Purchaser;
- August 3, 2016 – The Bankruptcy Court for the Central District of California, Los Angeles District grants the Seller’s motion to enter into an Interim Management Agreement with KPC; and
- August 19, 2016 – “Notice of Submission and Request for Consent” is submitted to the California Attorney General by the Seller.

⁴ Debtor-in-Possession financing or DIP Loan financing is a special form of financing provided for companies in financial distress, typically during restructuring under corporate bankruptcy law.

⁵ A stalking-horse bid is an initial bid on a bankrupt organization’s assets from an interested buyer chosen by the bankrupt organization itself.

Summary of the Asset Purchase Agreement

The major provisions of the APA, dated July 25, 2016, include the following:

- The Purchaser will acquire substantially all of the assets of the Seller with respect to the Hospital's operation. The assets include the Hospital and personal property associated with its buildings, including equipment, as well as associated intangible assets and accounts receivable;
- The Seller and the Purchaser shall enter into an Interim Management Agreement with KPC to provide interim management services at the Hospital. Terms of the Interim Management Agreement, entered into on July 25, 2016, include, but are not limited to, the following provisions:
 - The Seller shall remain responsible, fully liable, and legally accountable to all residents and governmental organizations for all patient care funds, and all other aspects of the operation and maintenance of the Hospital;
 - The Seller and the Board shall retain ultimate authority for governance and control over all operations and assets of the Hospital and shall remain responsible for the control, policymaking, and direction of the Hospital at all times during the management period;
 - Unless terminated under termination clauses found within the Interim Management Agreement, the Interim Management Agreement shall terminate upon the Closing Date⁶;
 - KPC's responsibilities include, but are not limited to, the following:
 - Supervising, orienting, training, directing, and assigning all employees and staff of the Hospital;
 - Establishing staffing schedules, wage structures, and personnel policies for all employees by providing administration, training, and oversight;
 - Maintaining and paying, in a timely manner, any applicable license fees and quality assurance fees, including permits, consents, approvals, and certifications required for the continued and ongoing operation of the Hospital as an acute care hospital;
 - Supervising and directing the negotiation, management, and performance of all payer contracts and programs and other contracts affecting operation of the Hospital;

⁶ The Closing Date is the date of the consummation of the transactions contemplated by the APA.

- Maintaining and repairing, as needed, on a continuous and ongoing basis, all physical aspects of the Hospital so as to ensure material compliance with all obligations pursuant to local, state and federal law;
 - Supervising and directing employees and contractors with respect to billing patients and third-party payers, including Medicare and Medi-Cal, for services rendered at the Hospital, and managing Hospital's accounts receivable to effectuate collections; and
 - KPC shall supervise the provision of all patient care at the Hospital in accordance with applicable local, state and federal laws and ordinances.
- KPC shall be indemnified from and against, with regard to materiality, any and all obligations, judgments, fines, civil money penalties, sanctions, liabilities, penalties, claims, losses, costs, demands, damages, expenses, liens, and encumbrances, whether civil or criminal, direct or consequential with respect to performance of duties under the Interim Management Agreement;
- Within nine (9) calendar days after entry of the sale order⁷, the Purchaser will acquire the existing DIP Loan by and between the Seller and Promise Gardens Lending Company, Inc. in consideration of the payment of a sum equal to the outstanding balance of the DIP Loan and, conditioned upon approving and entering into Interim Management Agreement, and to increase the principal balance of the DIP Loan to \$2.5 million;
- The Seller has valued the purchase price to be an amount up to nineteen million five hundred thousand dollars (\$19.5 million) consisting of the following:
 - Cash payment of seven million dollars (\$7,000,000);
 - Payment of cure costs⁸ up to two hundred twenty-one thousand dollars (\$221,000) to cover the Lease of the Hospital, and up to two hundred eighty three thousand dollars (\$283,000) for Medicare and Medi-Cal settlements and adjustments to assign the Purchaser provider numbers and agreements;
 - Assumption of up to five hundred forty thousand dollars (\$540,000) for accrued paid time off;
 - DIP Loan of two million five hundred thousand dollars (\$2,500,000) for forgiveness of all principal, interest, and other charges owed to the Purchaser;

⁷ The Bankruptcy Court's approval of procedures in connection with the sale of certain assets of the Seller.

⁸ Cure costs are amounts that must be paid and obligations that otherwise must be satisfied, pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code.

- Payment of up to four million dollars (\$4,000,000) for accounts receivables after the Closing Date, less a 6% administrative fee. Such proceeds, net of any post-payment adjustments, shall be derived as follows:
 - First \$2,000,000: 100% to the Purchaser;
 - From \$2,000,001 to \$2,500,000: 100% to the Seller;
 - From \$2,500,001 to \$3,000,000: 100% to the Purchaser;
 - From \$3,000,001 to \$5,500,000: 100% to the Seller;
 - From \$5,500,001 to \$6,000,000: 100% to the Purchaser;
 - From \$6,000,001 to \$7,000,000: 100% to the Seller; and
 - Over \$7,000,001: 100% to the Purchaser.
- Five million dollars (\$5,000,000) in five separate installments starting in 2018 and ending in 2022 to be paid by the Purchaser to the Seller as guaranteed by five promissory notes.
- Purchaser will make offers of employment to a majority of the Hospital's employees and will comply with the applicable laws and bankruptcy court orders relating to collective bargaining agreements or labor contracts;
- Purchaser agrees that the Hospital's medical staff members in good standing upon the Closing Date shall maintain their medical staff privileges at the Hospital;
- Purchaser will keep the hospital open and continue to operate the emergency department and operating suites;
- Purchaser will comply with City of Hawaiian Gardens' Conditional Use Permits and Special Use Permit on the Hospital's land and other related restrictions; and
- Purchaser will use commercially reasonable efforts to utilize a sufficient number of beds for the express purpose of providing medical care for short-term acute care patients and will keep 40% of its licensed acute care beds available to be occupied by patients.

Use of Net Sale Proceeds

The Seller does not expect that there will be net proceeds from the sale after payment to all creditors; however, any remaining funds would be utilized as directed by the California Attorney General.

Profile of Gardens Regional Hospital & Medical Center

Overview of the Hospital

The Hospital, a 137 licensed-bed general acute care facility, is located at 21530 Pioneer Boulevard in Hawaiian Gardens. The Hospital has four surgical operating rooms and a “basic” emergency department⁹ with eight emergency treatment stations.

BED DISTRIBUTION 2016	
Bed Type	Number of Beds
Medical/Surgical	119
Intensive Care	18
Total Licensed Beds	137

Source: Hospital

Key Statistics

KEY STATISTICS: FY 2013 2015			
	2013	2014	2015
Inpatient Discharges	3,130	3,444	3,067
Licensed Beds	107	107	137
Patient Days	15,388	18,315	16,047
Average Daily Census	42	50	44
Occupancy	39.4%	46.9%	32.1%
Average Length of Stay	4.9	5.3	5.2
Emergency Services Visits ¹	11,689	12,952	12,682
Medical Staff ²	213		
Employees (Full-Time Equivalents) ²	226		

Source: OSHPD Disclosure Reports, 2013-2015

¹ OSHPD Airts Annual Utilization Reports

² Hospital

For Fiscal Year (FY)¹⁰ 2015, the Hospital reported 3,067 inpatient discharges, 16,047 patient days, and an average daily census of 44 patients (approximately 32% occupancy).

- Since FY 2013, inpatient discharges have decreased by 2% and patient days have increased by approximately 4%; and
- Between 2013 and 2015, the Hospital reported a 9% increase in emergency visits.

⁹ 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.

¹⁰ The Hospital’s fiscal year is January 1 to December 31.

Programs & Services

The Hospital offers medical services including emergency, imaging, and surgery services.

- Bariatric services include: Minimally invasive laparoscopic weight loss procedures, including gastric bypass, LAP-BAND, Realize Band, and sleeve gastrectomy surgery;
- Emergency services include: 24-hour “basic” emergency and triage care;
- Imaging services include: CT, MRI, fluoroscopy, ultrasound, Doppler, X-ray, general radiology, and nuclear medicine scanning;
- Laboratory services include: Blood chemistry panels, cardiac panels, coagulation studies, drug screening, and microbiology services;
- Spine services include: Non-surgical and surgical treatments, including spinal fusion, disc surgery, minimally invasive surgery, interventional pain management, and artificial disc replacement surgery;
- Surgical services include: Endoscopy, colonoscopy, appendectomy, orthopedic, and other general surgical services; and
- Workers’ compensation services include: Orthopedic, neurosurgery, pain management, internal medicine, and occupational medicine services to treat upper and lower extremity, back, neck, and neurological injuries.

Accreditations, Certifications & Awards

The Hospital is accredited by Det Norske Veritas Healthcare, Inc., effective March 18, 2016 through March 18, 2019. The Hospital’s laboratory is accredited by The Joint Commission, effective October 2014 through October 2016. Over the years, the Hospital has received several awards as a provider of quality care, some of which include the following:

- Acknowledged by Consumer Reports Magazine as one of the top five safest hospitals in the Los Angeles Metropolitan area in 2012;
- Given a Patient Safety First award for reaching a sepsis mortality goal rate of 14% or better as of the end of 2015 by the Hospital Association of Southern California;
- Named a Five-Star Recipient for the treatment of pneumonia (2005-2016), esophageal/stomach surgeries (2014-2016), treatment of gastrointestinal bleeds (2016), and treatment of sepsis (2006-2016) by Healthgrades;

- Awarded the 2014, 2015, and 2016 Healthgrades Patient Safety Excellence Award; and
- Recognized by Becker's Hospital Review as having the second lowest 30-day mortality rate for pneumonia (7.1%) among hospitals in the United States for 2012.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the 2010 Federal Patient Protection and Affordable Care Act (ACA) in 2012, encourages hospitals to improve the quality and safety of care. The Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on four domains that reflect hospital quality: the clinical process of care domain, the patient experience of care domain, the outcome domain, and the efficiency domain. In FY 2015, the Centers for Medicare & Medicaid Services reduced Medicare payments to the Hospital by 0.32%. For FY 2016, the Centers for Medicare & Medicaid services is reducing payments to the Hospital by 0.05%.

The following table reports the Hospital's most recent scores as reported by Hospital Compare for each of the four domains in comparison to the California and national averages:

QUALITY SCORES COMPARISON			
Domain	Hospital	California Average	National Average
Clinical Process of Care Domain	89.3%	93.8%	92.1%
Patient Experience of Care Domain	56.8%	66.8%	71.3%
Outcome Domain	6.4%	6.6%	6.7%
Efficiency Domain	1.40	0.90	0.98

Source: Medicare.gov Hospital Compare, July 2016

- For the clinical process of care domain, the Hospital scored lower (89.3%) than both the national average (92.1%) and the California average (93.8%);
- The Hospital scored lower (56.8%) than both the California and national averages (66.8% and 71.3%, respectively) for the patient experience of care domain;
- Within the outcome domain, the Hospital has a slightly lower average (6.4%) than the California average of 6.6% and the national average of 6.7%; and
- With a ratio of 1.40, the Hospital spends more per patient for an episode of care initiated at its facility than California hospitals (0.90) and national hospitals (0.98).

The Hospital Readmissions Reduction Program¹¹, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. The penalty is administered by reducing all of a hospital's reimbursement payments under the Medicare program by a certain percentage for the entire year.

The Hospital was penalized with a 0.03% reduction in reimbursement in FY 2014 and a 0.01% reduction in reimbursement in FY 2015. In FY 2016, the Hospital was not penalized with a reduction in reimbursement. The following graph shows the Hospital's 30-day readmission rates for heart attack, heart failure, pneumonia, and chronic obstructive pulmonary disease patients:

30 DAY READMISSION RATES			
Condition	Hospital	National Average	California Average
Heart Attack	16.5%	17.0%	17.0%
Heart Failure	21.9%	22.0%	22.1%
Pneumonia	16.8%	16.9%	16.9%
Chronic Obstructive Pulmonary Disease	18.8%	20.2%	20.2%
Average 30-Day Readmission Rate	18.5%	19.0%	19.0%

Source: Medicare.gov Hospital Compare, July 2016

- Overall, the Hospital had fewer 30-day readmissions (18.5%) than the national and State of California averages of 19.0%; and
- In FY 2017, the Hospital will be penalized with a 0.01% reduction in reimbursement.

¹¹ The formula for determining hospital reimbursement payments under the Hospital Readmissions Reduction Program is complicated, varies by hospital and geographic location, and may not correspond directly to state and national hospital averages.

Seismic Issues

Using the HAZUS seismic criteria¹², the Hospital's structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as seen in the table below.

SEISMIC OVERVIEW		
Building	SPC Compliance Status	NPC Compliance Status
Main Hospital Building -	SPC-2	NPC-1

Source: OSHPD, 09/22/2016

- The Hospital's main building is rated as SPC-2¹³. This building must be seismically retrofitted by January 1, 2030 in order to continue providing the delivery of acute care services; and
- According to the Hospital, in order to achieve NPC-2^{14,15} status, the Hospital has to move an oxygen tank near the east parking lot. Upon completion of the requirement to move the oxygen tank, the Hospital will submit a formal request to OSHPD for an NPC upgrade to achieve NPC-2 status.

¹² OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

¹³ According to OSHPD, buildings rated as SPC-2 are in compliance with the pre-1973 California Building Standards Code or other applicable standards, but not in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act. These buildings do not significantly jeopardize life, but may not be repairable or functional following strong ground motion. These buildings must be brought into compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act, its regulations or its retrofit provisions by January 1, 2030, or be removed from acute care service.

¹⁴ According to OSHPD, buildings rated as NPC-2 have the following systems braced or anchored: communications systems, emergency power supply, bulk medical gas systems, fire alarm systems, and emergency lighting equipment and signs.

¹⁵ The deadline for hospitals to meet NPC-2 standards was January 1, 2002, and the deadline for hospitals to meet NPC-3 standards was January 1, 2008. Additionally, the deadline for hospitals to meet NPC-4 and NPC-5 standards is January 1, 2030. The Hospital has requested an extension to meet NPC-3 standards from OSHPD; however, the extension from OSHPD cannot be granted to the Hospital until it meets NPC-2 standards.

