

Effect of the Proposed Change in Control and Governance of  
St. Joseph Health System and Providence Health & Services on  
the Availability and Accessibility of Healthcare Services to the  
Communities Served by Queen of the Valley Medical Center

Prepared for the Office of the California Attorney General

March 28, 2016

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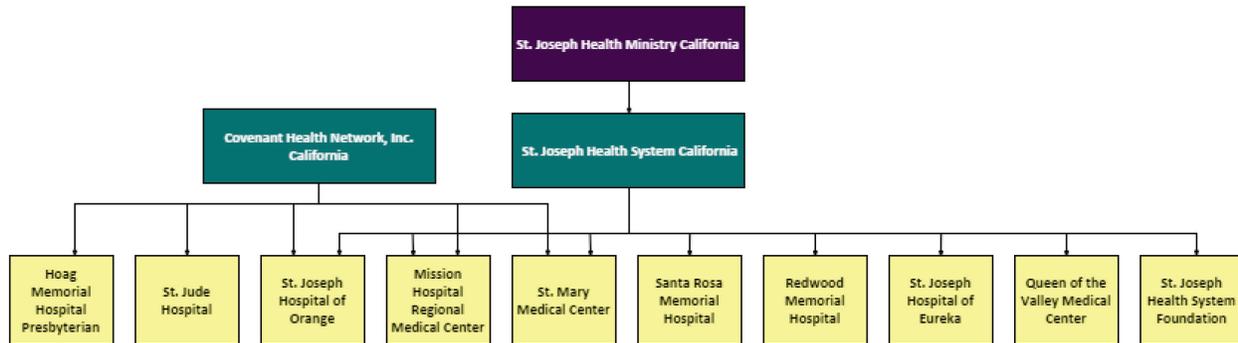
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## INTRODUCTION & PURPOSE

MDS Consulting, a Vizient, Inc. business (MDS) was retained to prepare healthcare impact statements for the Office of the California Attorney General to assess the potential impact of the proposed Health System Combination Agreement by and between St. Joseph Health System and Providence Health & Services on the availability and accessibility of healthcare services to the communities served by Queen of the Valley Medical Center. St. Joseph Health System owns and operates Queen of the Valley Medical Center, a general acute care hospital located in Napa, California.

St. Joseph Health System and Providence Health & Services are multi-institutional, Catholic healthcare systems that are sponsored by a Public Juridic Person<sup>1</sup>. St. Joseph Health Ministry is the sponsor and sole corporate member of St. Joseph Health System, a California nonprofit public benefit corporation. Providence Ministries is the sponsor and sole corporate member of Providence Health & Services, a Washington nonprofit corporation.

St. Joseph Health System is the sole corporate member of the following Northern California nonprofit hospitals: Queen of the Valley Medical Center, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, and St. Joseph Hospital-Eureka. St. Joseph Health System is the co-member with Covenant Health Network, Inc.<sup>2</sup> of the following Southern California nonprofit hospitals: Hoag Memorial Hospital Presbyterian, Mission Hospital Regional Medical Center, St. Joseph Hospital of Orange, and St. Jude Medical Center. St. Joseph Health System also operates Petaluma Valley Hospital pursuant to a Lease Agreement and Transfer Agreement with Petaluma Health Care District<sup>3</sup>. Please refer to the summary organizational chart below:

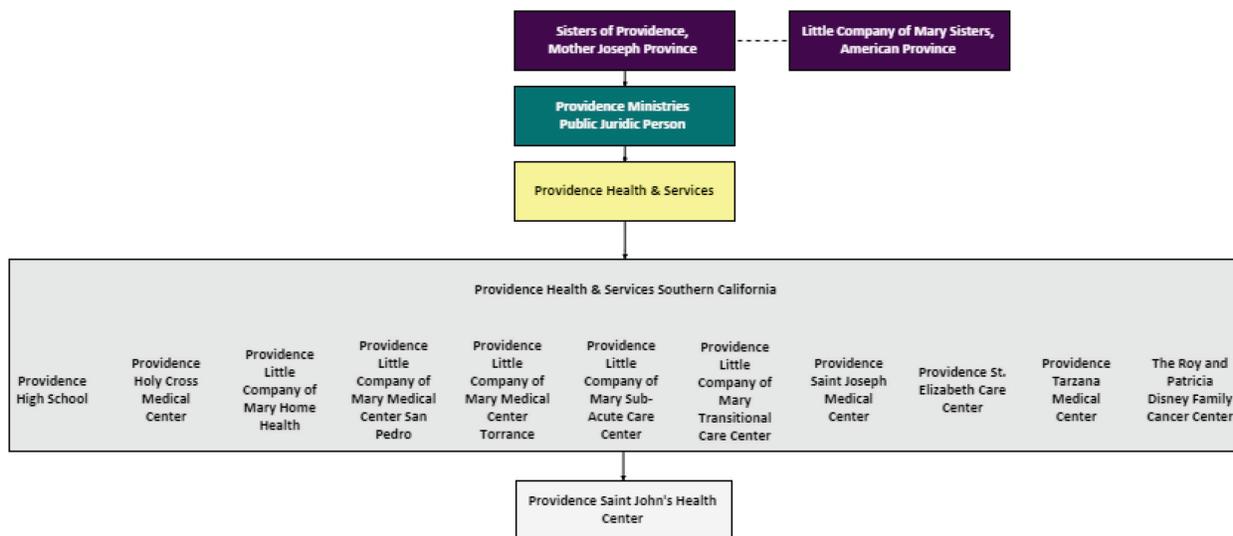


<sup>1</sup> A Public Juridic Person is a group of persons approved by the Roman Catholic Church to oversee and ensure that the mission of its healthcare organization is carried out according to Catholic principles.

<sup>2</sup> Covenant Health Network, Inc., established in 2013, is a nonprofit public benefit corporation created by Hoag Memorial Hospital Presbyterian and St. Joseph Health System.

<sup>3</sup> In 1997, Petaluma Health Care District entered into a 20-year Lease Agreement with SRM Alliance Hospital Services, whose sole member is Santa Rosa Memorial Hospital, and a 20-year Transfer Agreement with SRM Alliance Hospital Services and Santa Rosa Memorial Hospital. Through these agreements, St. Joseph Health System currently operates Petaluma Valley Hospital. The Lease Agreement expires in January 2017. Petaluma Health Care District is conducting due diligence to determine options for the continued operations of Petaluma Valley Hospital.