Patient Utilization Trends

The following table shows volume trends at the Hospital for FY 2011 through FY 2015:

SERVICE VOLUMES: FY 2011 2015					
PATIENT DAYS	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Medical/Surgical Acute	13,053	10,816	12,481	15,904	13,918
Intensive Care/Coronary Care	2,276	2,297	2,907	2,411	2,129
Total	15,329	13,113	15,388	18,315	16,047
DISCHARGES					
Medical/Surgical Acute	3,167	2,714	2,905	3,254	2,914
Intensive Care/Coronary Care	156	177	225	190	153
Total	3,323	2,891	3,130	3,444	3,067
AVERAGE LENGTH OF STAY					
Medical/Surgical Acute	4.1	4.0	4.3	4.9	4.8
Intensive Care/Coronary Care	14.6	13.0	12.9	12.7	13.9
Total	4.6	4.5	4.9	5.3	5.2
AVERAGE DAILY CENSUS					
Medical/Surgical Acute	36	30	34	44	38
Intensive Care/Coronary Care	6	6	8	7	6
Total	42	36	42	50	44
OTHER SERVICES					
Inpatient Surgeries	1,654	1,393	1,364	1,242	894
Outpatient Surgeries	2,004	1,896	2,343	2,011	1,689
Emergency Visits ¹	8,744	10,494	11,689	12,952	12,682

Sources: OSHPD Disclosure Reports, 2011-2015

¹OSHPD Alerts Annual Utilization Reports

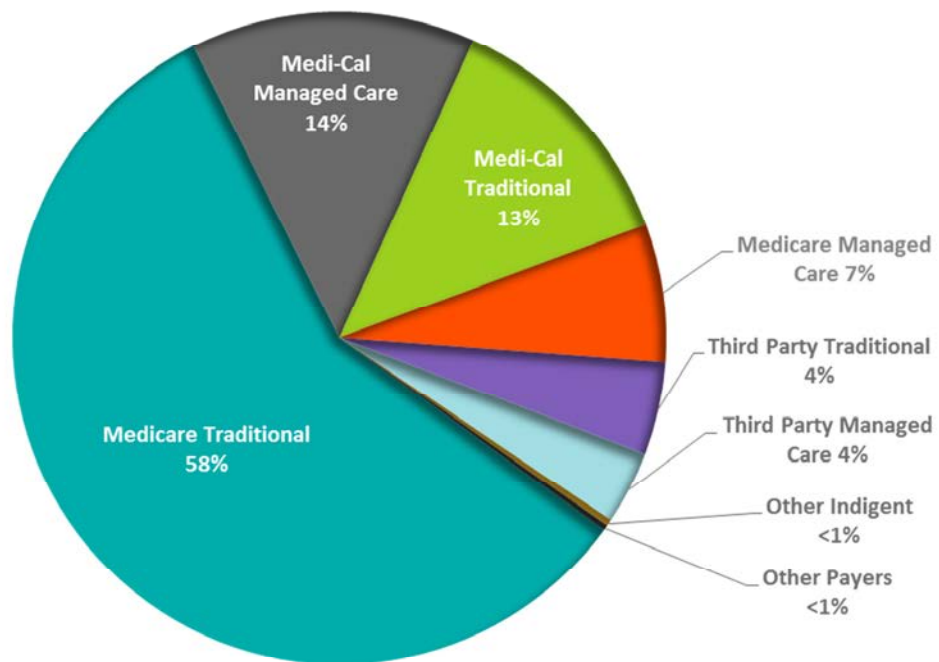
A review of historical utilization trends between FY 2011 and FY 2015 supports the following conclusions:

- Total patient days have increased by nearly 5% over the five-year period;
- Inpatient discharges have decreased by 8% from 3,323 in FY 2011 to 3,067 in FY 2015;
- The average daily census has fluctuated over the five-year period with a 5% increase from 42 patients in FY 2011 to 44 patients in FY 2015. According to the Hospital's management, the Hospital's year-to-date average daily census for FY 2016 has dropped to less than 30 patients; and
- Emergency visits have increased by 45% over the five-year period.

Payer Mix

In FY 2015, approximately 65% of the Hospital's inpatient payer mix consisted of Medicare Traditional (58%) and Medicare Managed Care (7%) patients. Approximately 27% of the Hospital's inpatient payer mix consisted of Medi-Cal Managed Care (14%) and Medi-Cal Traditional (13%) patients. Additionally, 8% of the Hospital's inpatient payer mix consisted of Third Party Traditional (4%) and Third Party Managed Care (4%) patients. Other Indigent and Other Payers* comprised less than 1% of the Hospital's inpatient payer mix.

Hospital Payer Mix, FY 2015



Total Discharges: 3,067

* Other Payers includes self-pay, workers' compensation, other government, and other payers

Source: OSHPD Financial Disclosure Report, FY 2015 (based on inpatient discharges).

The following table illustrates the Hospital's FY 2015 inpatient discharge payer mix compared to FY 2014 for Los Angeles County and the State of California. The comparison shows that the Hospital has higher percentages of Medicare Traditional and Third-Party Traditional patients and lower percentages of Medi-Cal Traditional, Medicare Managed Care, and Third Party Managed Care patients relative to other hospitals in Los Angeles County and statewide.

PAYER MIX COMPARISON						
	Hospital (FY 2015)		Los Angeles County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	387	12.6%	157,394	18.5%	448,311	15.8%
Medi-Cal Managed Care	433	14.1%	135,429	16.0%	435,129	15.3%
Medi-Cal Total	820	26.7%	292,823	34.5%	883,440	31.1%
Medicare Traditional	1,767	57.6%	233,810	27.5%	805,912	28.4%
Medicare Managed Care	210	6.8%	85,330	10.1%	273,709	9.6%
Medicare Total	1,977	64.5%	319,140	37.6%	1,079,621	38.0%
Third-Party Traditional	141	4.6%	30,357	3.6%	121,054	4.3%
Third-Party Managed Care	111	3.6%	158,487	18.7%	610,781	21.5%
Third-Party Total	252	8.2%	188,844	22.2%	731,835	25.7%
Other Payers	10	0.3%	22,969	2.7%	62,617	2.2%
Other Indigent	8	0.3%	7,231	0.9%	32,930	1.2%
County Indigent	0	0.0%	17,931	2.1%	51,759	1.8%
Other Total	18	0.6%	48,131	5.7%	147,306	5.2%
Total	3,067	100%	848,938	100%	2,842,202	100%

Source: OSHPD Disclosure Reports, FY 2014 & FY 2015

Medi-Cal Managed Care

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.

Los Angeles County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a "Local Initiative" and a "commercial plan." In FY 2014, Los Angeles County had approximately 300,000 inpatient discharges from patients with either Medi-Cal Traditional (55%) or Medi-Cal Managed Care coverage (45%). The percentage of Los Angeles County residents with Medi-Cal Managed Care coverage will increase drastically as a result of the ACA and state initiatives to expand managed care.

L.A. Care Health Plan is the Local Initiative plan for Los Angeles County. Medi-Cal beneficiaries can choose L.A. Care Health Plan or one of the contracting partners that include Anthem Blue Cross of California, Care 1st, Community Health Plan, and Kaiser Permanente. The second Medi-Cal plan in Los Angeles County is a private commercial plan provided by Health Net Community Solutions, Inc. in partnership with Molina Healthcare. Currently, the Hospital is contracted with L.A. Care Health Plan and Anthem Blue Cross of California to provide services to Medi-Cal managed care patients.

Medical Staff

The Hospital has 213 medical staff members representing multiple specialties. The five largest specialties, comprising 41% of the medical staff, include: orthopedic surgery, nephrology, tele-radiology, internal medicine, and anesthesiology. Of the 213 members on the medical staff, 104 members are considered “active” users of the Hospital (representing approximately 49% of the medical staff). The 109 “non-active” users of the Hospital include adjunct, allied health professional, courtesy, honorary, provisional, resident, and other medical staff.

The Medical Staff of Gardens Regional Hospital and Medical Center is an unincorporated association formed on July 24, 2015. It is governed by the physicians who are members of the Hospital’s medical staff and is responsible for governing the medical staff. The Medical Staff of Gardens Regional Hospital and Medical Center is wholly separate from the Hospital and is not filing bankruptcy.

The Hospital has relationships with four independent physician associations, including Angeles IPA, Doctor’s Choice Medical Group, Heritage Provider Network, Inc., and Seoul Medical Group, Inc. for outpatient services and professional services.

MEDICAL STAFF PROFILE 2016					
Specialty	Count	% of Total	Specialty	Count	% of Total
Anesthesiology	14	6.6%	Oncology	1	0.5%
Assisting in Surgery	1	0.5%	Ophthalmology	1	0.5%
Bariatric Surgery	3	1.4%	Orthopedic Surgery	21	9.9%
Cardiology	8	3.8%	Otolaryngology	1	0.5%
Cardiovascular Surgery	1	0.5%	Pain Management	3	1.4%
Certified Surgical Scrub Technologist	1	0.5%	Pathology	2	0.9%
Chiropractic	2	0.9%	Physical Medicine	1	0.5%
Emergency Medicine	12	5.6%	Physician Assistant	4	1.9%
Family Medicine	8	3.8%	Plastic & Reconstructive Surgery	3	1.4%
Gastroenterology	8	3.8%	Podiatric Surgery	8	3.8%
General Practice	5	2.3%	Psychiatry	4	1.9%
General Surgery	12	5.6%	Pulmonology	6	2.8%
Gynecology	2	0.9%	Radiation Oncology	1	0.5%
Hematology/Oncology	8	3.8%	Radiology	4	1.9%
Infectious Diseases	2	0.9%	Registered Nurse First Assistant	2	0.9%
Internal Medicine	15	7.0%	Rheumatology	1	0.5%
Nephrology	19	8.9%	Tele-radiology	18	8.5%
Neurology	5	2.3%	Urology	1	0.5%
Neurosurgery	1	0.5%	Vascular Surgery	3	1.4%
Non-Invasive Vascular Studies	1	0.5%	-	-	-
Total Medical Staff			213		

Source: the Hospital

Unionized Employees

The Hospital has a CBA with Service Employees International Union (SEIU) Local 121RN that represents all of the Hospital's registered nurses (approximately 80-90 registered nurses). Currently, the Hospital has completed a new CBA with SEIU Local 121RN that has been ratified by SEIU and approved by the bankruptcy court.

Financial Profile

Over the five reported fiscal years, the Hospital incurred losses ranging from \$1.1 million in FY 2011 to nearly \$8.9 million in FY 2015. Net patient revenue and total operating revenue have both decreased by approximately 43% between FY 2011 and FY 2015. Over the same period, the Hospital's total operating expenses have decreased by 28% from \$67.1 million to \$48.5 million. Other operating revenue has increased over the five-year period by 275% from approximately \$741,000 to \$2.8 million. 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.

The Hospital's current-asset-to-liability ratio¹⁶ has decreased over the last five years from 1.81 in FY 2011 to 0.41 in FY 2015 (the California average in FY 2014 was 1.72). The Hospital's average percentage of bad debt is approximately 0.3%, which is lower than the statewide average of 1.3%.

FINANCIAL AND RATIO ANALYSIS: FY 2011-2015						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	
Patient Days	15,329	13,113	15,388	18,315	16,047	-
Discharges	3,323	2,891	3,130	3,444	3,067	-
ALOS	4.6	4.5	4.9	5.3	5.2	-
Net Patient Revenue	\$64,080,414	\$57,830,437	\$55,116,854	\$48,791,103	\$36,860,589	-
Other Operating Revenue	\$741,254	\$944,421	\$2,745,892	\$936,702	\$2,778,707	-
Total Operating Revenue	\$64,821,668	\$58,774,858	\$57,862,746	\$49,727,805	\$36,639,296	-
Total Operating Expenses	\$67,104,072	\$63,639,302	\$63,224,026	\$54,566,792	\$48,500,362	-
Net from Operations	(\$2,282,404)	(\$4,864,444)	(\$5,381,280)	(\$4,838,987)	(\$8,861,066)	-
Net Non-Operating Revenue & Expense	\$1,179,173	\$1,123,976	\$1,148,032	\$1,265,205	\$2,108	-
Net Income	(\$1,103,231)	(\$3,740,468)	(\$4,233,248)	(\$3,573,782)	(\$8,858,958)	-
						2014 California Average
Current Ratio	1.81	2.27	0.89	0.80	0.41	1.72
Days in A/R	108.6	63.8	60.2	80.0	74.7	62.2
Bad Debt Rate	0.8%	-0.5%	0.2%	0.2%	0.6%	1.3%
Operating Margin	-3.52%	-8.28%	-9.30%	-9.73%	-22.35%	2.48%

Source: OSHPD Disclosure Reports, 2011-2015

¹⁶ The current asset-to-liability 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

The Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2015, approximately 49% of total costs were associated with Medicare patients, 28% with Medi-Cal patients, 21% with Third Party patients, and 2% with Other Indigent patients and Other Payers.

COST OF SERVICES					
BY PAYER CATEGORY: FY 2011-2015					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Operating Expenses	\$67,104,072	\$63,639,302	\$63,224,026	\$54,566,792	\$48,500,362
Cost of Services By Payer:					
Medicare	\$30,066,405	\$27,828,178	\$30,236,438	\$26,487,814	\$23,781,866
Medi-Cal	\$8,005,384	\$8,920,526	\$11,821,271	\$13,880,518	\$13,594,919
County Indigent	-	-	-	-	-
Third Party	\$25,808,801	\$21,144,234	\$19,235,932	\$13,033,523	\$10,043,238
Other Indigent	\$1,487,537	\$2,294,963	\$986,484	\$0	\$495,379
Other Payers	\$1,735,945	\$3,451,401	\$943,901	\$1,164,936	\$584,959

Source: OSHPD Disclosure Reports, 2011-2015

Charity Care

Based upon the Seller's Annual Financial Disclosure Reports submitted to OSHPD, the Hospital's charity care charges have decreased from \$10.9 million in FY 2011 to approximately \$2.2 million in FY 2015. The five-year average for charity charges was approximately \$8.3 million.

CHARITY CARE	
TOTAL CHARGES: FY 2011-2015	
Year	OSHPD Disclosure Reports
FY 2015	\$2,196,127
FY 2014	\$7,548,493
FY 2013	\$10,912,150
FY 2012	\$10,057,463
FY 2011	\$10,865,494
5-Year Average	\$8,315,945

Source: OSHPD Disclosure Reports, FY 2011-2015

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the State of California. The five-year (FY 2011-2015) average of charity care and bad debt, as a percentage of gross patient revenue, was 4.0%. This is higher than the four-year statewide average of 3.5%. 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."

CHARITY CARE COMPARISON: FY 2011-2015 (Millions)										
	2011		2012		2013		2014		2015	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	\$240.68	\$288,636.7	\$212.25	\$303,278.6	\$221.46	\$317,543.8	\$225.27	\$330,906.4	\$184.31	-
Charity	\$10.87	\$6,171.5	\$10.06	\$6,251.0	\$10.91	\$6,209.9	\$7.55	\$4,516.6	\$2.20	-
Bad Debt	\$1.94	\$4,815.5	(\$1.0)	\$5,007.6	\$0.42	\$5,549.5	\$0.37	\$4,337.3	\$1.08	-
Total	\$12.8	\$10,987.0	\$9.1	\$11,258.6	\$11.3	\$11,759.4	\$7.9	\$8,853.8	\$3.3	-
Charity Care as a % of Gross Rev.	4.5%	2.1%	4.7%	2.1%	4.9%	2.0%	3.4%	1.4%	1.2%	-
Bad Debt as a % of Gross Rev.	0.8%	1.7%	-0.5%	1.7%	0.2%	1.7%	0.2%	1.3%	0.6%	-
Total as a % of Gross Rev.	5.3%	3.8%	4.3%	3.7%	5.1%	3.7%	3.5%	2.7%	1.8%	-
Uncompensated Care										
Cost to Charge Ratio	27.6%	24.6%	29.5%	29.5%	27.3%	24.4%	23.8%	23.5%	23.8%	-
Charity	\$3.0	\$1,520.9	\$3.0	\$1,844.0	\$3.0	\$1,514.6	\$1.8	\$1,061.4	\$0.5	-
Bad Debt	\$0.5	\$1,186.8	(\$0.3)	\$1,477.2	\$0.1	\$1,353.5	\$0.1	\$1,019.3	\$0.3	-
Total	\$3.5	\$2,707.7	\$2.7	\$3,321.3	\$3.1	\$2,868.1	\$1.9	\$2,080.7	\$0.8	-

Source: OSHPD Disclosure Reports, FY 2011-2015

The table below shows the Hospital's historical costs for charity care as reported to OSHPD. The Hospital's charity care costs have decreased from approximately \$3 million in FY 2011 to \$510,000 in FY 2015. The average cost of charity care for the last five-year period was approximately \$2.3 million.