Providence Health & Services-Southern California is the sole member of Providence Saint John’s Health Center. Providence Health & Services-Southern California also owns and operates the following California nonprofit hospitals that are not separately incorporated: Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center San Pedro, Providence Little Company of Mary Medical Center Torrance, Providence Saint Joseph Medical Center, and Providence Tarzana Medical Center. Please refer to the summary organizational chart below:



Together, St. Joseph Health System and Providence Health & Services operate 18 general acute care hospitals in California.

St. Joseph Health System and Providence Health & Services have requested the California Attorney General’s consent to enter into a Health System Combination Agreement to establish joint system-level governance control over their operations through the creation of a new Washington nonprofit parent corporation named, “Providence St. Joseph Health.” St. Joseph Health Ministry and Providence Ministries will establish co-sponsorship of Providence St. Joseph Health (the Co-Sponsors Council). The Co-Sponsors Council will be the sole corporate member of Providence St. Joseph Health.

In its preparation of this report, MDS performed the following:

- A review of the application submitted by St. Joseph Health System and Providence Health & Services to the California Attorney General on November 24, 2015, and supplemental information and documents subsequently provided by St. Joseph Health System and Providence Health & Services;
- A review of press releases and news articles related to the proposed combination and other hospital transactions;

- Interviews with community representatives, union representatives, health plan representatives, representatives of Queen of the Valley Medical Center’s Board of Trustees, management, medical staff, and employees, members of St. Joseph Health System and Providence Health & Services’ corporate offices, St. Joseph Health System’s Board of Trustees, Providence Health & Services’ Board of Directors, St. Joseph Health Ministry, Providence Ministries, and others listed in the Appendix;
- An analysis of financial, utilization, and service information provided by the management of Queen of the Valley Medical Center, St. Joseph Health System, Providence Health & Services, and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding Providence Health & Services, St. Joseph Health System, and Queen of the Valley Medical Center’s service areas including:
  - Demographic characteristics and trends;
  - Payer mix;
  - Hospital utilization rates and trends;
  - Health status indicators; and
  - Hospital market share.

## BACKGROUND & DESCRIPTION OF THE TRANSACTION

### *Reasons for the Health System Combination Agreement*

The primary objectives stated by Providence Health & Services' Board of Directors and St. Joseph Health System's Board of Trustees for the proposed transaction are to establish the best possible partnership in order to expand healthcare access, share clinical and administrative best practices, increase revenue streams, and drive efficiency due to the changing healthcare environment as a result of the 2010 Federal Patient Protection and Affordable Care Act (ACA) and various other market factors. Providence Health & Services' Board of Directors and St. Joseph Health System's Board of Trustees believe these goals will be accomplished more effectively with their proposed combination. In addition, Providence Health & Services' Board of Directors and St. Joseph Health System's Board of Trustees anticipate that their proposed combination will produce the following benefits:

- Continue the presence of Catholic healthcare in the United States;
- Create advocacy opportunities for social justice, with an emphasis on poor and vulnerable populations;
- Allow for closer integration and/or adoption of specific programs to address the healthcare needs of poor and vulnerable populations;
- Unite and strengthen the mission programs of Providence Health & Services and St. Joseph Health System;
- Honor current affiliations, partnerships, and other arrangements with organizations that have maintained their original faith tradition or secular status;
- Enhance the ability to establish new affiliations, partnerships, and other arrangements with like-minded, faith-based, and secular organizations;
- Strengthen the delivery of healthcare through a nonprofit, charitable model;
- Improve patient access, safety, and satisfaction, and the quality, continuity, and coordination of care;
- Establish stronger infrastructure to serve specific populations, including the Medi-Cal and uninsured patient population;
- Provide an enhanced ability to combine and coordinate the response to community needs across an increased scale and broader geography;

- Adopt and implement the Triple Aim<sup>4</sup> for clinical expertise, growth, diversification, innovation, and shared services;
- Obtain financial benefits through access to capital through the creation of a single obligated group that will allow Providence Health & Services and St. Joseph Health System to become jointly and severally liable;
- Improve the work environment;
- Support the ability to attract and retain the talent and expertise required to best serve community healthcare needs;
- Share clinical and administrative best practices across regions; and
- Maintain and enhance medical group management infrastructure to improve clinical practices.

### ***Transaction Process & Timing***

St. Joseph Health System and Providence Health & Services stated that they engaged in a deliberate process to explore ways to most effectively serve their communities. As a result of their discussions, St. Joseph Health System and Providence Health & Services mutually desired to implement the Health System Combination Agreement.

The events leading up to this transaction are chronologically ordered as follows:

- Early 2015 – Providence Ministries, St. Joseph Health Ministry, Providence Health & Services’ Board of Directors, St. Joseph Health System’s Board of Trustees, and the management of Providence Health & Services and St. Joseph Health System began to explore a potential partnership between the two organizations;
- April 7, 2015 – St. Joseph Health System’s Board of Trustees holds a special meeting with St. Joseph Health Ministry to discuss an overview of Providence Health & Services and to consider the potential partnership between the organizations;
- April 16, 2015 – St. Joseph Health Ministry and Providence Ministries meet to discuss the potential partnership between the two organizations;

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<sup>4</sup> The Triple Aim is a framework developed by the Institute for Healthcare Improvement, a 501(c)(3) with a mission to improve health and healthcare worldwide, for optimizing health system performance by simultaneously accomplishing three objectives: 1) improve the health of the population, 2) enhance the patient experience of care, and 3) reduce the per capital cost of healthcare.

- April 30, 2015 – Members of Providence Health & Services’ Board of Directors meet to discuss an overview of St. Joseph Health System and the potential partnership between the two organizations;
- May 6, 2015 – St. Joseph Health System’s Board of Trustees and St. Joseph Health Ministry meet to discuss the potential partnership with Providence Health & Services;
- May 21, 2015 – Members of Providence Health & Services’ Board of Directors hold a meeting to discuss the potential partnership and to share current management perspectives;
- June 5, 2015 – Providence Health & Services’ Board of Directors meets to provide an update on the transaction process and to share Providence Health & Services’ and St. Joseph Health System’s draft vision statement;
- June 17, 2015 – Providence Ministries and Providence Health & Services’ Board of Directors meet and agree to engage in discussions with St. Joseph Health System to prepare the Letter of Intent;
- June 25, 2015 – St. Joseph Health Ministry and St. Joseph Health System’s Board of Trustees pass a resolution authorizing the preparation of the Letter of Intent;
- July 27, 2015 – Providence Health & Services’ Board of Directors and St. Joseph Health System’s Board of Trustees hold a joint meeting to review the Letter of Intent and the Letter of Intent approval process;
- July 29, 2015 – Providence Health & Services’ Board of Directors and Providence Ministries pass a joint resolution authorizing the execution of the Letter of Intent and establishing a negotiating team and special committee to conduct negotiations on the terms and conditions of the transaction with St. Joseph Health System;
- July 29, 2015 – St. Joseph Health System’s Board of Trustees and St. Joseph Health Ministry pass a joint resolution authorizing the execution of the Letter of Intent and establishing a negotiating team and special committee to conduct negotiations on the terms and conditions of the transaction with Providence Health & Services;
- July 29, 2015 – St. Joseph Health System and Providence Health & Services enter into a Letter of Intent to unite St. Joseph Health System and Providence Health & Services as a fully integrated, Catholic-sponsored, nonprofit healthcare system;
- July 31, 2015 – Providence Health & Services and St. Joseph Health System issue a press release announcing their potential partnership;

- September 18, 2015 – Providence Health & Services’ Board of Directors approves and passes a resolution authorizing the execution of the Health System Combination Agreement;
- September 25, 2015 – St. Joseph Health System’s Board of Trustees approves and passes a resolution authorizing the execution of the Health System Combination Agreement and the Supplemental Agreement with Hoag Memorial Hospital Presbyterian;
- September 25, 2015 – Providence Health & Services’ Board of Directors approves and passes a resolution authorizing the execution of the Supplemental Agreement with Hoag Memorial Hospital Presbyterian;
- November 24, 2015 – “Notice of Submission and Request for Consent” is submitted by Providence Health & Services and St. Joseph Health System to the Office of the California Attorney General; and
- November 25, 2015 – Providence Health & Services and St. Joseph Health System issue a press release announcing that the California Attorney General is reviewing the proposed change in governance.

### ***Health System Combination Agreement***

The proposed Health System Combination Agreement, dated November 23, 2015, contains the following major provisions:

- Together, St. Joseph Health System and Providence Health & Services shall form Providence St. Joseph Health, a new Washington nonprofit corporation, to become the sole corporate member of Providence Health & Services and St. Joseph Health System effective upon closing;
  - Providence St. Joseph Health will serve as the parent corporation over Providence Health & Services and St. Joseph Health System;
  - Providence Health & Services and St. Joseph Health System shall continue to operate according to their respective governing documents, subject to the reserved powers of Providence St. Joseph Health;
  - The purpose and function of the subsidiary boards of Providence Health & Services and St. Joseph Health System shall not change and shall continue to operate according to their respective governing documents;

- Providence St. Joseph Health intends to form a single-obligated group that will allow both Providence Health & Services and St. Joseph Health System to:
  - Become jointly and severally liable for all organization tax-exempt debt; and
  - Allocate risk and optimize borrowing strategy.
- Providence St. Joseph Health intends to create a single-cash and integrated investment program.
- St. Joseph Health Ministry and Providence Ministries will enter into a separate co-sponsorship agreement establishing the Co-Sponsors Council through contractual obligations exercised by St. Joseph Health Ministry and Providence Ministry;
  - The Co-Sponsors Council will become the sole corporate member of Providence St. Joseph Health; and
  - Some of the reserved rights of the Co-Sponsors Council are:
    - Approve any change to mission, philosophy, vision, and values;
    - Adopt, amend, or repeal civil Articles of Incorporation or Bylaws of Providence St. Joseph Health, of any civil corporation of which Providence St. Joseph Health is a controlling member, to the extent permitted by applicable law;
    - Monitor the application of the Ethical and Religious Directives within Providence St. Joseph Health and its Catholic subsidiaries, and in the case of non-compliance, require the correction of any anomaly;
    - Fix the number and appoint and/or remove the trustees of Providence St. Joseph Health and of any corporation of which Providence St. Joseph Health is the controlling member;
    - Approve incurrences of indebtedness or the sale, transfer, assignment, or encumbering of the assets of Providence St. Joseph Health and any corporation of which Providence St. Joseph Health is the controlling member, pursuant to policies established from time to time by the Co-Sponsors Council;
    - Appoint the President/Chief Executive Officer of Providence St. Joseph Health, and to remove such President/Chief Executive Officer of Providence St. Joseph Health, with or without cause, after consideration of input from the Providence St. Joseph Health Board;
    - Approve, on a consolidated system-wide basis, the annual operating and capital budget of Providence St. Joseph Health, and approve of any deviations from such budgets in excess of an amount of percentage specified from time to time by resolution of the Co-Sponsors Council;

- Approve the merger, dissolution, or sale of substantially all Providence St. Joseph Health division or local ministry assets; and
  - Approve the initiation or closure of any major work of Providence St. Joseph Health and of any corporation of which Providence St. Joseph Health is the controlling member.
- St. Joseph Health System and Providence Health & Services shall establish the Providence St. Joseph Health Board as follows:
  - The Providence St. Joseph Health Board shall consist of fourteen elected members with equal voting rights;
  - The President and Chief Executive Officer of Providence St. Joseph Health shall serve as an ex-officio member, with voting privileges;
  - Seven members of the Providence St. Joseph Health Board shall be appointed by St. Joseph Health System and seven members shall be appointed by Providence Health & Services;
  - Each elected member shall serve an initial three-year term, subject to the reserved rights of their respective Sponsors during the initial term;
  - Following the initial three-year term, the elected members shall be self-perpetuating, with members serving staggered terms, without regard to representational requirements, and subject to the reserved rights of the Co-Sponsors Council;
  - No member of the Providence St. Joseph Health Board may serve more than nine consecutive years, excluding the President and Chief Executive Officer; and
  - Voting shall be decided by a simple majority, unless a greater majority is required by law.
- The restated bylaws of Providence Health & Services and the restated bylaws of St. Joseph Health System will reserve rights to Providence St. Joseph, such as the ability to:
  - Approve and recommend to Co-Sponsors Council the appointment and/or removal of the Providence St. Joseph Health Board of Directors;
  - Approve and recommend to Co-Sponsors Council the appointment and/or removal of Providence St. Joseph Health Board Chair;
  - Approve and recommend to Co-Sponsors Council the amendment of articles, bylaws, or other governing documents of Providence St. Joseph Health, St.