COST OF CHARITY CARE				
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital	Percent of Total Costs Represented by Charity Care
FY 2015	\$2,196,127	23.2%	\$509,501	0.9%
FY 2014	\$7,548,493	23.8%	\$1,796,541	3.3%
FY 2013	\$10,912,150	27.3%	\$2,979,017	4.7%
FY 2012	\$10,057,463	29.5%	\$2,966,952	4.7%
FY 2011	\$10,865,494	27.6%	\$2,998,876	4.5%
5-Year Average	\$8,315,945		\$2,250,178	

Source: OSHPD Disclosure Reports, FY 2011-2015

Community Benefit Services

The Hospital has consistently provided a contribution to community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been \$859,882.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	5 Year Average	Total
Benefits for the Underserved	\$415,944	\$371,694	\$401,666	\$353,318	\$243,880	\$357,300	\$1,786,502
Benefits for Broader Community	\$512,646	\$467,474	\$464,407	\$553,128	\$515,254	\$502,582	\$2,512,909
Total	\$928,590	\$839,168	\$866,073	\$906,446	\$759,134	\$859,882	\$4,299,411

Source: the Hospital

- The Hospital's five-year average cost of community benefit services for the underserved is approximately \$357,000;
- The Hospital's five-year average cost of community benefit services for the broader community is approximately \$503,000; and
- Over the five-year period, the Hospital's combined total cost of community benefit services decreased from approximately \$928,600 in FY 2011 to \$759,100 in FY 2015.

The Hospital's community benefit services over the past five fiscal years included the following programs:

COST OF COMMUNITY BENEFIT SERVICES: FY 2011 2015					
Program/Service	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Activate Hawaiian Gardens	-	-	\$20,047	\$11,080	\$7,590
Allied Health Student Precepting	-	\$213,010	\$192,000	-	\$179,200
Cash and In-Kind Donations	\$9,400	\$5,871	\$1,081	-	-
Community Benefit Operations	\$131,883	\$125,978	\$128,443	\$80,303	\$48,692
Community Flu Vaccines/Tuberculosis Tests	\$12,837	\$11,199	\$4,435	-	-
Continuing Medical Education	\$9,884	-	-	-	-
Health Education/Screenings	\$35,720	\$30,902	\$22,353	\$4,340	\$2,486
Health Insurance Enrollment Assistance	\$152,113	\$161,258	\$163,423	\$151,099	\$133,843
Nursing Student Precepting	\$296,006	\$68,844	\$116,095	\$465,515	\$284,876
South East Regional Community Collaborative	\$16,916	\$11,670	-	\$2,970	-
Taxi Vouchers - Transportation Support	\$1,887	\$1,786	-	-	\$2,000
Transportation Van	\$261,944	\$208,650	\$218,196	\$191,139	\$100,447

Source: the Hospital

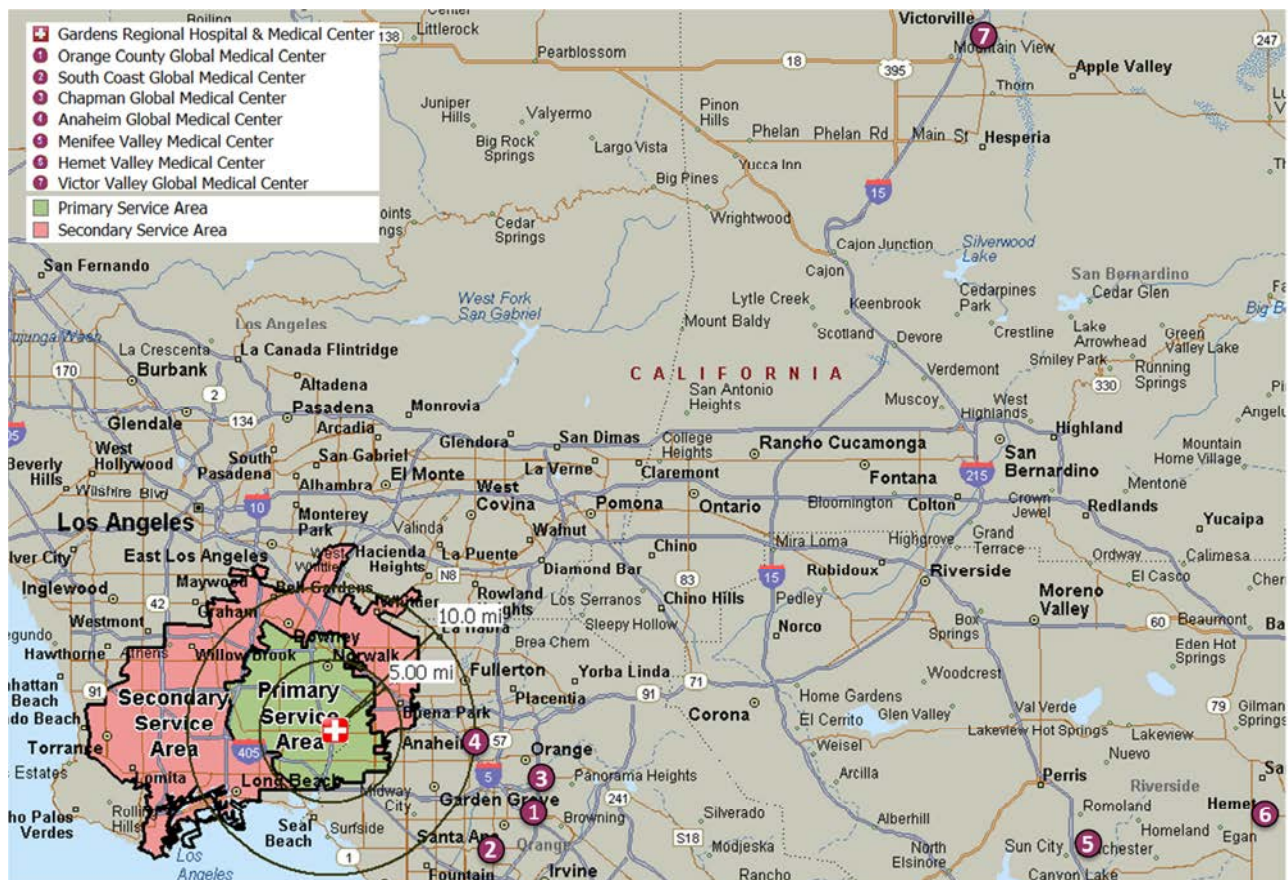
The Hospital's community benefit services have supported many programs for the community, including various outreach efforts targeting the poor and vulnerable, health screenings, preceptorships, insurance enrollment assistance, and others as described below:

- **Activate Hawaiian Gardens:** Established by the City of Hawaiian Gardens, ABC Unified School District and other community partners, the program provides education, training, and encouragement to children and families affected by, or at risk for, obesity. Under the program, the Hospital previously supported classes to educate parents on healthy eating for their kids. While the program is still in existence, it is no longer supported by the Hospital as of FY 2015;
- **Allied Health Student Precepting/Nursing Student Precepting:** The preceptorships provide supervision and mentoring of nursing and allied health students;
- **Health Insurance Enrollment Assistance:** The program administers health insurance outreach and enrollment assistance to low-income patients;
- **Health Education/Screenings:** The health fairs provide bone density scans, blood pressure screenings, body mass screenings, and blood glucose screenings. In FY 2015, the Hospital participated in three health fairs: Way Out Ministries Health Fair, Hawaiian Gardens Safety Fair, and International Community Health Fair; and
- **Transportation Van:** The program provides transportation services for low-income patients who lack transportation and need help accessing healthcare appointments.

Profile of Strategic Global Management, Inc.

Overview

The Purchaser of the Hospital is Strategic Global Management, Inc., a California corporation based in Riverside, California. Dr. Kali Chaudhuri is Strategic Global Management, Inc.'s Chairman and Chief Executive Officer. The Purchaser and its affiliates, including KPC Global Management, LLC, have an ownership interest in and operate several healthcare enterprises, including seven hospitals, medical groups, home health agencies, ambulatory surgery centers, and other ancillary operations in Southern California.



Together, the Purchaser and its affiliates own, operate and/or manage the following healthcare entities:

KPC Healthcare, Inc.

KPC Healthcare, Inc. owns and operates four hospitals in Orange County, including Chapman Global Medical Center, South Coast Global Medical Center, Anaheim Global Medical Center, and Orange County Global Medical Center.

- Chapman Global Medical Center is a 114 licensed bed general acute care hospital located at 2601 Chapman Avenue in Chapman, California;
- South Coast Global Medical Center is a 178 licensed bed general acute care hospital located at 2701 South Bristol Street in Santa Ana, California;
- Anaheim Global Medical Center is a 188 licensed bed general acute care hospital located at 1025 South Anaheim Boulevard in Anaheim, California; and
- Orange County Global Medical Center is a 228 licensed bed general acute care hospital located at 1001 North Tustin Avenue in Santa Ana, California.

Chapman Global Medical Center's real property is owned by Chapman Medical, LP. South Coast Global Medical Center's real property, Anaheim Global Medical Center's real property, and Orange County Global Medical Center's real property is owned by Pacific Coast Holdings Investment, LLC.

Physicians for Healthy Hospitals, Inc.

Physicians for Healthy Hospitals, Inc. owns and operates Hemet Valley Medical Center, Menifee Valley Medical Center, and Sage Retreat and Hemet Valley Recovery Center.

- Hemet Valley Medical Center is a 417 licensed bed general acute care hospital located at 1117 East Devonshire Avenue in Hemet, California; and
- Menifee Valley Medical Center is an 84 licensed bed general acute care hospital located at 28400 McCall Boulevard in Menifee, California.

Victor Valley Hospital Acquisition, Inc.

Dr. Chaudhuri is the Chief Executive Officer and shareholder of Victor Valley Hospital Acquisition, Inc. that owns and operates Victor Valley Global Medical Center, a 101-bed general acute care hospital located in Victorville, California. Victor Valley Global Medical Center's real property is owned by Victor Valley Hospital Real Estate, LLC, a California limited liability corporation¹⁷.

Hemet Community Medical Group, Inc.

Hemet Community Medical Group, Inc., an independent physician association, was founded in 1993 and provides care for over 70,000 managed care patients in Hemet, Menifee, Sun City, Wildomar, Temecula, Murrieta, and Corona. Two independent physician associations, Menifee Valley Community Medical Group, Inc. and Temecula Valley Physicians Medical Group, Inc.,

¹⁷ Dr. Chaudhuri owns 51% of Victor Valley Hospital Real Estate, LLC.

contract exclusively with Hemet Community Medical Group, Inc. to provide services to Hemet Community Medical Group, Inc.'s patients.

Hemet Global Services, LLC

Hemet Global Services, LLC provides physician practice management services to Hemet Community Medical Group, Inc. and Menifee Valley Community Medical Group, Inc.

Temecula Physician Services, LLC

Temecula Physician Services, LLC is a management services organization that provides physician practice management services to Temecula Valley Physicians Medical Group.

KM Strategic Management, LLC

KM Strategic Management, LLC is a management services organization formed in 2000 that provides subcontracted practice management services, including facilities, billing, credentialing, utilization, contracting, and case management services, to Hemet Global Services, LLC and Temecula Physician Services, LLC.

Apex Healthcare Medical Center, Inc.

Apex Healthcare Medical Center, Inc. is a multi-specialty medical group that services the southwest region of Riverside County and provides primary care, surgery, orthopedics, physical therapy, urgent care, obstetrics, gynecology, and nephrology services.

Pacific Diagnostic Imaging, LLC

Pacific Diagnostic Imaging, LLC was formed in 2005 and provides outpatient imaging and diagnostic services at four facilities located in Hemet, Murrieta, Sun City, and Temecula, California.

Key Statistics

KPC Healthcare, Inc.

Key statistics for Chapman Global Medical Center, South Coast Global Medical Center, Anaheim Global Medical Center, and Orange County Global Medical Center include the following:

- In FY 2015, the four hospitals had a combined total of 708 licensed beds with an average occupancy rate of approximately 45%;
- In FY 2015, they reported a combined total of approximately 72,200 emergency visits; and
- The four hospitals reported a combined net income of approximately \$80.2 million in FY 2015.

HOSPITALS OWNED BY KPC HEALTHCARE, INC.: FY 2014 2015								
	Chapman Global Medical Center		South Coast Global Medical Center		Anaheim Global Medical Center		Orange County Global Medical Center	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
City	Chapman		Santa Ana		Anaheim		Santa Ana	
Licensed Beds	114	114	178	178	188	188	228	228
Patient Days	19,990	17,088	33,459	30,033	40,027	36,340	33,393	34,259
Discharges ¹	2,173	2,655	3,298	3,939	6,903	5,885	7,008	10,574
Average Length of Stay	9.2	6.4	10.1	7.6	5.8	6.2	4.8	3.2
Average Daily Census	55	47	92	82	110	100	91	94
Occupancy	48.0%	41.1%	51.5%	46.2%	58.3%	53.0%	40.1%	41.2%
Emergency Visits	9,790	9,423	21,526	20,609	16,100	15,119	23,120	27,053
Inpatient Surgeries	744	549	1,179	1,102	642	471	2,639	2,436
Outpatient Surgeries	592	617	1,246	1,117	848	922	1,999	1,591
Total Live Births	-	-	931	1,132	1,153	2,251	2,037	1,669
Payer Mix (Based on Discharges)								
Medicare Traditional	25.0%	13.4%	22.3%	11.3%	9.4%	3.9%	11.7%	8.1%
Medicare Managed Care	11.2%	0.1%	5.5%	4.8%	12.0%	12.0%	12.5%	12.2%
Medi-Cal Traditional	5.0%	4.5%	31.9%	33.1%	42.9%	42.9%	25.5%	21.6%
Medi-Cal Managed Care	7.7%	15.0%	25.4%	31.7%	14.5%	18.6%	22.0%	32.4%
County Indigent	3.0%	0.04%	0.1%	0.03%	0.8%	8.6%	0.6%	0.8%
Third-Party Traditional	11.3%	14.6%	0.5%	1.0%	6.5%	0.7%	0.0%	3.1%
Third-Party Managed Care	33.6%	28.2%	9.2%	2.5%	11.3%	5.1%	21.4%	9.9%
Other Indigent	1.6%	0.1%	0.1%	0.2%	0.3%	0.2%	1.0%	0.3%
Other Payers	1.6%	24.0%	5.1%	15.3%	2.2%	7.9%	5.4%	11.5%
Income Statement								
Gross Patient Revenue	\$171,958,322	\$179,875,080	\$251,109,239	\$256,032,981	\$212,883,701	\$209,038,278	\$708,348,113	\$727,450,256
Net Patient Revenue	\$44,109,851	\$48,801,937	\$82,773,313	\$83,810,052	\$89,739,052	\$113,775,093	\$201,319,815	\$218,658,974
Other Operating Revenue	\$702,414	\$204,477	\$585,601	\$609,354	\$433,880	\$537,783	\$1,192,367	-
Total Operating Revenue	\$44,812,265	\$49,006,414	\$83,358,914	\$84,419,406	\$90,172,932	\$114,312,876	\$202,512,182	\$218,658,974
Total Operating Expenses	\$45,216,454	\$46,943,682	\$60,624,166	\$69,925,151	\$71,679,146	\$97,383,078	\$157,261,912	\$171,930,196
Net From Operations	(\$404,189)	\$2,062,732	\$22,734,748	\$14,494,255	\$18,493,786	\$16,929,798	\$45,250,270	\$46,728,778
Net Income	(\$404,189)	\$2,062,732	\$22,734,748	\$14,494,255	\$18,493,786	\$16,929,798	\$45,250,270	\$46,728,778
Other Financial								
Charity Care Charges	\$566,963	\$371,718	\$1,598,201	\$531,967	\$2,149,028	\$1,364,805	\$14,582,362	\$3,082,206
Provision for Bad Debts	\$4,602,981	\$3,385,046	\$5,549,146	\$6,996,168	\$5,632,306	\$5,223,678	\$21,087,282	\$17,478,224
Total Uncompensated Care	\$5,169,944	\$3,756,764	\$7,147,347	\$7,528,135	\$7,781,334	\$6,588,483	\$35,669,644	\$20,560,430
Cost to Charge Ratio	25.9%	26.0%	23.9%	27.1%	33.5%	46.3%	22.0%	23.6%
Cost of Charity	\$146,767	\$96,588	\$382,119	\$144,019	\$719,210	\$632,300	\$3,212,915	\$728,468
Uncompensated Care as % of Chgs.	3.0%	2.1%	2.8%	2.9%	3.7%	3.2%	5.0%	2.8%
Fiscal Year Ending	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015

¹ Excludes normal newborns

Source: OSHPD Disclosure Reports FY 2014-2015

Physicians for Healthy Hospitals, Inc. -

Key statistics for Hemet Valley Medical Center and Menifee Valley Medical Center include the following:

- In FY 2015, the two hospitals had a combined total of 501 licensed beds with an average occupancy rate of nearly 37%;
- In FY 2015, they reported a combined total of nearly 72,700 emergency visits;
- Each of the hospitals served a significant number of Medicare and Medi-Cal patients, totaling between 67 and 86% of its inpatient discharges; and
- In FY 2015, the hospitals reported a combined loss of approximately \$1.8 million.