Joseph Health System, or Providence Health & Services;

- Approve and recommend to Co-Sponsors Council the affiliation or acquisition involving Providence St. Joseph Health, St. Joseph Health System or Providence Health & Services;
  - Approve the strategic plan for all Catholic facilities, ministries and operations of Providence St. Joseph Health, Providence Health & Services, and St. Joseph Health System;
  - Approve Providence St. Joseph Health's goals and objectives;
  - Approve and recommend to Co-Sponsors Council the initiation or closure of a major work of Providence St. Joseph Health, St. Joseph Health System, or Providence Health & Services;
  - Approve initiation or closure of programs and services of St. Joseph Health System or Providence Health & Services;
  - Approve and recommend to Co-Sponsors Council the dissolution, liquidation, consolidation, or merger of Providence St. Joseph Health, St. Joseph Health System or Providence Health & Services;
  - Approve and recommend to Co-Sponsors Council the annual consolidated Providence St. Joseph Health's budget;
  - Approve debt authorization (including loan guarantees) up to an amount to be determined;
  - Approve the long-range financial plan of Providence St. Joseph Health;
  - Approve budgeted substitutions of Providence St. Joseph;
  - Approve unbudgeted expenditures of Providence St. Joseph Health;
  - Approve sale of non-church real and personal property/assets of Providence St. Joseph Health, St. Joseph Health System, or Providence Health & Services; and
  - Approve system-wide Providence St. Joseph Health compliance program and policies.
- All employees shall remain employed by the entity that currently employs them with compensation and benefits established by their respective employers, and both St. Joseph Health System and Providence Health & Services will continue maintaining their

respective employee benefit plans to be in material compliance with applicable laws;

- The medical staff shall not be adversely affected nor require a change to the medical staff privileges held by any member of the medical staff of the hospitals;
- Capital projects approved by either St. Joseph Health System or Providence Health & Services prior to closing shall not be subject to an additional review process;
- Divisional headquarters for St. Joseph Health System and Providence Health & Services' California operations shall be located in Irvine, California. System headquarters for Providence St. Joseph Health shall be located in Renton, Washington;
- St. Joseph Health System and Providence Health & Services have made the following commitments:
  - Maintain the hospitals as general acute care hospitals for a period of five years;
  - Maintain and provide 24-hour emergency department services as currently licensed for a period of five years;
  - Continue to participate in the Medicare program and have a Medicare provider number for a period of five years to provide the same types and levels of services as provided as of closing of the transaction;
  - Continue to participate in the Medi-Cal program for a period of five years, including maintaining Medi-Cal Managed Care contracts on competitive terms that provide the same types and levels of services as in the existing contracts;
  - Continue contracts with local government agencies on current terms for a period of five years, unless such contracts expire or are terminated for cause;
  - Provide an annual amount of charity care at each of the hospitals for a period of five years that is no less than the Fiscal Year (FY) 2014-2015 average of each of the hospitals;
  - Provide an annual amount of community benefit services at each of the hospitals for a period of five years that is no less than the four year (FY 2011-2014) average at each of the hospitals, subject to Consumer Price Index adjustments; and
  - Continue key service lines at the hospitals, including women's health services, for a period of five years as listed in the summary table below:

ST. JOSEPH HEALTH SYSTEM & PROVIDENCE HEALTH & SERVICES: SERVICE LINE COMMITMENT	
Hospital	Service Line
<b>St. Joseph Health System</b>	
Mission Hospital Regional Medical Center	Behavioral health, cardiology, diabetes, emergency, gastroenterology, imaging/radiology, intensive care, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, pediatrics, rehabilitation, respiratory, surgery, trauma, vascular, and women's services
Petaluma Valley Hospital	Emergency, imaging/radiology, intensive care, laboratory, obstetrics, oncology, orthopedics, palliative care, rehabilitation, vascular, and women's services
Queen of the Valley Medical Center	Cardiology, emergency, imaging/radiology, interventional radiology, intensive care, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, rehabilitation, surgery, wellness, women's, and wound care services
Redwood Memorial Hospital	Cardiology, emergency, gastroenterology, imaging/radiology, intensive care, laboratory, neurosciences, obstetrics, oncology, orthopedics, palliative care, rehabilitation, and surgery services
Santa Rosa Memorial Hospital	Bariatric surgery, behavioral health, cardiology, emergency, imaging/radiology, interventional radiology, intensive care, laboratory, neurosciences, obstetrics, oncology, orthopedics, palliative care, rehabilitation, surgery, trauma, vascular, and women's services
St. Joseph Hospital-Eureka	Cardiology, emergency, gastroenterology, imaging/radiology, interventional radiology, intensive care, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, rehabilitation, and surgery services
St. Joseph Hospital of Orange	Anesthesia, bariatric surgery, behavioral health, cardiology, emergency services, gastroenterology, imaging/radiology, interventional radiology, intensive care, kidney dialysis, laboratory, neurosciences, obstetrics oncology, ophthalmology, orthopedics, palliative care, rehabilitation, surgery, urology, women's, and wound care services
St. Jude Medical Center	Anesthesia, cardiology, emergency, gastroenterology, geriatric, imaging/radiology, interventional radiology, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, pathology, rehabilitation, speech therapy, surgery, wellness and fitness, women's, and wound care services
St. Mary Medical Center	Cardiology, diabetes, emergency, imaging/radiology, intensive care, laboratory, obstetrics and neonatal intensive care, rehabilitation, surgery, women's, and wound care services
<b>Providence Health &amp; Services</b>	
Providence Holy Cross Medical Center	Ambulatory surgery, cardiac catheterization, cardiology, emergency, endoscopy, imaging/radiology, intensive care, interventional radiology, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, pulmonary, rehabilitation, sub-acute, telemetry, trauma, vascular, and women's services
Providence Little Company of Mary Medical Center-San Pedro	Acute psychiatry, center for optimal aging, chemical dependency, community outreach, diabetes, emergency, endocrinology, imaging/radiology, intensive care, internal medicine, laboratory, neurosciences, nutritional, obstetrics, oncology, palliative care, pathology, rehabilitation, respiratory, spiritual care, surgery, sub-acute, women's, and wound care services
Providence Little Company of Mary Medical Center-Torrance	Blood donor center, cardiovascular, community outreach, emergency, diabetes, endocrinology, imaging/radiology, intensive care, internal medicine, laboratory, neurosciences, nutritional, obstetrics and neonatal intensive care, orthopedics, oncology, palliative, pathology, pediatrics, respiratory, spiritual care, surgery, rehabilitation, urology, volunteer, women's, and wound care services
Providence Saint Joseph Medical Center	Ambulatory surgery, cardiac catheterization, cardiology, emergency, paramedic base station, endoscopy, imaging/radiology, intensive care, interventional radiology, laboratory, neurosciences, orthopedics, obstetrics and neonatal intensive care, oncology, palliative care, pulmonary, rehabilitation, surgery, telemetry, vascular, and women's services
Providence Tarzana Medical Center	Ambulatory surgery, cardiac catheterization, cardiology, emergency, endoscopy, imaging/radiology, intensive care, interventional radiology, laboratory, neurosciences, obstetrics and neonatal intensive care, oncology, orthopedics, palliative care, pulmonary, surgery, pediatric and pediatric intensive care, telemetry, vascular, and women's services