HOSPITALS OWNED BY PHYSICIANS FOR HEALTHY HOSPITALS, INC.: FY 2014 2015				
	Hemet Valley Medical Center		Menifee Valley Medical Center	
	FY 2014	FY 2015	FY 2014	FY 2015
City	Hemet		Menifee	
Licensed Beds	417	417	84	84
Patient Days	54,513	54,963	11,834	11,337
Discharges ¹	11,023	10,974	2,988	2,947
Average Length of Stay	4.9	5.0	4.0	3.8
Average Daily Census	149	151	32	31
Occupancy	35.8%	36.1%	38.6%	37.0%
Emergency Visits	57,446	53,196	17,889	19,458
Inpatient Surgeries	2,443	2,303	671	589
Outpatient Surgeries	1,364	1,378	619	573
Total Live Births	1,325	1,208	-	-
Payer Mix (Based on Discharges)				
Medicare Traditional	24.1%	22.9%	24.9%	23.8%
Medicare Managed Care	23.5%	29.8%	20.5%	21.6%
Medi-Cal Traditional	9.6%	8.3%	8.9%	6.0%
Medi-Cal Managed Care	24.4%	25.3%	9.3%	15.8%
County Indigent	0.0%	0.0%	0.0%	0.0%
Third-Party Traditional	8.4%	5.3%	0.0%	5.2%
Third-Party Managed Care	8.7%	7.5%	34.1%	26.5%
Other Indigent	1.2%	0.0%	0.0%	0.0%
Other Payers	0.2%	0.8%	2.3%	1.1%
Income Statement				
Gross Patient Revenue	\$811,644,914	\$830,908,178	\$213,839,924	\$219,630,500
Net Patient Revenue	\$133,752,605	\$150,892,455	\$34,313,859	\$39,658,092
Other Operating Revenue	\$1,566,885	\$337,574	\$1,261	\$1,921
Total Operating Revenue	\$135,319,490	\$151,230,029	\$34,315,120	\$39,660,013
Total Operating Expenses	\$128,082,435	\$147,864,271	\$40,233,631	\$44,755,556
Net From Operations	\$7,237,055	\$3,365,758	(\$5,918,511)	(\$5,095,543)
Net Income	\$9,128,900	\$3,365,758	\$4,485,444	(\$5,116,548)
Other Financial				
Charity Care Charges	\$17,525,705	-	-	-
Provision for Bad Debts	\$6,127,102	\$11,550,302	\$7,458,054	\$4,380,013
Total Uncompensated Care	\$23,652,807	\$11,550,302	\$7,458,054	\$4,380,013
Cost to Charge Ratio	15.6%	17.8%	18.8%	20.4%
Cost of Charity	\$2,731,828	-	-	-
Uncompensated Care as % of Charges	2.9%	1.4%	3.5%	2.0%
Fiscal Year Ending	12/31/2014	12/31/2015	12/31/2014	12/31/2015

¹ Excludes normal newborns

Source: OSHPD Disclosure Reports FY 2014-2015

Victor Valley Hospital Acquisition, Inc.

Key statistics for Victor Valley Global Medical Center include the following:

- In FY 2015, Victor Valley Global Medical Center was licensed for 101 beds with an average occupancy rate of nearly 69%;
- In FY 2015, Victor Valley Global Medical Center reported 46,364 emergency visits;
- Victor Valley Medical Center served a significant number of Medicare (29%) and Medi-Cal patients (52%), totaling of 81% of its inpatient discharges; and
- Victor Valley Global Medical Center reported a net income of approximately \$11.0 million in FY 2015.

HOSPITALS OWNED BY VICTOR VALLEY HOSPITAL ACQUISITION, INC.: FY 2014 2015		
	Victor Valley Global Medical Center	
	FY 2014	FY 2015
City	Victorville	
Licensed Beds	101	101
Patient Days	23,155	25,379
Discharges ¹	6,688	6,318
Average Length of Stay	3.5	4.0
Average Daily Census	63	70
Occupancy	62.8%	68.8%
Emergency Visits	48,234	46,264
Inpatient Surgeries	1,913	2,147
Outpatient Surgeries	3,056	3,490
Total Live Births	1,231	1,437
Payer Mix (Based on Discharges)		
Medicare Traditional	14.2%	13.8%
Medicare Managed Care	13.8%	15.0%
Medi-Cal Traditional	8.7%	8.0%
Medi-Cal Managed Care	40.0%	43.6%
County Indigent	1.3%	0.0%
Third-Party Traditional	9.5%	11.2%
Third-Party Managed Care	7.7%	6.6%
Other Indigent	3.5%	0.0%
Other Payers	1.3%	1.8%
Income Statement		
Gross Patient Revenue	\$377,504,144	\$379,969,916
Net Patient Revenue	\$85,831,830	\$90,707,000
Other Operating Revenue	\$2,847,602	\$758,832
Total Operating Revenue	\$88,679,432	\$91,465,832
Total Operating Expenses	\$80,287,036	\$80,454,832
Net From Operations	\$8,392,396	\$11,011,000
Net Income	\$8,392,396	\$11,011,000
Other Financial		
Charity Care Charges	\$11,510,566	\$11,317,508
Provision for Bad Debts	\$1,461,357	\$1,825,212
Total Uncompensated Care	\$12,971,923	\$13,142,720
Cost to Charge Ratio	20.5%	21.0%
Cost of Charity	\$2,361,224	\$2,373,767
Uncompensated Care as % of Charges	3.4%	3.5%
Fiscal Year Ending	12/31/2014	12/31/2015

¹ Excludes normal newborns

Source: OSHPD Disclosure Reports FY 2014-2015

Analysis of the Hospital's Service Area -

Service Area Definition

Based upon the Hospital's 2014 inpatient discharges, the Hospital's service area is comprised of both a primary and a secondary service area, as described in the table below.

GARDENS REGIONAL HOSPITAL & MEDICAL CENTER: PATIENT ORIGIN 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90650	Norwalk	313	8.9%	8.9%	11,201	2.8%
90715	Lakewood	212	6.1%	15.0%	1,787	11.9%
90716	Hawaiian Gardens	172	4.9%	19.9%	1,230	14.0%
90701	Artesia	167	4.8%	24.7%	1,826	9.1%
90706	Bellflower	152	4.3%	29.0%	7,311	2.1%
90815	Long Beach	151	4.3%	33.3%	3,722	4.1%
90703	Cerritos	123	3.5%	36.8%	4,249	2.9%
90805	Long Beach	101	2.9%	39.7%	9,828	1.0%
90242	Downey	87	2.5%	42.2%	4,034	2.2%
90723	Paramount	70	2.0%	44.2%	5,023	1.4%
90713	Lakewood	62	1.8%	46.0%	2,438	2.5%
90808	Long Beach	42	1.2%	47.2%	3,586	1.2%
90807	Long Beach	36	1.0%	48.2%	3,683	1.0%
90630	Cypress	19	0.5%	48.8%	3,731	0.5%
90712	Lakewood	16	0.5%	49.2%	2,780	0.6%
90720	Los Alamitos	3	0.1%	49.3%	1,837	0.2%
90623	La Palma	3	0.1%	49.4%	1,210	0.2%
Primary Service Area Total		1,729	49.4%	49.4%	69,476	2.5%
90503	Torrance	143	4.1%	53.5%	4,371	3.3%
90745	Carson	78	2.2%	55.7%	6,045	1.3%
90201	Bell	69	2.0%	57.7%	7,683	0.9%
90804	Long Beach	56	1.6%	59.3%	3,959	1.4%
90262	Lynwood	50	1.4%	60.7%	6,570	0.8%
90221	Compton	47	1.3%	62.0%	5,456	0.9%
90813	Long Beach	45	1.3%	63.3%	7,670	0.6%
90059	Los Angeles	37	1.1%	64.4%	5,005	0.7%
90249	Gardena	31	0.9%	65.3%	2,801	1.1%
90806	Long Beach	28	0.8%	66.1%	5,226	0.5%
90620	Buena Park	27	0.8%	66.8%	4,796	0.6%
90810	Long Beach	23	0.7%	67.5%	3,847	0.6%
90220	Compton	23	0.7%	68.2%	5,955	0.4%
90638	La Mirada	22	0.6%	68.8%	4,380	0.5%
90247	Gardena	21	0.6%	69.4%	5,222	0.4%
90802	Long Beach	20	0.6%	70.0%	4,816	0.4%
90731	San Pedro	18	0.5%	70.5%	6,551	0.3%
90744	Wilmington	18	0.5%	71.0%	4,854	0.4%
90270	Maywood	17	0.5%	71.5%	2,349	0.7%
90660	Pico Rivera	14	0.4%	71.9%	6,985	0.2%
90280	South Gate	12	0.3%	72.2%	7,195	0.2%
90621	Buena Park	11	0.3%	72.5%	2,760	0.4%
90061	Los Angeles	11	0.3%	72.8%	3,349	0.3%
90502	Torrance	10	0.3%	73.1%	1,863	0.5%
90241	Downey	9	0.3%	73.4%	4,135	0.2%
90501	Torrance	9	0.3%	73.6%	3,867	0.2%
90240	Downey	9	0.3%	73.9%	1,920	0.5%
90605	Whittier	7	0.2%	74.1%	4,007	0.2%
90717	Lomita	6	0.2%	74.3%	2,241	0.3%
90505	Torrance	6	0.2%	74.4%	3,516	0.2%
90670	Santa Fe Springs	6	0.2%	74.6%	1,620	0.4%
90222	Compton	5	0.1%	74.8%	3,583	0.1%
90604	Whittier	4	0.1%	74.9%	3,718	0.1%
90755	Signal Hill	3	0.1%	75.0%	1,085	0.3%
90746	Carson	2	0.1%	75.0%	2,988	0.1%
Secondary Service Area Total		897	25.6%	75.0%	152,388	0.6%
Subtotal		2,626	75.0%	75.0%	221,864	1.2%
Other ZIPs		875	25.0%	100%		
Total		3,501	100%			

Note: Excludes normal newborns

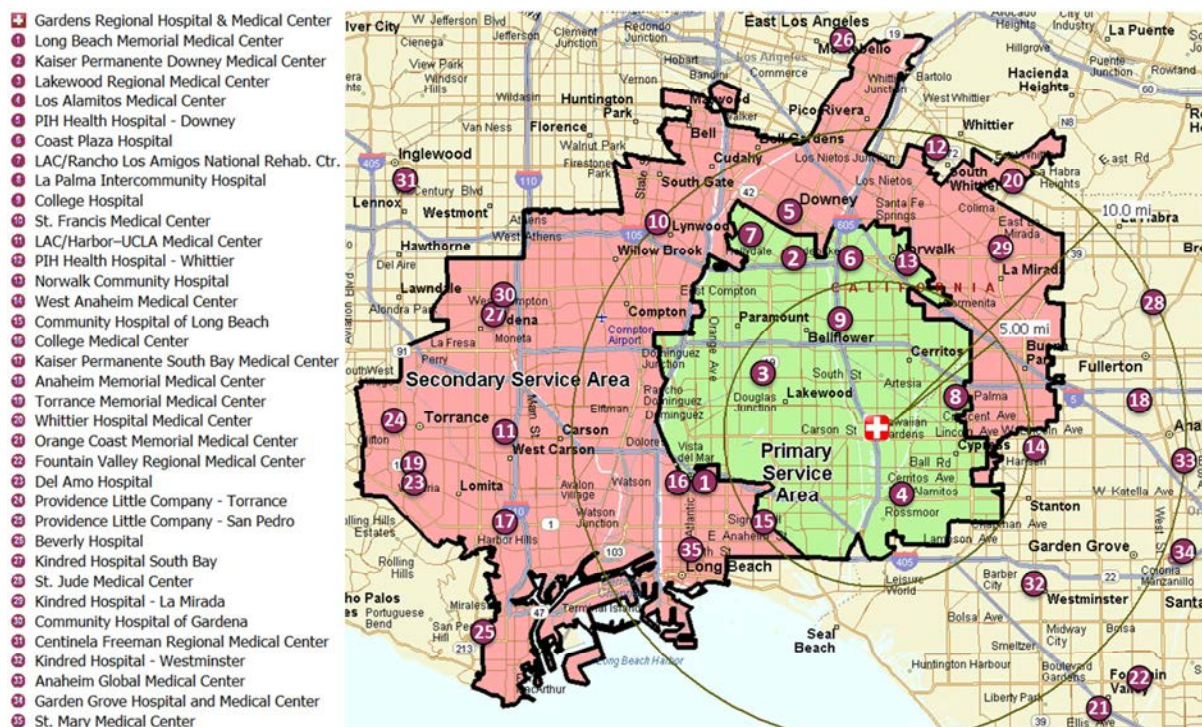
Source: OSHPD Patient Discharge Database

The Hospital's primary service area is comprised of 17 ZIP Codes from which approximately 49% of its discharges originated in 2014. In 2014, the Hospital's market share in the primary service area was 2.5%. The Hospital's secondary service area is comprised of 35 ZIP Codes from which approximately 26% of its discharges originated in 2014. In 2014, the Hospital's market share in the secondary service area was nearly 1%. In 2014, 75% of the Hospital's discharges originated in the combined primary and secondary service areas, and the Hospital's combined market share was approximately 1.2%.

Service Area Map

The Hospital's primary service area, with approximately 747,000 residents, includes the communities of Norwalk, Lakewood, Hawaiian Gardens, Artesia, Bellflower, Long Beach, Cerritos, Downey, Paramount, Cypress, Los Alamitos, and La Palma.

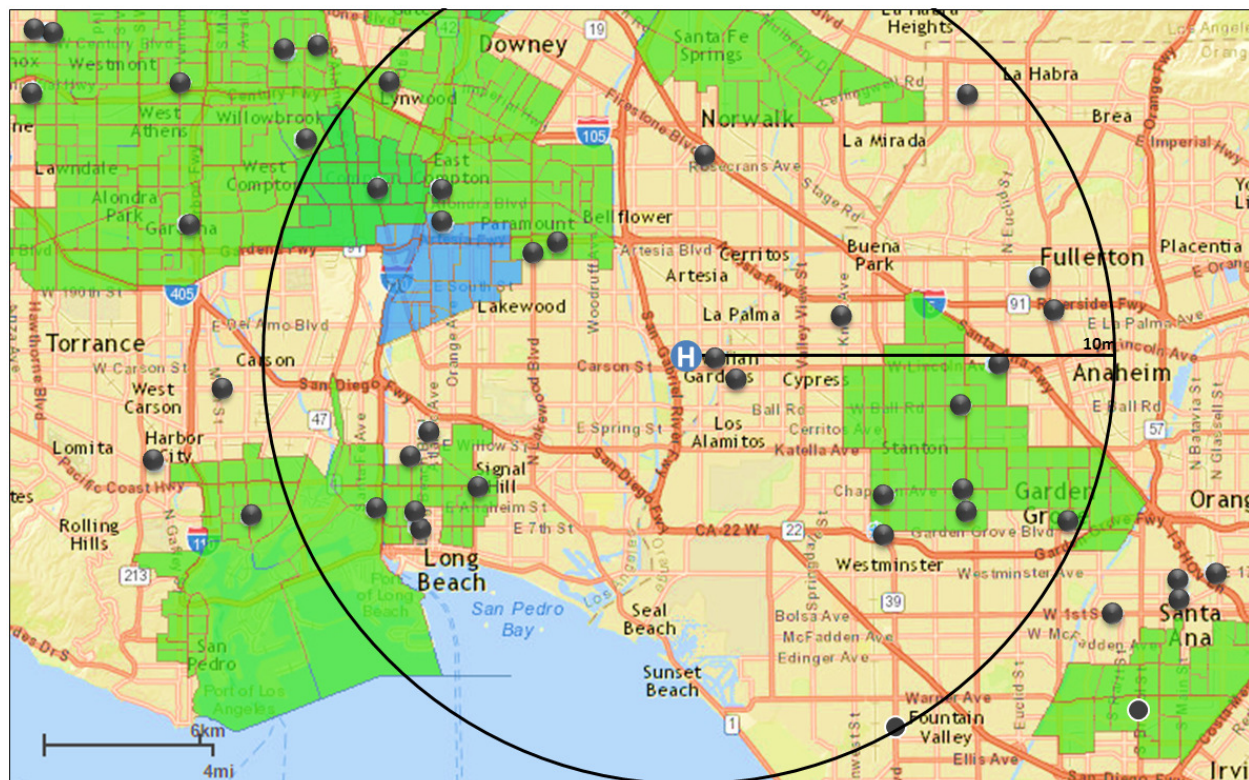
In addition to the Hospital, Kaiser Permanente Downey Medical Center, Lakewood Regional Medical Center, Los Alamitos Medical Center, Coast Plaza Hospital, LAC/Rancho Los Amigos National Rehabilitation Center, La Palma Intercommunity Hospital, College Hospital, and Norwalk Community Hospital are located within the Hospital's primary service area¹⁸. In the Hospital's secondary service area, there are 15 hospitals¹⁹.



¹⁸ Of the nine hospitals located in the primary service area, College Hospital is excluded from the analysis on the following pages due to its status as a psychiatric hospital.

¹⁹ Of the 15 hospitals located in the secondary service area, Del Amo Hospital is excluded from the analysis on the following pages due to its status as a psychiatric hospital. Additionally, Kindred Hospital South Bay and Kindred Hospital La Mirada are excluded because they provide post-acute care services.

The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). Although the Hospital is not located in a shortage area, portions of the service area to the north, northwest, and southwest of the Hospital are designated as shortage areas. The map below depicts these shortage areas relative to the Hospital's location.



 = Gardens Regional Hospital & Medical Center

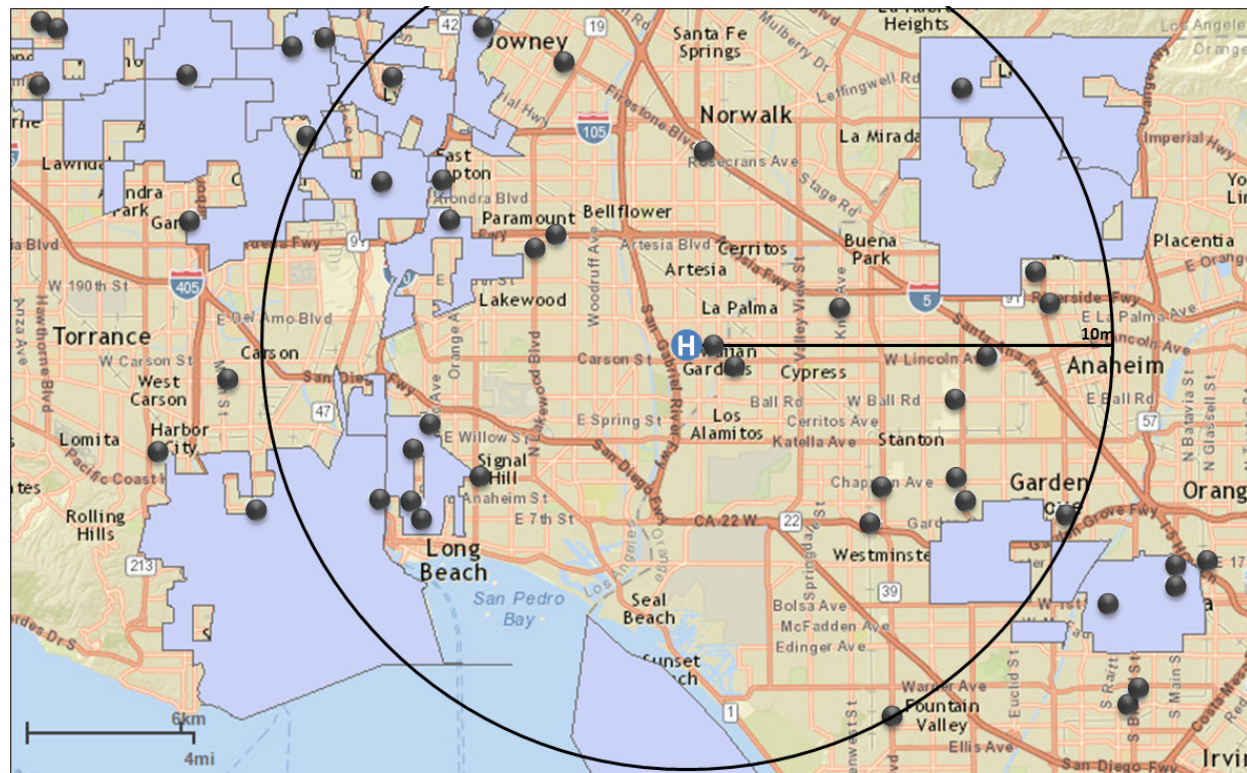
● = Federally Qualified Health Center

 = HPSA: Primary Care

 = HPSA: Mental Care

Medically Underserved Areas & Medically Underserved Populations

Medically Underserved Areas and Medically Underserved Populations are defined by the Federal Government to include areas or population groups that demonstrate a shortage of healthcare services. This designation process was originally established to assist the government in allocating community health center grant funds to the areas of greatest need. Medically Underserved Areas are identified by calculating a composite index of need indicators compiled and compared with national averages to determine an area's level of medical "under service." Medically Underserved Populations are identified based on documentation of unusual local conditions that result in access barriers to medical services. Medically Underserved Areas and Medically Underserved Populations are permanently set and no renewal process is necessary. The map below depicts the Medically Underserved Areas/Medically Underserved Populations relative to the Hospital's location.



- H** = Gardens Regional Hospital & Medical Center
- = Federally Qualified Health Center
- = MUA/MUP Designation

The census tract in which the Hospital is located is not Medically Underserved Areas/Medically Underserved Populations designated. However, a portion of the surrounding service area to the northwest and southwest of the Hospital are designated as Medically Underserved Area/ Medically Underserved Population areas.

There are also approximately 29 Federally Qualified Health Centers within a 10 mile radius of the Hospital, two of which are located in the City of Hawaiian Gardens. Federally Qualified Health Centers are health clinics that qualify for enhanced reimbursement from Medicare and Medicaid. They must provide primary care services to an underserved area or population, offer a sliding fee scale, have an ongoing quality assurance program, and have a governing board of directors. The ACA included provisions that increased federal funding to Federally Qualified Health Centers to help meet the anticipated demand for healthcare services by those individuals who gained healthcare coverage through the various health exchanges.

Demographic Profile

The Hospital's service area population is projected to grow by nearly 3.0% over the next five years. This is lower than both the expected growth rate for Los Angeles County (3.3%) and statewide (4.4%).

SERVICE AREA POPULATION STATISTICS			
	2016 Estimate	2021 Projection	% Change
Total Population	747,050	768,504	2.9%
Total Households	227,096	232,321	2.3%
Percentage Female	51.3%	51.0%	-

Source: Esri

The median age of the population in the Hospital's service area is 35.4 years, slightly lower than the statewide median age of 35.8 years. The percentage of adults over the age of 65 is the fastest growing age cohort, increasing by approximately 17% between 2016 and 2021. The number of women of child-bearing age is expected to increase slightly over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION				
	2016 Estimate		2021 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	147,591	19.8%	145,049	18.9%
Age 15-44	318,490	42.6%	324,206	42.2%
Age 45-64	187,137	25.1%	189,692	24.7%
Age 65+	93,833	12.6%	109,557	14.3%
Total	747,050	100%	768,504	100%
Female 15-44	160,480	21.5%	161,071	21.0%
Median Age	35.4	-	36.6	-

Source: Esri

The largest population cohorts in the Hospital's service area are White (47%), Some Other Race (20%), and Asian (19%). Approximately 54% of the service area population is of non-Hispanic origin. This is slightly higher than Los Angeles County (51%), but it is considerably higher than the California non-Hispanic population of 61%.

SERVICE AREA POPULATION RACE/ETHNICITY		
	2016 Estimate	2021 Projection
White	46.7%	45.9%
Black	8.6%	8.0%
American Indian or Alaska Native	0.7%	0.7%
Asian or Pacific Islander	19.0%	19.9%
Some Other Race	19.9%	20.1%
Two or More Races	5.4%	5.2%
Total	100%	100%
Hispanic Origin	46.0%	47.2%
Non-Hispanic or Latino	54.0%	52.8%
Total	100%	100%

Source: Esri

The Hospital's service area households have an average household income of \$84,758. This is only 1% lower than the Los Angeles County average of \$85,730, but it is approximately 7% lower than the State of California average of \$90,812. The percentage of higher-income households (\$150,000+) in the Hospital's service area is projected to grow at a similar rate (20%) to the Los Angeles County rate of nearly 20% and the State of California rate of approximately 21%.

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION						
	2016 Estimate			2021 Estimate		
	Service Area	Los Angeles County	California	Service Area	Los Angeles County	California
\$0 - \$15,000	8.9%	12.5%	10.9%	9.1%	12.9%	11.4%
\$15 - \$24,999	8.0%	9.8%	8.8%	7.4%	9.1%	8.0%
\$25 - \$34,999	8.2%	9.3%	8.6%	7.6%	8.5%	7.9%
\$35 - \$49,999	12.4%	12.3%	12.0%	10.1%	10.8%	11.0%
\$50 - \$74,999	18.8%	16.4%	16.4%	16.2%	14.1%	13.2%
\$75 - \$99,999	14.4%	11.8%	12.5%	14.8%	12.5%	13.3%
\$100 - \$149,999	17.1%	14.1%	15.4%	20.1%	16.4%	17.9%
\$150,000+	12.6%	13.8%	15.4%	14.5%	15.6%	17.5%
Total	100%	100%	100%	100%	100%	100%
Average Household Income	\$84,758	\$85,730	\$90,812	\$92,758	\$93,392	\$98,876

Source: Esri

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that approximately 21% of the population in the Hospital's service area was eligible for Medi-Cal coverage (the State of California average was also 21%). With the implementation of the ACA and the statewide expansion of Medi-Cal, the percentage of the State of California's population that is currently eligible for Medi-Cal has greatly increased, reporting a historic increase of more than 12 million total enrollees in the Medi-Cal program in 2015. Based on the Hospital's service area income demographics and payer mix, a significant percentage of service area residents qualify for Medi-Cal coverage under the ACA and California's participation in Medicaid.

Selected Health Indicators

A review of health indicators for Los Angeles County (deaths, diseases, and births) supports the following conclusions:

- Health indicators in Los Angeles County are superior to health indicators statewide for first trimester prenatal care and adequate/adequate plus care. However, health indicators in Los Angeles County are inferior to health indicators statewide for low birth weight infants. Measures for all three indicators do not meet the national goals.

NATALITY STATISTICS: 2016			
Health Status Indicator	Los Angeles County	California	National Goal
Low Birth Weight Infants	7.0%	6.7%	7.5%
First Trimester Prenatal Care	85.1%	83.5%	88.5%
Adequate/Adequate Plus Care	81.2%	78.6%	89.3%

Source: California Department of Public Health

- The overall age-adjusted mortality rate for Los Angeles County is higher than that of the State of California. Los Angeles County's rates for two out of the 18 reported causes are lower than the statewide rate (colorectal cancer and prostate cancer); and
- Los Angeles County achieved four out of the 14 reported national goals based on underlying and contributing cause of death.

2016 MORTALITY STATISTICS: RATE PER 100,000 POPULATION				
Selected Cause	Los Angeles County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	668.5	740.8	619.6	N/A
- All Cancers	131.9	148.1	146.5	161.4
- Colorectal Cancer	11.7	12.9	13.3	14.5
- Lung Cancer	30.3	34.5	31.7	45.5
- Female Breast Cancer	20.2	21.1	20.3	20.7
- Prostate Cancer	12.2	16.8	19.3	21.8
- Diabetes	25.4	28.4	20.4	N/A
- Alzheimer's Disease	31.3	35.1	30.1	N/A
- Coronary Heart Disease	101.5	113.2	96.6	103.4
- Cerebrovascular Disease (Stroke)	40.3	45.5	34.4	34.8
- Influenza/Pneumonia	18.8	21.0	15.3	N/A
- Chronic Lower Respiratory Disease	30.5	35.1	33.7	N/A
- Chronic Liver Disease And Cirrhosis	13.7	14.7	11.7	8.2
- Accidents (Unintentional Injuries)	36.9	38.7	28.2	36.4
- Motor Vehicle Traffic Crashes	13.1	13.1	7.9	12.4
- Suicide	9.7	10.4	10.2	10.2
- Homicide	7.8	7.8	5.0	5.5
- Firearm-Related Deaths	10.4	10.7	7.6	9.3
- Drug-Induced Deaths	10.9	11.6	11.3	11.3

Source: California Department of Public Health

- Los Angeles County has higher morbidity rates for four of the five health status indicators than the State of California overall, including AIDS, chlamydia, gonorrhea in males aged 15-44, and tuberculosis.

2016 MORBIDITY STATISTICS: RATE PER 100,000 POPULATION			
Health Status Indicator	Los Angeles County	California	National Goal
AIDS	12.1	7.3	N/A
Chlamydia	514.5	447.0	N/A
Gonorrhea Female 15-44	169.9	172.1	251.9
Gonorrhea Male 15-44	305.7	255.6	194.8
Tuberculosis	7.0	5.7	1.0

Source: California Department of Public Health

2013 Community Health Needs Assessment

In an effort to determine how the Hospital will give back to the community in the form of healthcare and other community services to address unmet community health needs, the Hospital is required by state and federal law to conduct a Community Health Needs Assessment every three years.