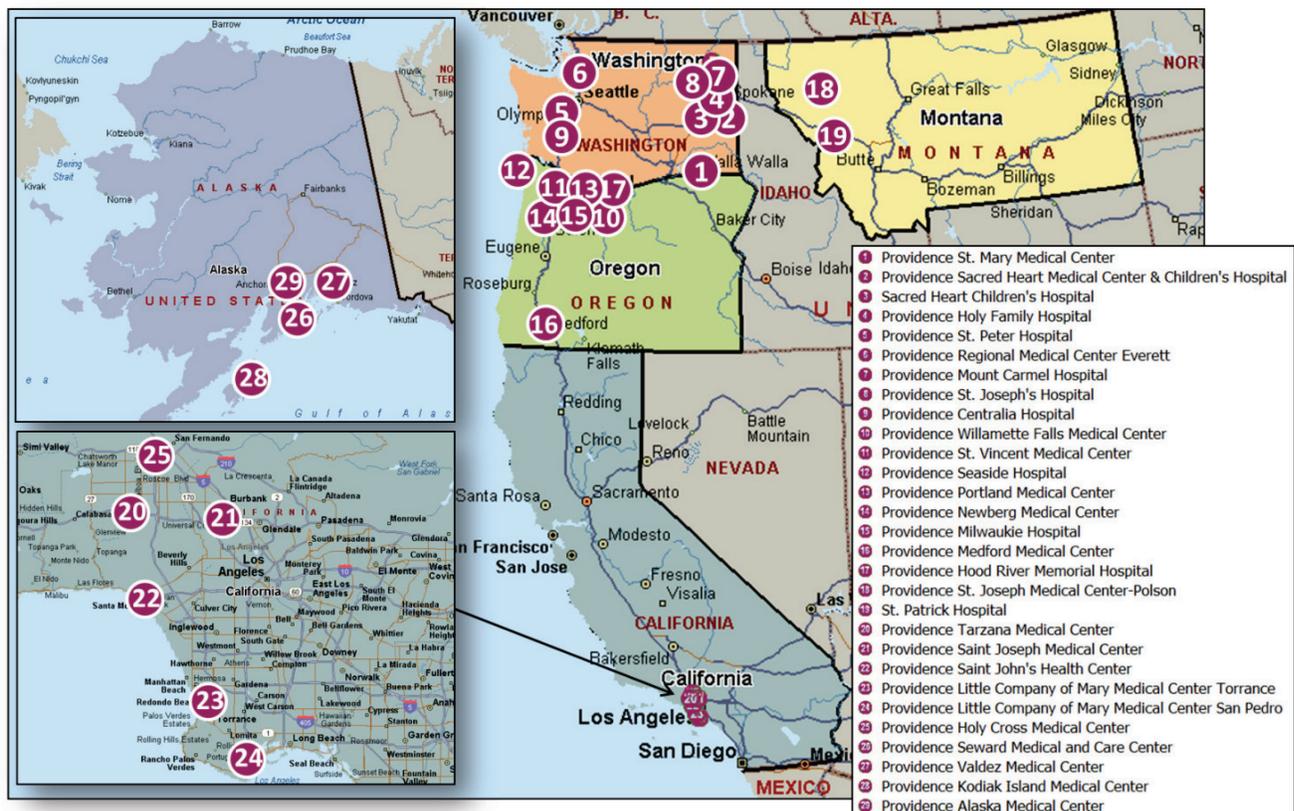
## Use of Net Sale Proceeds

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

## PROFILE OF PROVIDENCE HEALTH & SERVICES

Providence Health & Services is a nonprofit Catholic healthcare system that traces its beginnings back to 1843 when a religious community of Catholic women, later called the Sisters of Providence, was founded in Montreal, Canada. In 1856, Mother Joseph of the Sacred Heart led a group of four Sisters of Providence to the Washington Territory, where the pioneer sisters began caring for elderly women, orphaned children, and the sick in what was called the “Providence Enclosure.” In 1858, they opened St. Joseph Hospital, one of the first hospitals in the Northwest, and by 1859, the Sisters of Providence created the structure for the current network of healthcare services known as Providence Health & Services.

Providence Health & Services has grown to be one of the largest nonprofit health systems in the United States. Providence Ministries is the Catholic sponsor of Providence Health & Services. Today, Providence Health & Services, headquartered in Renton, Washington, employs 76,000 employees, who provide a diverse range of services across five states: Alaska, California, Montana, Oregon, and Washington. Providence Health & Services currently operates 34 hospitals, 475 physician clinics, 22 long-term care facilities, 19 hospice and home health programs, and 693 supportive housing units. Providence Health & Services operates Providence Health Plan, an Oregon nonprofit healthcare service contractor, that provides Medicare, Medicaid, and individual and family health insurance plans to 436,000 members.



Approximately 70 years ago, Providence Health & Services began its operations in Southern California, where it currently operates the following hospitals: Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center San Pedro, Providence Little Company of Mary Medical Center Torrance, Providence Saint John's Health Center, Providence Saint Joseph Medical Center, and Providence Tarzana Medical Center. Descriptions of Providence Health & Services-Southern California's hospitals are provided below:

**Providence Holy Cross Medical Center** is located in Mission Hills, was founded in 1961, and provides healthcare services to the San Fernando, Santa Clarita, and Simi Valley communities. It is a general acute care hospital that is currently licensed for 377 beds and has a medical staff consisting of over 600 physicians. The Medical Center offers both inpatient and outpatient health services, including oncology, cardiology, orthopedics, neurosciences, rehabilitation services, women's and children's services. The Medical Center is designated as a Level II Trauma Center and STEMI Receiving Center, and is certified as a Primary Stroke Center.

**Providence Little Company of Mary Medical Center San Pedro** is located in San Pedro, was founded in 1925, and provides healthcare services to the South Bay community. It is a general acute care hospital that is currently licensed for 356 beds and has a medical staff consisting of over 400 physicians. The hospital offers a variety of medical services, including emergency care, intensive care, medical and surgical services, obstetrics, and orthopedics. The hospital is also certified as a Primary Stroke Center.

**Providence Little Company of Mary Medical Center Torrance** is located in Torrance, was opened in 1960, and provides healthcare services to the South Bay Community. It is a general acute care hospital that is currently licensed for 442 beds, employs approximately 2,100 individuals, and has a medical staff consisting of approximately 900 physicians. The hospital offers general medical, surgical, and critical care services. The hospital also offers cardiovascular, oncology, emergency care, and women's and children's health services. The hospital is designated as Level III Neonatal Intensive Care Unit and a STEMI Receiving Center, and is certified as a Primary Stroke Center.

**Providence Saint John's Health Center** is located in Santa Monica, was founded in 1942, and provides healthcare services to communities in West Los Angeles. Today, the health center is a general acute care hospital that is currently licensed for 266 beds. The health center provides emergency, heart and vascular care, oncology, orthopedics, and women's health services. The health center is also designated as a STEMI Receiving Center. Providence Saint John's Health Center is the sole corporate member of the John Wayne Cancer Institute, an institute that conducts research to advance the treatment of complex cancers.

**Providence Saint Joseph Medical Center** is located in Burbank and was founded in 1943 by the Sisters of Providence. The Medical Center is a general acute care hospital that is currently licensed for 446 beds, has approximately 2,300 employees, over 700 physicians, and is the second-largest hospital serving the San Fernando and Santa Clarita Valleys. The Medical Center offers a variety of services and programs through its Roy & Patricia Disney Family Cancer

Center, heart and vascular center, The Hycy and Howard Hill Neuroscience Institute, breast health center, and Trinity Hospice. The Medical Center is also designated as a STEMI Receiving Center and certified as a Primary Stroke Center.

**Providence Tarzana Medical Center** is located in Tarzana, was founded in 1973, and provides healthcare services to the San Fernando Valley communities. It is a general acute care hospital that is licensed for 249 beds, has a medical staff consisting of nearly 800 physicians, and has over 1,300 employees. The Medical Center offers a comprehensive range of healthcare services that include cardiology, vascular, orthopedics, women’s services, pediatrics, neonatal, and emergency care. The Medical Center is designated as a STEMI Receiving Center and a Level III Neonatal Intensive Care Unit, and is certified as a Primary Stroke Center.

Providence Health & Services –Southern California also operates the following entities:

### **Providence Medical Institute**

Providence Medical Institute operates as a nonprofit medical practice foundation<sup>5</sup> and provides primary and specialty care services, including family and internal medicine, obstetrics and gynecology, pediatrics, cardiology, and dermatology services. Providence Medical Institute was founded in 1995, and is currently affiliated with the following medical groups: Providence Medical Group, Providence Care Network, Affiliates in Medical Specialties, and Axminster Medical Group. Together, they employ over 200 providers located at more than 30 medical offices throughout the Greater Los Angeles area.

### **Facey Medical Foundation**

Facey Medical Foundation operates as a nonprofit medical practice foundation and manages Facey Medical Group. Facey Medical Group provides primary and specialty care services, including family and internal medicine, obstetrics and gynecology, pediatrics, behavioral health, ophthalmology, and gastroenterology services, to the residents of San Fernando Valley, Santa Clarita Valley, and Simi Valley. Facey Medical Group is currently comprised of over 200 healthcare providers in 12 locations.

### **Providence High School**

Providence High School, located in Burbank, was founded in 1955 by the Sisters of Providence. It is a private, co-educational, independent, college preparatory Catholic high school, accredited by the Western Catholic Education Association and the Western Association of Schools and

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<sup>5</sup> Providence Medical Institute and Facey Medical Foundation operate under California Health and Safety Code section 1206(l). Under section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than ten board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

Colleges. It is also a member of the California Association of Independent Schools, and is nationally recognized as a Blue Ribbon High School.

### **Providence St. Elizabeth Care Center**

Providence St. Elizabeth Care Center, located in North Hollywood, is a skilled nursing facility licensed for 52 skilled nursing beds. Healthcare services include skilled nursing care, geriatric services, intravenous medication therapy, and respiratory services.

### **Providence TrinityCare Hospice**

Providence TrinityCare Hospice provides end-of-life services for patients in need of palliative and hospice care throughout Southern California. Providence TrinityCare Hospice, which is supported by Providence TrinityCare Hospice Foundation, provides care for patients in hospitals, nursing homes, rehabilitation facilities, and in the home.

### **Providence Little Company of Mary Home Health**

Providence Little Company of Mary Home Health provides a range of home health and clinical specialty programs for patients receiving treatment for illness, hospitalization, or surgery. Healthcare services include patient assessment and monitoring, IV therapy, total parenteral nutrition, gastric feeding tube services, wound care treatment, and pain management services.

### **Providence Little Company of Mary Sub-Acute Care Center**

Providence Little Company of Mary Sub-Acute Care Center, located in San Pedro, is an adult care facility that specializes in the treatment of ventilator and tracheostomy-dependent patients, including inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management care.

### **Providence Little Company of Mary Transitional Care Center**

Providence Little Company of Mary Transitional Care Center, located in Torrance, provides skilled nursing care for patients transitioning from inpatient acute care to the home.

### **The Roy and Patricia Disney Family Cancer Center**

The Roy and Patricia Disney Family Cancer Center, located in Burbank, provides prevention, detection, diagnosis, medical and surgical treatment, rehabilitation, and support services for patients with cancer, including the Providence Saint Joseph Breast Health Center.

## Providence House

Providence House, founded in 1991 and located in Oakland, provides 40 apartments for individuals on fixed incomes living with HIV/AIDs and disabilities.

### Key Statistics

Key statistics for the Providence Health & Services-Southern California hospitals include the following:

- In FY 2014, the hospitals operated a total of 2,116 licensed beds with an average occupancy rate of 56% and an average daily census of 1,171 patients;
- From FY 2013 to FY 2014, total inpatient discharges increased approximately 15% from 74,733 to 85,759; and
- Based on FY 2014 inpatient discharges, the percentages of Medicare and Medi-Cal were 45% and 20%, respectively.

### Payer Mix

The following table illustrates the Providence Health & Services-Southern California hospitals' inpatient discharge payer mix compared to Los Angeles County and the State of California for FY 2014. The comparison shows that the six combined hospitals have higher percentages of Medicare Traditional, Medicare Managed Care, Third Party Traditional, and Third-Party Managed Care patients and lower percentages of Medi-Cal Traditional and Medi-Cal Managed Care patients relative to the average for all hospitals in Los Angeles County and the State of California.