For the purposes of the assessment, the Hospital defined its service area as follows (60% of 2012 hospital inpatient admissions):

SERVICE AREA		
City	ZIP Code	Service Planning Area*
Artesia	90701	SPA 7
Bellflower	90706	SPA 7
Cerritos	90703	SPA 7
Hawaiian Gardens	90716	SPA 7
Lakewood	90715	SPA 7
Long Beach	90805	SPA 8
Norwalk	90650	SPA 7
Paramount	90723	SPA 6

Source: Hospital

* Geographic region within Los Angeles County that allows the Department of Public Health to provide relevant public health and specific services for the residents of the different areas

The assessment incorporated components of primary data collection and secondary data analysis, including demographic data, Healthy People 2020 data, community interviews, and other community resources, that focused on the health and social needs of the service area. Based on the results of the primary and secondary data collection, the following health needs and their level of priority were identified for the service area (in alphabetical order):

- Access to care (high);
- Cardiovascular disease (high);
- Childhood asthma (low);
- Diabetes (high);
- Mental health (medium);
- Overweight and obesity (high);
- Preventive practices, including screenings and vaccines (high);
- Smoking (low); and
- Teen births (low).

Hospital Supply, Demand & Market Share

There are eight general acute care hospitals within the Hospital's primary service area: the Hospital, Los Alamitos Medical Center, La Palma Intercommunity Hospital, Lakewood Regional Medical Center, Coast Plaza Hospital, Norwalk Community Hospital, Kaiser Foundation Hospital – Downey, and LAC/Rancho Los Amigos National Rehabilitation Center. Together, they reported a combined total of 1,395 licensed beds and an aggregate occupancy rate of approximately 55%. In FY 2015, the Hospital had 107 licensed beds that ran at an occupancy rate of nearly 47% and represented approximately 8% of the primary service area's beds. Currently, the Hospital is licensed for 137 beds²⁰.

An analysis of the services offered by the Hospital in comparison to services offered by other providers is shown on the following pages. The hospitals shown in the table below were analyzed to determine area hospital available bed capacity by service.

AREA HOSPITAL DATA: FY 2015								
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupancy	Miles from Hospital
Gardens Regional Hospital and Medical Center	Gardens Regional Hospital and Medical Center, Inc.	Hawaiian Gardens	X	107	3,444	18,315	46.8%	-
Los Alamitos Medical Center	Tenet Healthcare Corporation	Los Alamitos	X	167	9,477	44,934	73.7%	2.8
La Palma Intercommunity Hospital	Prime Healthcare Services Inc.	La Palma	X	141	3,774	19,721	38.3%	3.4
Lakewood Regional Medical Center	Tenet Healthcare Corporation	Lakewood	X	172	8,086	39,540	63.0%	5.0
Coast Plaza Hospital	Avanti Hospitals, LLC	Norwalk	X	117	3,262	13,910	32.6%	6.2
Norwalk Community Hospital ¹	Alta Los Angeles Hospitals, Inc.	Norwalk	X	50	2,833	15,589	85.4%	6.3
Kaiser Foundation Hospital - Downey	Kaiser Foundation Hospitals	Downey	X	352	17,591	69,887	54.2%	7.7
LAC/Rancho Los Amigos National Rehabilitation Center	Los Angeles County Dept of Health Services	Downey	X	289	3,395	57,788	54.8%	9.6
Sub-Total				1,395	51,862	279,684	54.9%	-
Community Hospital of Long Beach	Memorial Health Services	Long Beach		158	5,502	23,235	40.3%	5.7
Long Beach Memorial Medical Center	Memorial Health Services	Long Beach		458	20,906	101,736	60.9%	7.7
College Medical Center	CHLB, LLC	Long Beach		221	7,428	38,275	47.3%	8.3
St. Mary Medical Center - Long Beach	Dignity Health	Long Beach		302	10,743	45,629	41.3%	8.5
PIH Health Hospital - Downey	PIH Health Hospital	Downey		199	8,258	29,985	41.2%	9.3
Whittier Hospital Medical Center	Whittier Hospital Medical Center	Whittier		178	9,210	36,619	56.2%	10.6
St. Francis Medical Center	Verity Health System	Lynwood		384	19,563	80,038	56.9%	11.7
LAC/Harbor-UCLA Medical Center	Los Angeles County Dept of Health Services	Torrance		453	17,704	101,833	61.4%	14.8
Memorial Hospital of Gardena	Avanti Hospitals, LLC	Gardean		172	6,361	47,303	75.1%	15.2
Providence Little Company of Mary Medical Center - Torrance	Providence Health & Services	Torrance		442	22,335	91,297	56.6%	16.9
Torrance Memorial Medical Center	Torrance Hospital Association	Torrance		446	25,238	102,235	62.6%	17.2
Total				4,808	205,110	977,869	55.7%	-

Source: OSHPD Disclosure Reports, 2015

¹ OSHPD Alerts Annual Utilization Reports

- The aggregate occupancy rate for all primary and secondary service area hospitals is 56%. Norwalk Community Hospital, located 13.4 miles from the Hospital, runs at a high occupancy rate (85%); and
- Long Beach Memorial Medical Center, the largest provider of inpatient services to the primary service area, operates at an occupancy rate of 61%.

²⁰ Thirty of the Hospital's 137 licensed beds were previously operated by Kindred Hospital Tri-City as long-term acute care beds under a lease agreement with the Hospital. During this time, the Hospital reported 107 licensed beds. However, on August 21, 2015, Kindred Hospital Tri-City announced its decision to no longer renew the lease with the Hospital and discontinued operations of the 30 leased long-term acute care beds. As a result, the Hospital now operates the 30 beds as medical/surgical beds, and the Hospital is currently licensed for 137 beds under the 2016 hospital license. The Hospital's current hospital licensed is included in the Appendix.

Hospital Market Share

The table below illustrates market share discharges by individual hospital within the Hospital's primary service area from 2010 to 2014.

PRIMARY SERVICE AREA MARKET SHARE BY HOSPITAL: 2010 2014						
Hospital	2010	2011	2012	2013	2014	Trend
Long Beach Memorial Medical Center	12.2%	11.6%	11.8%	12.1%	11.3%	↘
Kaiser Foundation Hospital - Downey	10.4%	10.3%	9.8%	9.4%	9.9%	↔
Earl and Loraine Miller Childrens Hospital	6.7%	7.0%	7.5%	7.7%	7.8%	↗
Lakewood Regional Medical Center	6.7%	6.8%	7.0%	7.4%	7.4%	↗
Los Alamitos Medical Center	6.8%	7.1%	7.1%	7.2%	7.3%	↗
PIH Hospital - Downey	4.7%	4.9%	4.8%	4.4%	3.9%	↘
Coast Plaza Hospital	3.6%	3.3%	2.8%	3.3%	3.2%	↔
St. Mary Medical Center - Long Beach	3.3%	3.2%	2.4%	2.6%	2.8%	↗
La Palma Intercommunity Hospital	2.9%	2.6%	2.4%	2.6%	2.7%	↗
College Hospital	1.8%	2.0%	2.3%	2.5%	2.5%	↗
Gardens Regional Hospital and Medical Center	2.4%	2.1%	1.9%	2.3%	2.5%	↗
St. Francis Medical Center	2.1%	1.9%	2.0%	2.0%	2.2%	↔
LAC/Harbor-UCLA Medical Center	2.7%	2.6%	2.5%	2.4%	2.2%	↘ -
Presbyterian Intercommunity Hospital	2.0%	2.1%	2.1%	2.1%	2.2%	↔ -
Norwalk Community Hospital	1.7%	1.7%	1.5%	1.9%	2.0%	↗
Community Hospital Long Beach	1.5%	1.6%	1.4%	1.6%	1.8%	↗
Kaiser Foundation Hospital - Orange County - Anaheim	1.3%	1.2%	1.3%	1.7%	1.8%	↗
College Medical Center	1.8%	2.0%	2.3%	1.6%	1.7%	↔
All Other	25.4%	25.9%	27.0%	25.1%	24.8%	↘
Total Percentage -	100%	100%	100%	100%	100%	
Total Discharges	74,344	73,428	71,823	70,253	69,476	↘

Note: Excludes normal newborns

Source: OSHPD Inpatient Discharge Database, 2010-2014

- The number of discharges in the Hospital's primary service area has decreased by nearly 7% between 2010 and 2014;
- From 2010 to 2014, the Hospital has consistently ranked eleventh in terms of overall market share for its primary service area based on discharges (2.5% in 2014); and
- Long Beach Memorial Medical Center, Kaiser Foundation Hospital – Downey, and Earl and Loraine Miller Children's Hospital were ranked highest in market share (11.3%, 9.9%, and 7.8%, respectively) in 2014.

Market Share by Payer Type

The following table illustrates the primary service area's hospital market share by payer type as reported by OSHPD for 2014.

PRIMARY SERVICE AREA MARKET SHARE BY PAYER TYPE, 2014														
Payer Type	Total Discharges	Long Beach Memorial Medical Center	Kaiser Foundation Hospital Downey	Earl And Loraine Miller Childrens Hospital	Lakewood Regional Medical Center	Los Alamitos Medical Center	PIH Hospital Downey	Coast Plaza Hospital	St. Mary Medical Center Long Beach	La Palma Intercommunity Hospital	College Hospital	Gardens Regional Hospital and Medical Center	All Others	Total
Medicare	25,488	15.8%	9.7%	0.1%	10.7%	9.2%	4.6%	3.5%	2.1%	4.3%	1.5%	4.0%	34.6%	100%
Private Coverage	21,242	10.5%	17.6%	11.2%	5.3%	7.3%	3.2%	0.9%	1.3%	1.1%	4.6%	0.7%	36.4%	100%
Medi-Cal	18,614	6.6%	2.7%	15.2%	5.3%	2.5%	3.8%	5.5%	5.7%	2.5%	2.0%	2.6%	45.6%	100%
All Other	2,448	5.5%	0.5%	3.8%	11.5%	27.2%	2.6%	2.0%	0.9%	0.1%	7.9%	0.6%	37.5%	100%
Self Pay	1,684	14.7%	9.8%	6.1%	3.1%	0.2%	4.3%	3.4%	2.8%	2.4%	0.1%	3.7%	49.5%	100%
Total Percentage		11.3%	9.9%	7.8%	7.4%	7.3%	3.9%	3.2%	2.8%	2.7%	2.5%	2.5%	38.8%	100%
Total Discharges	69,476	7,861	6,884	5,415	5,165	5,042	2,713	2,190	1,933	1,845	1,754	1,729	26,945	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- For 2014, based on nearly 69,500 inpatient discharges, the largest payer types are Medicare at 37% and Private Coverage at 31%;
- Long Beach Memorial Medical Center is the market share leader for Medicare (16%) and Self Pay (15%), and Kaiser Foundation Hospital – Downey is the market share leader for Private Coverage (18%); and
- Earl and Loraine Miller Children's Hospital is the market share leader in Medi-Cal (15%) and Los Alamitos Medical Center is the market share leader in All Other payers (27%).

Market Share by Service Line

The following table illustrates the primary service area's hospital market share by service line for 2014.

PRIMARY SERVICE AREA MARKET SHARE BY SPECIALITY, 2014														
Service Line	Total Discharges	Long Beach Memorial Medical Center	Kaiser Foundation Hospital Downey	Earl And Loraine Miller Childrens Hospital	Lakewood Regional Medical Center	Los Alamitos Medical Center	Pih Hospital Downey	Coast Plaza Hospital	St. Mary Medical Center Long Beach	La Palma Intercommunity Hospital	College Hospital	Gardens Regional Hospital and Medical Center	All Others	Total
General Medicine	21,567	11.2%	10.0%	4.3%	10.2%	7.2%	4.8%	5.5%	1.9%	3.7%	0.0%	4.7%	36.5%	100%
Obstetrics	9,706	1.0%	13.9%	27.7%	0.1%	8.8%	4.8%	0.2%	7.6%	2.1%	0.0%	0.1%	33.8%	100%
Cardiac Services	7,265	15.9%	8.6%	0.4%	13.4%	6.8%	5.4%	5.4%	2.4%	4.3%	0.0%	3.3%	34.0%	100%
Behavioral Health	6,036	0.9%	1.0%	0.2%	1.8%	3.6%	0.1%	0.8%	0.2%	1.4%	29.1%	0.3%	60.6%	100%
General Surgery	5,280	15.6%	9.5%	3.7%	8.3%	7.0%	2.9%	3.0%	1.4%	2.7%	0.0%	2.5%	43.5%	100%
Orthopedics	3,948	18.3%	13.2%	3.1%	9.8%	9.5%	4.0%	1.2%	1.6%	1.1%	0.0%	1.4%	36.8%	100%
Neurology	3,153	16.3%	10.4%	3.1%	11.6%	9.9%	3.5%	4.3%	1.7%	3.1%	0.0%	2.5%	33.6%	100%
Neonatology	2,732	0.0%	20.8%	34.4%	0.0%	5.2%	2.3%	0.0%	5.0%	1.0%	0.0%	0.0%	31.3%	100%
Oncology/Hematology	2,210	16.7%	10.4%	5.2%	8.4%	6.8%	5.1%	1.9%	1.9%	2.1%	0.0%	2.6%	38.9%	100%
Gynecology	1,306	24.0%	10.0%	1.5%	5.4%	10.4%	4.0%	2.5%	3.4%	0.9%	0.0%	1.5%	36.4%	100%
Spine	1,179	24.4%	9.5%	1.0%	4.7%	8.7%	2.3%	1.6%	2.0%	1.3%	0.0%	2.0%	42.5%	100%
Vascular Services	1,015	20.1%	9.9%	0.4%	11.7%	8.3%	3.4%	2.3%	1.8%	1.9%	0.0%	1.3%	39.0%	100%
Other	1,005	26.1%	5.5%	6.4%	8.4%	6.1%	2.4%	1.8%	2.9%	1.0%	0.0%	0.9%	38.7%	100%
ENT	898	20.4%	4.1%	14.6%	5.5%	6.8%	3.3%	4.0%	1.4%	1.9%	0.0%	1.7%	36.3%	100%
Urology	887	12.6%	10.5%	1.9%	8.5%	11.3%	3.2%	3.2%	1.0%	1.5%	0.0%	3.3%	43.2%	100%
Rehabilitation	586	31.6%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	14.7%	0.0%	0.0%	0.0%	53.6%	100%
Neurosurgery	502	27.1%	1.8%	5.4%	7.8%	5.6%	3.0%	0.2%	0.8%	0.6%	0.0%	0.0%	47.8%	100%
<All others>	201	19.4%	3.5%	1.5%	3.0%	4.5%	1.0%	4.5%	0.5%	1.5%	0.0%	2.5%	58.2%	100%
Total Percentage		11.3%	9.9%	7.8%	7.4%	7.3%	3.9%	3.2%	2.8%	2.7%	2.5%	2.5%	38.8%	100%
Total Discharges	69,476	7,861	6,884	5,415	5,165	5,045	2,713	2,190	1,933	1,845	1,754	1,729	26,942	

Source: OSHPD Patient Discharge Database

Note: Excludes normal newborns

- Long Beach Memorial Medical Center is the service line leader in 13 of 16 service lines: general medicine (11%), cardiac services (16%), general surgery (16%), orthopedics (18%), neurology (16%), oncology/hematology (17%), gynecology (24%), spine (24%), vascular services (20%), ear, nose and throat (20%), urology (13%), rehabilitation (32%), and neurosurgery (27%);
- Earl and Loraine Miller Children's Hospital is the service line leader in obstetrics (28%) and neonatology (34%); and
- College Hospital is the service line leader in behavioral health (29%).

Market Share by ZIP Code

The following table illustrates the primary service area's hospital market share by ZIP Code for 2014.