PAYER MIX COMPARISON						
	Providence Health & Services (FY 2014)		Los Angeles County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	8,657	10.1%	157,394	18.5%	448,311	15.8%
Medi-Cal Managed Care	8,688	10.1%	135,429	16.0%	435,129	15.3%
<b>Medi-Cal Total</b>	<b>17,345</b>	<b>20.2%</b>	<b>292,823</b>	<b>34.5%</b>	<b>883,440</b>	<b>31.1%</b>
Medicare Traditional	27,855	32.5%	233,810	27.5%	805,912	28.4%
Medicare Managed Care	10,965	12.8%	85,330	10.1%	273,709	9.6%
<b>Medicare Total</b>	<b>38,820</b>	<b>45.3%</b>	<b>319,140</b>	<b>37.6%</b>	<b>1,079,621</b>	<b>38.0%</b>
Third-Party Managed Care	20,981	24.5%	158,487	18.7%	610,781	21.5%
<b>Third-Party Managed Care Total</b>	<b>20,981</b>	<b>24.5%</b>	<b>158,487</b>	<b>18.7%</b>	<b>610,781</b>	<b>21.5%</b>
Third-Party Traditional	6,937	8.1%	30,357	3.6%	121,054	4.3%
Other Payers	762	0.9%	22,969	2.7%	62,617	2.2%
Other Indigent	914	1.1%	7,231	0.9%	32,930	1.2%
County Indigent	0	0.0%	17,931	2.1%	51,759	1.8%
<b>Other Total</b>	<b>8,613</b>	<b>10.0%</b>	<b>78,488</b>	<b>9.2%</b>	<b>268,360</b>	<b>9.4%</b>
<b>Total</b>	<b>85,759</b>	<b>100%</b>	<b>848,938</b>	<b>100%</b>	<b>2,842,202</b>	<b>100%</b>

Source: OSHPD Disclosure Reports, FY 2014

## Quality & Awards

All of the Providence Health & Services-Southern California hospitals have received accreditation from The Joint Commission as indicated below:

Hospital	Effective Date
Providence Holy Cross Medical Center	5/8/2015
Providence Little Company of Mary Medical Center-San Pedro	1/17/2015
Providence Little Company of Mary Medical Center-Torrance	9/25/2015
Providence Saint John's Health Center	9/12/2015
Providence Saint Joseph Medical Center	8/8/2015
Providence Tarzana Medical Center	8/9/2014

Source: The Joint Commission

The Centers for Medicare & Medicaid Services developed the online tool, Hospital Compare, as a part of its Hospital Quality Initiative. Hospital Compare is designed to help improve hospitals' quality of care by distributing objective, easy to understand data on hospital performance, and quality information from consumer perspectives. The following table shows the most recent quality scores for the Providence Health & Services-Southern California hospitals in California as reported by Hospital Compare for measures of overall recommended care, readmission rate, overall patient experience, and overall surgical care:

PROVIDENCE HEALTH & SERVICES: QUALITY SCORES				
Hospital	Overall Recommended Care	Readmission Rate	Overall Patient Experience	Overall Surgical Care
<b>State of California Average</b>	<b>96.9%</b>	<b>19.4%</b>	<b>68.0%</b>	<b>97.9%</b>
Providence Holy Cross Medical Center	96.2%	19.9%	74.0%	99.7%
Providence Little Company of Mary Medical Center San Pedro	95.3%	19.5%	68.0%	96.4%
Providence Little Company of Mary Medical Center Torrance	98.2%	19.9%	75.0%	99.8%
Providence Saint John's Health Center	96.3%	19.2%	73.0%	99.9%
Providence Saint Joseph Medical Center	97.6%	19.8%	75.0%	99.8%
Providence Tarzana Medical Center	95.3%	19.4%	59.0%	98.0%

Source: Medicare.gov Hospital Compare

- For measures of overall recommended care, four of the hospitals (Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center San Pedro, Providence Saint John's Health Center, and Providence Tarzana Medical Center) had slightly lower rates than the State of California average. However, two hospitals (Providence Little Company of Mary Medical Center Torrance and Providence Saint Joseph Medical Center) scored above the State of California average;
- Four of the six hospitals had slightly higher rates of readmission than the State of California Average. Providence Tarzana Medical Center's readmission rate was the same as the State of California average (19.4%), and Providence Saint John's Health Center's readmission rate was lower than the statewide average (19.2%);

- Five of the six hospitals' overall patient experience scores met or exceeded the State of California average. Providence Tarzana Medical Center's overall patient experience score was lower than the State of California average (59.0% and 68.0%, respectively); and
- For measures of overall surgical care, only Providence Little Company of Mary Medical Center San Pedro's score of 96.4% fell below the State of California average.

## Financial Profile

### Combined Statement of Operations

PROVIDENCE HEALTH & SERVICES COMBINED STATEMENT OF OPERATIONS: CALENDAR YEARS ENDED 2013 & 2014 (In Thousands of Dollars)				
	Providence Health & Services System-Wide		Providence Health & Services Southern California	
	2013	2014	2013	2014
Net Patient Service Revenue	\$9,357,529	\$10,294,637	\$1,647,280	\$1,840,535
Provision for Bad Debts	(\$299,791)	(\$193,018)	(\$48,600)	(\$71,899)
<b>Net Patient Service Revenue Less Provision for Bad Debts</b>	<b>\$9,057,738</b>	<b>\$10,101,619</b>	<b>\$1,598,680</b>	<b>\$1,768,646</b>
Premium and Capitation Revenues	\$1,445,107	\$1,682,968	\$198,965	\$243,103
Other Revenues	\$633,835	\$696,390	\$65,332	\$92,240
<b>Total Operating Revenues</b>	<b>\$11,136,680</b>	<b>\$12,480,977</b>	<b>\$1,862,977</b>	<b>\$2,103,989</b>
Salaries and Wages	\$4,748,873	\$5,248,196	\$695,251	\$792,798
Employee Benefits	\$1,161,130	\$1,220,078	\$184,509	\$86,796
Purchased Healthcare	\$767,161	\$909,154	\$47,886	\$79,462
Professional Fees	\$463,838	\$514,990	\$173,737	\$213,768
Supplies	\$1,533,092	\$1,792,707	\$226,875	\$284,480
Purchased Services	\$944,487	\$977,247	\$258,663	\$153,017
Depreciation	\$596,623	\$676,357	\$80,766	\$102,861
Interest and Amortization	\$134,489	\$161,014	\$37,853	\$38,187
Other Operating Expenses	\$749,316	\$762,082	\$184,422	\$78,346
<b>Total Operating Expenses</b>	<b>\$11,099,009</b>	<b>\$12,261,825</b>	<b>\$1,889,962</b>	<b>\$1,829,715</b>
<b>Excess of Revenues Over Expenses from Operations</b>	<b>\$37,671</b>	<b>\$219,152</b>	<b>(\$26,985)</b>	<b>\$274,274</b>
Gains from Affiliations	-	\$476,110	-	-
Loss on Extinguishment of Debt	(\$1,671)	(\$85,522)	-	-
Investment Income, Net	\$248,572	\$178,043	-	-
Pension Settlement Costs and Other	(\$30,302)	(\$16,361)	-	-
<b>Total Net Nonoperating Gains</b>	<b>\$215,599</b>	<b>\$552,270</b>	<b>\$16,132</b>	<b>\$143,908</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$253,270</b>	<b>\$771,422</b>	<b>(\$10,853)</b>	<b>\$418,182</b>
Net Assets Released from Restriction for Capital	\$10,786	\$13,646	(\$594)	\$3,924
Change in Noncontrolling Interests in Consolidated Joint Ventures	(\$29,139)	\$584	(\$811)	\$553
Pension Related Changes	\$385,702	(\$249,011)	-	-
Interdivision Transfers	-	-	(\$29,915)	(\$414,211)
Contributions, Grants, and Other	(\$4,040)	(\$8,639)	\$4,077	(\$16,054)
<b>Increase in Unrestricted Net Assets</b>	<b>\$616,579</b>	<b>\$528,002</b>	<b>(\$38,096)</b>	<b>(\$7,606)</b>