PRIMARY SERVICE AREA MARKET SHARE BY ZIP CODE, 2014															
ZIP Code	Community	Total Discharges	Long Beach Memorial Medical Center	Kaiser Foundation Hospital Downey	Earl And Loraine Miller Childrens Hospital	Lakewood Regional Medical Center	Los Alamitos Medical Center	Pih Hospital Downey	Coast Plaza Hospital	St. Mary Medical Center Long Beach	La Palma Intercommunity Hospital	College Hospital	Gardens Regional Hospital and Medical Center	All Others	Total
90650	Norwalk	11,201	1.9%	12.1%	3.2%	2.8%	2.0%	7.7%	15.2%	0.8%	1.3%	2.2%	2.8%	48.1%	100%
90805	Long Beach	9,828	19.0%	6.6%	16.0%	11.1%	2.0%	0.7%	0.3%	6.5%	1.1%	1.5%	1.0%	34.1%	100%
90706	Bellflower	7,311	5.3%	16.4%	8.0%	15.4%	3.0%	4.9%	2.8%	2.6%	1.7%	3.0%	2.1%	34.9%	100%
90723	Paramount	5,023	4.9%	12.2%	8.3%	12.9%	1.0%	5.4%	0.8%	4.5%	4.2%	1.7%	1.4%	42.6%	100%
90703	Cerritos	4,249	5.7%	12.4%	2.8%	6.8%	8.6%	2.7%	1.3%	0.8%	8.9%	15.0%	2.9%	32.1%	100%
90242	Downey	4,034	1.9%	17.7%	4.6%	2.8%	1.7%	20.7%	1.5%	1.3%	0.8%	1.6%	2.2%	43.3%	100%
90630	Cypress	3,731	7.4%	2.8%	2.4%	0.8%	25.9%	0.3%	0.2%	0.7%	6.6%	1.2%	0.5%	51.1%	100%
90815	Long Beach	3,722	24.8%	4.4%	9.4%	1.8%	10.6%	0.3%	0.1%	4.0%	0.0%	0.6%	4.1%	39.9%	100%
90807	Long Beach	3,683	31.6%	4.0%	10.5%	3.1%	2.4%	0.2%	0.1%	4.6%	0.4%	1.4%	1.0%	40.6%	100%
90808	Long Beach	3,586	24.3%	7.3%	10.3%	3.5%	15.7%	0.5%	0.2%	3.9%	0.5%	0.9%	1.2%	31.7%	100%
90712	Lakewood	2,780	19.9%	11.8%	10.5%	19.3%	4.8%	1.1%	0.2%	3.1%	0.3%	1.9%	0.6%	26.7%	100%
90713	Lakewood	2,438	18.8%	12.4%	9.7%	16.0%	8.9%	0.8%	0.2%	1.8%	1.1%	1.8%	2.5%	26.0%	100%
90720	Los Alamitos	1,837	12.6%	4.2%	6.3%	0.8%	38.2%	0.1%	0.0%	0.8%	1.3%	0.8%	0.2%	34.8%	100%
90701	Artesia	1,826	3.4%	7.8%	3.5%	7.5%	10.7%	2.5%	2.2%	0.7%	9.3%	1.8%	9.1%	41.4%	100%
90715	Lakewood	1,787	8.2%	10.9%	8.3%	6.6%	11.8%	2.1%	0.4%	2.2%	5.8%	2.0%	11.9%	29.9%	100%
90716	Hawaiian Gardens	1,230	6.7%	5.4%	7.5%	2.4%	25.4%	0.8%	1.2%	1.6%	3.7%	1.5%	14.0%	29.8%	100%
90623	La Palma	1,210	4.7%	3.0%	2.3%	1.3%	11.7%	0.8%	0.2%	0.6%	15.6%	0.6%	0.2%	59.0%	100%
Total Percentage			11.3%	9.9%	7.8%	7.4%	7.3%	3.9%	3.2%	2.8%	2.7%	2.5%	2.5%	38.8%	
Total Discharges			69,476	7,861	6,883	5,415	5,165	5,045	2,713	2,190	1,933	1,845	1,754	1,729	26,943

Source: OSHPD Patient Discharge Database

Note: Excludes normal newborns

- The Hospital is the market share leader in one of the ZIP Codes within its primary service area. In this ZIP Code, located in Lakewood, the Hospital had nearly 12% of the market share;
- Long Beach Memorial Medical Center is the market share leader in six primary service area ZIP Codes, located in Long Beach and Lakewood; and
- Los Alamitos Medical Center is the market share leader in four primary service area ZIP Codes, located in Cypress, Los Alamitos, Artesia, and Hawaiian Gardens.

Service Availability by Bed Type

The tables on the following pages illustrate the existing primary service area and secondary service area's general acute care hospital bed capacity, occupancy, and bed availability for medical/surgical, intensive care, and emergency services for FY 2015.

Medical/Surgical Capacity Analysis

There are 776 licensed medical/surgical beds within the Hospital's primary service area that have an overall occupancy rate of 57%. The Hospital's 89 licensed medical/surgical beds²¹ represented approximately 12% of the beds in this category for the primary service area.

MEDICAL/SURGICAL ACUTE BEDS: FY 2015							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Occupancy
Gardens Regional Hospital and Medical Center -	-	X	89	3,254	15,904	43.5	48.8%
Los Alamitos Medical Center	2.8	X	113	7,123	27,809	76.2	67.4%
La Palma Intercommunity Hospital	3.4	X	105	2,897	13,159	36.1	34.3%
Lakewood Regional Medical Center	5.0	X	53	2,838	11,477	31.4	59.3%
Coast Plaza Hospital	6.2	X	90	1,656	6,202	17.0	18.9%
Norwalk Community Hospital ¹	6.3	X	37	2,682	13,650	37.4	101.1%
Kaiser Foundation Hospital - Downey	7.7	X	182	11,689	44,071	120.4	66.2%
LAC/Rancho Los Amigos National Rehabilitation Center	9.6	X	107	1,716	28,301	77.5	72.5%
Sub-Total			776	33,855	160,573	439.5	56.7%
Community Hospital of Long Beach	5.7		100	3,191	11,848	32.4	32.4%
Long Beach Memorial Medical Center	7.7		194	842	11,750	32.2	16.6%
College Medical Center	8.3		55	2,472	8,257	22.6	41.0%
St. Mary Medical Center - Long Beach	8.5		143	6,470	23,344	63.8	44.6%
PIH Health Hospital - Downey	9.3		96	2,613	8,031	21.9	22.9%
Whittier Hospital Medical Center	10.6		63	3,167	10,219	27.9	44.3%
St. Francis Medical Center	11.7		185	9,448	40,492	110.6	59.8%
LAC/Harbor-UCLA Medical Center	14.8		270	12,980	69,117	188.8	69.9%
Memorial Hospital of Gardena	15.2		38	4,073	10,086	27.6	72.7%
Providence Little Company of Mary Medical Center - Torrance	16.9		185	12,991	43,100	117.8	63.7%
Torrance Memorial Medical Center	17.2		185	11,834	41,483	113.3	61.3%
Total			2,290	103,936	438,300	750.9	71.6%

Source: OSHPD Disclosure Reports, 2015

¹ OSHPD Alerts Annual Utilization Reports

- The Hospital reported 3,254 inpatient hospital discharges and 15,904 patient days resulting in an occupancy rate of 49% and an average daily census of 44 patients for FY 2015; and
- Norwalk Community Hospital reported the highest occupancy rate in the primary service area, running at 101%.

²¹ Under the Hospital's 2016 license, the Hospital has increased its bed licensure and is currently licensed for 119 medical/surgical beds. However, FY 2016 data submitted to OSHPD is currently unavailable.

Intensive Care/Coronary Care Capacity Analysis

There are 130 intensive care/coronary care beds within the primary service area with an overall occupancy rate of approximately 38%. The Hospital has 18 licensed intensive care/coronary care beds with a 37% average occupancy rate in FY 2015 (average daily census of approximately 7 patients).

MEDICAL/SURGICAL INTENSIVE CARE BEDS: FY 2015							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Occupancy
Gardens Regional Hospital and Medical Center	-	X	18	190	2,411	6.6	36.6%
Los Alamitos Medical Center	2.8	X	17	604	6,165	16.9	99.4%
La Palma Intercommunity Hospital	3.4	X	8	126	1,910	5.2	65.2%
Lakewood Regional Medical Center	5.0	X	22	613	7,041	19.3	87.7%
Coast Plaza Hospital	6.2	X	7	191	2,333	6.4	91.3%
Norwalk Community Hospital ¹	6.3	X	6	151	1,939	5.3	88.5%
Kaiser Foundation Hospital - Downey	7.7	X	30	198	3,956	10.8	36.0%
LAC/Rancho Los Amigos National Rehabilitation Center	9.6	X	12	154	1,577	4.3	36.0%
Sub-Total			120	2,227	27,332	74.8	34.2%
Community Hospital of Long Beach	5.7		30	226	2,494	6.8	22.7%
Long Beach Memorial Medical Center	7.7		60	982	16,126	44.2	73.6%
College Medical Center	8.3		16	146	1,448	4.0	24.7%
St. Mary Medical Center - Long Beach	8.5		47	353	5,821	15.9	33.8%
PIH Health Hospital - Downey	9.3		18	351	3,910	10.7	59.4%
Whittier Hospital Medical Center	10.6		16	266	2,802	7.7	47.8%
St. Francis Medical Center	11.7		36	813	8,689	23.7	65.9%
LAC/Harbor-UCLA Medical Center	14.8		36	543	11,509	31.4	87.3%
Memorial Hospital of Gardena	15.2		10	192	3,111	8.5	85.2%
Providence Little Company of Mary Medical Center - Torrance	16.9		28	809	7,048	19.3	68.8%
Torrance Memorial Medical Center	17.2		36	748	9,411	25.7	71.4%
Total			453	7,656	99,701	272.7	67.1%

Source: OSHPD Disclosure Reports, 2015

¹ OSHPD Airts Annual Utilization Reports

- For FY 2015, the average daily census for all primary service area hospitals was 83 patients based on 30,289 patient days; and
- In FY 2015, the Hospital provided 14% of the primary service area's intensive care/coronary care beds.

Emergency Department Volume at Hospitals in the Service Area

In 2015, the Hospital had eight emergency treatment stations. In total, there are currently 123 treatment stations among all primary service area hospitals. The table below shows the visits by severity category for area emergency departments as reported by OSHPD's Automated Licensing Information and Report Tracking System.²²

EMERGENCY DEPARTMENT VISITS BY CATEGORY: 2015												
Hospital	Miles from Hospital	Within the Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
Gardens Regional Hospital and Medical Center	-	X	Basic	8	12,682	405	3,292	2,374	5,489	1,122	23.7%	1,292
Los Alamitos Medical Center*	2.8	X	Basic	20	31,700	1,864	958	7,920	11,258	9,700	18.6%	646
La Palma Intercommunity Hospital	3.4	X	Basic	10	16,030	800	391	2,894	4,926	7,019	18.9%	0
Lakewood Regional Medical Center*	5.0	X	Basic	14	54,726	5,222	4,491	15,406	16,747	12,860	11.8%	1,170
Coast Plaza Hospital	6.2	X	Basic	8	16,680	0	2,041	5,456	4,468	4,715	23.3%	4
Kaiser Foundation Hospital - Downey	7.7	X	Basic	63	95,026	1,925	5,389	64,266	19,427	4,019	10.1%	2,777
LAC/Rancho Los Amigos National Rehabilitation Center	9.6	X	-	-	-	-	-	-	-	-	-	-
Sub-Total -				123	226,844	10,216	16,562	98,316	62,315	39,435	14.1%	5,889
Community Hospital of Long Beach	5.7		Basic	21	29,386	350	6,800	9,701	6,805	2,730	15.6%	334
Long Beach Memorial Medical Center	7.7		Basic	53	101,485	626	2,642	44,404	43,744	10,069	14.9%	1,955
College Medical Center	8.3		Basic	7	15,487	1,274	1,540	4,594	4,241	3,838	33.1%	707
St. Mary Medical Center - Long Beach*	8.5		Basic	26	55,337	2,339	12,071	22,928	9,043	2,255	12.1%	955
PIH Health Hospital - Downey	9.3		Basic	22	50,393	424	6,307	15,463	19,568	8,631	10.7%	2,440
Whittier Hospital Medical Center	10.6		Basic	11	29,408	73	954	12,725	7,217	8,439	15.7%	72
St. Francis Medical Center	11.7		Basic	46	70,855	4,226	8,667	21,793	20,918	15,251	12.3%	2,672
LAC/Harbor-UCLA Medical Center	14.8		Basic	84	65,162	2,695	16,392	34,760	9,363	1,952	40.5%	2,094
Memorial Hospital of Gardena	15.2		Basic	10	33,868	54	2,457	13,949	11,516	5,892	9.9%	178
Providence Little Company of Mary Medical Center - Torrance	16.9		Basic	29	76,272	678	4,122	22,278	24,440	24,754	17.6%	181
Torrance Memorial Medical Center	17.2		Basic	29	80,407	191	6,561	28,809	23,359	21,487	20.1%	357
Total -				461	834,904	23,146	85,075	329,720	242,529	144,733	17.0%	17,834

Source: OSHPD Airls Annual Utilization Reports, 2015

* Data does not include the 6,701 admitted patients in visit type totals

- The Hospital's emergency department went on diversion²³ for 1,292 hours in 2015;
- The Hospital's eight emergency treatment stations accounted for approximately 7% of all emergency treatment stations. In addition, the Hospital's 12,682 emergency service visits accounted for 6% of all emergency department visits within the primary service area;
- Nearly 24% of the Hospital's emergency department visits resulted in admission; and
- Approximately 14% of the primary service area's emergency department visits resulted in admission to the hospital.

²² The OSHPD Automated Licensing Information and Report Tracking System contains license and utilization data information of healthcare facilities in California.

²³ A hospital goes on diversion when there are not enough beds or staff available in the emergency room or the hospital itself to adequately care for patients. When a hospital goes on diversion, it notifies the area Emergency Medical Services Agency so that patients can be transported to other area hospitals with sufficient capacity.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2015, the Hospital's emergency department was operating at 79% of its eight-bed capacity.

EMERGENCY DEPARTMENT CAPACITY: 2015							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Gardens Regional Hospital and Medical Center -	-	X	Basic	8	12,682	16,000	3,318
Los Alamitos Medical Center	2.8	X	Basic	20	31,700	40,000	8,300
La Palma Intercommunity Hospital	3.4	X	Basic	10	16,030	20,000	3,970
Lakewood Regional Medical Center	5.0	X	Basic	14	54,726	28,000	(26,726)
Coast Plaza Hospital	6.2	X	Basic	8	16,680	16,000	(680)
Kaiser Foundation Hospital - Downey	7.7	X	Basic	63	95,026	126,000	30,974
LAC/Rancho Los Amigos National Rehabilitation Center	9.6	X	-	-	-	-	-
Sub-Total				123	226,844	246,000	19,156
Community Hospital of Long Beach	5.7		Basic	21	29,386	42,000	12,614
Long Beach Memorial Medical Center	7.7		Basic	53	101,485	106,000	4,515
College Medical Center	8.3		Basic	7	15,487	14,000	(1,487)
St. Mary Medical Center - Long Beach	8.5		Basic	26	55,337	52,000	(3,337)
PIH Health Hospital - Downey	9.3		Basic	22	50,393	44,000	(6,393)
Whittier Hospital Medical Center	10.6		Basic	11	29,408	22,000	(7,408)
St. Francis Medical Center	11.7		Basic	46	70,855	92,000	21,145
LAC/Harbor-UCLA Medical Center	14.8		Basic	84	65,162	168,000	102,838
Memorial Hospital of Gardena	15.2		Basic	10	33,868	20,000	(13,868)
Providence Little Company of Mary Medical Center - Torrance	16.9		Basic	29	76,272	58,000	(18,272)
Torrance Memorial Medical Center	17.2		Basic	29	80,407	58,000	(22,407)
Total				461	834,904	922,000	87,096

Source: OSHPD Alirits Annual Utilization Reports, 2015

- The emergency departments at Coast Plaza Hospital and Lakewood Regional Medical Center are over capacity, operating at 104% and 195% capacity, respectively. Lisa Burden, Director of Emergency Services at Lakewood Regional Medical Center, stated that Lakewood Regional Medical Center's emergency department is very busy and sees 130 emergency visits per day, on average. It has six overflow/surge beds that are almost always utilized to accommodate the high volume of patients; and
- Overall, the primary service area hospitals' emergency departments are at approximately 92% capacity and have very little extra available capacity.

Summary of Interviews -

In August, September, and October of 2016, both in-person and telephone interviews were conducted with representatives of the Seller and the Purchaser, as well as physicians, hospital employees, and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding any potential impact on healthcare availability and accessibility as a result of the proposed transaction. The list of individuals who were interviewed is located in the Appendix of this report. The major findings of these interviews are summarized below:

Reasons for the Proposed Transaction

Those interviewed cited a number of reasons for the transaction, including the following:

- The Hospital's poor financial performance and difficulty in sustaining operations that led the Seller to file bankruptcy on June 6, 2016. Without the transaction, there could be a reduction of services provided by the Hospital or the potential closure of the Hospital, thereby reducing community access to medical care and increasing demand at other area emergency departments and hospitals;
- A change in ownership and management is necessary to keep the Hospital from eliminating services or closing. The best interests of the patients and the communities will be met by finding a suitable buyer to assume ownership and invest in the Hospital;
- The frequent changes in the Hospital's management during the past five to six years without improved financial success;
- A loss of payer contracts, services, key physicians, and affiliations with area independent physician associations and medical groups over the past few years that has led to a significant decline in the Hospital's patient census;
- The end of the relationship with Kindred Hospital Tri-City, which previously contributed to the Hospital's revenue by leasing and operating 30 of the Hospital's beds as long-term acute care beds;
- The declining reputation of the Hospital and pending litigation and arbitration matters; and
- The lack of necessary resources has delayed capital investments, including those required for seismic compliance.

Importance of the Hospital to the Community

According to all who were interviewed, the Hospital is an important provider of healthcare services to the local community. Interviewees believed that the Hospital is especially important for its provision of emergency services, particularly for the homeless and uninsured populations. Some of the other programs and services at the Hospital that were also mentioned as important include the following:

- General surgical services;
- Gastroenterology services; and
- Intensive care services.

Some of those interviewed also noted that the Hospital was previously considered a Bariatric Center of Excellence and provided spine care and orthopedics services through its Center for Advanced Spine Care. However, the Hospital's bariatric, spine, and orthopedic services have declined significantly in volume over the past few years.

JWCH Institute, Inc., a nonprofit provider of Federally Qualified Health Center services throughout Los Angeles County, operates three clinics in the Hospital's primary service area, including one school-based clinic located directly across the street from the Hospital at Fedde Middle School. Al Ballesteros, Chief Executive Officer of JWCH Institute, Inc., stated that the Hospital is very important to the community and is the primary resource for healthcare services for many of the residents of Hawaiian Gardens. He explained that without the Hospital, many of the uninsured and underserved residents, often with limited access to transportation, could experience difficulty in trying to access services at other hospitals.

Many of those interviewed felt that with more resources and capital, the Hospital could have the potential to strengthen its role as a community hospital and could possibly offer additional inpatient services to area residents, as well as expanded outpatient services.

Selection of the Purchaser for the Proposed Transaction

The majority of those interviewed expressed support for the proposed transaction. Almost all of those interviewed understood the Hospital's dire financial circumstances and cash flow shortage, and emphasized that a new owner would be well-received assuming the Hospital continues to provide the same level of services and the owner makes necessary capital investments to improve the Hospital. Many of those interviewed expressed the following desires and opportunities for the Hospital upon the Closing Date:

- Increased financial support and funding of capital improvements;

- Opportunity for a physician alignment platform and Independent Physician Association affiliations;
- Opportunity for service expansion and ability to better meet the needs of the community; and
- Access to a managed care strategy and managed care contracts.

While many of those interviewed were optimistic about the positive changes a new owner can bring to the Hospital, most of the interviewees were unfamiliar with and not well-informed about the Purchaser. Some of those interviewed expressed a few concerns about the potential transaction, including the following:

- The Purchaser may not be able to improve the financial performance of the Hospital and the Hospital may face bankruptcy again or possible closure;
- The Purchaser may reduce or eliminate unprofitable services, negatively impacting the accessibility and availability of healthcare services for the communities served by the Hospital;
- The Purchaser may reduce staffing and other types of expenses, which could have a negative impact on the quality and delivery of patient care; and
- The Purchaser may not absorb the CBA with SEIU Local 121RN, and the Hospital's registered nurses might not be covered as a result.

Despite these concerns, most interviewees emphasized that they support the transaction and hope that the Hospital will be operated appropriately moving forward, employees will be treated well, and the surrounding community will continue to be served.

Impact on the Availability & Accessibility of Healthcare Services

Almost all interviewed believed that the purchase of the Hospital would not negatively impact the availability or accessibility of healthcare services. While a few interviewees were concerned about the potential closure of unprofitable services, it was believed by many of those interviewed that the Purchaser can help to stabilize the Hospital's services, operations, and finances, and subsequently preserve access to services.

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

Continuation as a General Acute Care Hospital

The terms of the APA state that the Purchaser intends to continue the use of the Hospital primarily as a licensed acute care hospital facility for a minimum of three years. None of the parties to the transaction expect that there will be any reductions in the availability or accessibility of healthcare services. Because the Purchaser is a for-profit entity, the Hospital will no longer be operated as a nonprofit hospital organization and will be operated as a for-profit hospital.

Emergency Services

In 2015, the Hospital reported nearly 12,700 visits to its eight emergency treatment stations, operating at 79% capacity (based on a standard of 2,000 visits per station, per year). As a result of the ACA and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. Because of this and the growing shortage of primary care physicians, emergency department utilization is expected to increase within the service area.

The Hospital is not a designated trauma center, a designated STEMI Receiving Center, or a certified Primary Stroke Center. Additionally, the Hospital does not currently provide obstetrics services. However, patients that come to the Hospital's emergency department that require trauma, stroke, heart attack, or labor and delivery services are stabilized and then transferred to another area hospital that can treat these types of patients. Currently, the Hospital has three transfer agreements in place with Long Beach Memorial Medical for patients requiring general services, special services, and trauma services.

Cathy Chidester, Director of the Los Angeles County Emergency Medical Services Agency, stated that the Hospital's emergency department "is an important resource to the residents of Hawaiian Gardens, especially to the low income and vulnerable populations." Maintaining the Hospital's emergency department is important for ensuring the provision of emergency services within the Hospital's service area. Also, emergency services on a 24-hour basis seven days a week are required under the Special Use Permit issued by the City of Hawaiian Gardens.

Medical/Surgical Services

The Hospital is an important provider of traditional medical/surgical needs with 89 licensed medical/surgical beds in 2015 that recently increased to 119 licensed medical/surgical beds in 2016²⁴. In FY 2015, the Hospital reported an average daily census of approximately 44 patients (49% occupancy) on its 89 licensed medical/surgical beds.

²⁴ See pages 42 and 47 for further explanation.

Intensive Care/Coronary Care Services

The Hospital provided 14% of the primary service area's intensive care/coronary care beds in FY 2015 with a low occupancy rate of 37% on its 18 licensed intensive care beds. These services are an important resource for supporting the Hospital's emergency department and surgical services. Five closest service area hospital (including Los Alamitos Medical Center, La Palma Intercommunity Hospital, Lakewood Regional Medical Center, Coast Plaza Hospital, and Norwalk Community Hospital) are all running at occupancy rates of over 65% on their intensive care beds. Without the intensive care beds at the Hospital, area availability of intensive care services may be negatively impacted. In addition, intensive care services with coronary equipment to handle cardiac patients are required under the Special Use Permit issued by the City of Hawaiian Gardens.

Reproductive Health Services

The Hospital does not provide women's reproductive healthcare services. Therefore, the proposed transaction should have no impact on access to women's reproductive services.

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

Approximately 92% of the Hospital's inpatients are reimbursed through Medicare (65%) and Medi-Cal (27%). Currently, the Hospital is contracted with L.A. Care Health Plan and Anthem Blue Cross of California to provide care for Medi-Cal managed care beneficiaries. As a provider of care for Medi-Cal managed care patients and indigent Los Angeles County residents, it is important to maintain the Hospital's Medi-Cal managed care contracts.

The Purchaser has agreed in the APA to continue to operate the Hospital's emergency department. This will help to ensure access of services to Medicare and Medi-Cal patients. In addition, confirming to all requirements necessary for certification under the federal Medicare and Medi-Cal programs is required under the Special Use Permit issued by the City of Hawaiian Gardens.

Effects on the Level & Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on the Hospital for healthcare services. The Hospital has historically provided a significant amount of charity care, averaging nearly \$2.3 million per year over the last five years (on a cost basis). While the Hospital is likely to continue providing similar levels of charity care, the Purchaser has not made any specific commitment to charity care in the APA. In addition, providing emergency first aid treatment to patients regardless of financial status is required under the Special Use Permit issued by the City of Hawaiian Gardens.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging approximately \$860,000 per year over the last five years (on a cost basis). While the Hospital is likely to continue providing similar community benefit services, the Purchaser has not made any specific commitment in the APA.

Effects on Staffing & Employee Rights

Under the terms of the APA, the employment status of the majority of the Hospital's employees shall not be negatively impacted. It is anticipated that the Purchaser will recruit new medical staff and expand services at the Hospital. As a result, it is likely that the number of employees will increase.

All of the Hospital's registered nurses are covered by a CBA with SEIU Local 121RN. Currently, the Hospital has completed a new CBA with SEIU Local 121RN that has been ratified by SEIU and approved by the bankruptcy court. According to the terms of the APA, the Purchaser has agreed to comply with the applicable laws and bankruptcy court orders relating to any CBAs and labor contracts.

Effects on Medical Staff

As a result of the APA, no changes to the Hospital's medical staff are expected. The terms of the APA state that the Purchaser agrees that the Hospital's medical staff members in good standing upon the Closing Date shall maintain their medical staff privileges at the Hospital.

Alternatives

Because the APA is driven by financial necessity, if the proposed transaction were not approved or completed, the Seller would seek an agreement with the backup offer from Le Summit Healthcare, LLC as determined by the auction process in order to avoid closure.

Conclusions -

The Hospital contends the proposed transaction between the Seller and Strategic Global Management, Inc. will help ensure continued operation of the medical services offered at the Hospital and avoid closure.

Potential Conditions for Transaction Approval by the California Attorney General

If the California Attorney General approves the proposed transaction, MDS recommends the following conditions be required in order to minimize any potential negative healthcare impact that might result from the transaction:

1. For at least five years from the Closing Date of the transaction, the Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from the Closing Date of the transaction, the Hospital shall maintain 24-hour emergency medical services at a minimum of 8 treatment stations with the same types and/or levels of services;
3. For at least five years from the Closing Date of the transaction, the Hospital shall maintain its intensive care services at a minimum of 9 intensive care/coronary care beds with the same types and/or levels of services;
4. For at least five years from the Closing Date of the transaction, the Hospital shall maintain a charity care policy that is no less favorable than the Hospital's current charity care policy and in compliance with California and Federal law, and the Hospital shall provide an annual amount of Charity Care equal to or greater than \$2,250,178 (the "Minimum Charity Care Amount"). For purposes herein, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by the Hospital in connection with the operations and provision of services at the 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 for Los Angeles-Riverside-Orange County, California;
5. For at least five years from the Closing Date of the transaction, the Hospital shall continue to expend an average of no less than \$859,882 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles-Riverside-Orange County, California. The Health Insurance Enrollment Assistance program shall continue to be offered.

6. For at least five years from the Closing Date of the transaction, the 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 or their successors:
 - a. L.A. Care Health Plan or its successor; and
 - b. Anthem Blue Cross of California or its successor.
7. For at least five years from the Closing Date of the transaction, the Hospital shall maintain its Hospital Preparedness Program Agreement subject to the request of the County of Los Angeles; and
8. For at least five years from the Closing Date of the transaction, the 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.

Appendix -

List of Interviewees

Last Name	First Name	Position	Affiliation
Ballasteros	Al	Chief Executive Officer	Wesley Health Centers & JWCH Institute, Inc.
Bhatia, PhD	Hussein	Supervisor, Seismic Compliance Unit	Office of Statewide Health Planning & Development
Burden	Lisa	Director, Emergency Services	Lakewood Regional Medical Center
Camanyag	Natividad	Union Representative	SEIU Local121 RN
Chaudhuri, MD	Kali	Chairman & Chief Executive Officer	KPC Global Management, LLC
Chidester, RN, MSN	Cathy	Director	Los Angeles County Emergency Medical Services Agency
Collins	John	Chief Financial Officer, Hospital Operations	KPC Global Management, LLC
Cordova	Cory	Union Representative	SEIU Local121 RN
Dahyia, MD	Shyam	Director, Surgery	Gardens Regional Hospital & Medical Center
Dobalian, MD	Derek	Chief of Staff	Gardens Regional Hospital & Medical Center
Englanoff, MD	Joseph	Medical Director, Emergency Department	Gardens Regional Hospital & Medical Center
Hamood, MD	Hassney	Member, Board of Directors	Gardens Regional Hospital & Medical Center
Herskovitz	David	Member, Board of Directors	Gardens Regional Hospital & Medical Center
Lowe	Albert	Director, Research	SEIU Local121 RN
Miller-Dobalian, MD	Cynthia	Medical Director, Cardiopulmonary	Gardens Regional Hospital & Medical Center
Muhammad	Wali	Respiratory Therapist	Gardens Regional Hospital & Medical Center
Natcher	Chuck	Chief Financial Officer	Gardens Regional Hospital & Medical Center
Otake	Stan	Chief Executive Officer	Gardens Regional Hospital & Medical Center
Pastor	Jonathan	Member, Board of Directors	Gardens Regional Hospital & Medical Center
Richards	Suzanne	Chief Executive Officer, Healthcare Operations	KPC Global Management, LLC
Tameres	Aileen	Chief Nursing Officer	Gardens Regional Hospital & Medical Center
Thomas	William	Executive Vice President / General Counsel	KPC Global Management, LLC
Walton	Brian	Chairman, Board of Directors	Gardens Regional Hospital & Medical Center
White	Jennifer	Director, Business Development	Gardens Regional Hospital & Medical Center
Yost	Gregg	Chief Human Resources Officer	Gardens Regional Hospital & Medical Center

Hospital License

License: 930000030
Effective: 03/13/2016
Expires: 03/12/2017
Licensed Capacity: 137

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

Gardens Regional Hospital and Medical Center, Inc.

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

Gardens Regional Hospital and Medical Center

21530 Pioneer Blvd
Hawaiian Gardens, CA 90716-2608

Bed Classifications/Services

137 General Acute Care
13 Intensive Care
5 Coronary Care
119 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical
Outpatient Services - PCC at Tri-City
Comprehensive Wound Care Center, 21500
S. Pioneer Blvd., Suite 208, Hawaiian
Gardens
Physical Therapy

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

Shirley Singleton
Shirley Singleton, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A.
County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)312-1104

POST IN A PROMINENT PLACE