Source: Providence Health & Services Combined Financial Statement, FY 2013 & 2014 (KPMG)

### Providence Health & Services System-Wide Performance

Providence Health & Services' audited combined financial statements<sup>6</sup> for FY 2013 and FY 2014 display the system-wide performance of the entity and its affiliates. The system displays increasing operating revenues and excess of revenues over expenses from operations.

<sup>6</sup> Providence Health & Services' audited combined financial statements, prepared by KPMG, pertain to the entire Providence Health & Services system, including its operations outside of California.

- Net patient service revenue (less provision for bad debts) of \$10.1 billion in FY 2014 represents a net increase of \$1.0 billion (11.5%) as compared to FY 2013. Total operating revenues increased by \$1.3 billion (12%) to \$12.5 billion in FY 2014;
- Total operating expenses increased by 10.5% in FY 2014 to \$12.3 billion. Providence Health & Services' salaries and benefits expenses accounted for 42.8% of total expenses;
- In FY 2014, Providence Health & Services realized a net non-operating gain of \$552.3 million, representing a 156% increase from the net non-operating gain of \$215.6 million in FY 2013. This increase included investment income from trading securities, income from recipient organizations, pension settlement costs, and other income. Contributions from affiliations with Providence Saint John's Health Center, Pacific Medical Centers, and Kadlec Health System also are included in net non-operating gains in FY 2014; and
- Excess of revenues over expenses from operations increased from \$37.7 million in FY 2013 to \$219.2 million in FY 2014.

### **Providence Health & Services-Southern California Performance**

Providence Health & Services-Southern California's combined financial statements for FY 2013 and FY 2014 display the performance of the Providence Health & Services-Southern California entities and affiliates. The region shows increasing operating revenues and excess of revenues over expenses from operations.

- Net patient service revenue (less provision for bad debts) of \$1.77 billion in FY 2014 represents a net increase of \$170 million (10.6%) as compared to FY 2013. Total operating revenues increased by \$241 million (13.0%) to \$2.1 billion in FY 2014;
- Total operating expenses decreased by 3.2% in FY 2014 to \$1.83 billion. The salaries and wages expenses accounted for approximately 43.3% of total expenses;
- In FY 2014, Providence Health & Services-Southern California realized a net non-operating gain of \$143.9 million, representing a significant increase from the net non-operating gain of \$16.1 million in FY 2013; and
- Excess of revenues over expenses from operations increased from a loss of \$27.0 million in FY 2013 to a gain of \$274.3 million in FY 2014.

## PROFILE OF ST. JOSEPH HEALTH SYSTEM

St. Joseph Health System is a ministry of the Sisters of St. Joseph of Orange, whose origins can be traced back to the 17th Century. In 1650, Father Jean Pierre Medaille, a traveling Jesuit priest and missionary, encountered a group of women in Le Puy, France who were providing care to the homeless and sick members of their community. Father Madaille formally organized the group of women into a religious community named the “Sisters of Saint Joseph.” In 1912, at the invitation of the local bishop, a small contingent of the Sisters of St. Joseph traveled to establish a school in Eureka, California. A few years later in 1918, the great influenza epidemic broke out and caused the Sisters to temporarily give up their education efforts in order to provide care for the sick. The Sisters of St. Joseph determined that the community needed a hospital. In 1920, the Sisters opened St. Joseph Hospital-Eureka with 28 beds.

Today, St. Joseph Health System is organized into three regions: Northern California, Southern California, and West Texas/Eastern New Mexico. St. Joseph Health System employs 24,733 individuals who provide care across a full range of facilities including 14 acute care hospitals, home health agencies, hospice care, outpatient services, skilled nursing facilities, community clinics, and physician organizations.



St. Joseph Health System operates the following hospitals in Southern California: Hoag Memorial Hospital Presbyterian, Hoag Orthopedic Institute, St. Joseph Hospital-Eureka, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, Petaluma Valley Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Orange, St. Jude Medical Center, St. Mary Medical Center, and Mission Hospital Regional Medical Center, which operates two general acute care hospitals under the same license. Descriptions of St. Joseph Health System's Southern California hospitals are provided below:

**Hoag Memorial Hospital Presbyterian** has campuses in Newport Beach and Irvine, was founded over 60 years ago, and provides healthcare services to the Orange County community. Both campuses are licensed as general acute care hospitals and are currently licensed for a combined total of 527 beds. The hospitals provide emergency, medical/surgical, cardiovascular, maternity, neonatal intensive care, critical care, and chemical dependency services. They are both designated as STEMI Receiving Centers, and the Newport Beach campus is designated as a Stroke Neurology Receiving Center.

**Hoag Orthopedic Institute** is an orthopedic specialty hospital in Irvine. The institute is licensed for 70 beds and has a medical staffing consisting of over 300 specialty physicians who provide a range of orthopedics services including spine care, joint care, sports medicine, trauma and fracture care, and sarcoma treatment services.

**St. Mary Medical Center** is located in Apple Valley and first opened in 1956 as a 29-bed acute and maternity care facility. Today, the hospital is a general acute care hospital that is currently licensed for 212 beds and has a medical staff consisting of over 300 physicians. It provides healthcare services to the Apple Valley community, including 24-hour emergency services, pediatric care, cardiology services, and wellness and prevention programs such as diabetes education. It is designated as a STEMI Receiving Center.

**St. Jude Medical Center** is located in Fullerton, has been in operation for over 50 years, and provides healthcare services to the Orange County community. The Medical Center is a general acute care hospital that is currently licensed for 351 beds and has a medical staff consisting of nearly 600 physicians. The Medical Center provides medical services across a wide range of specialties and subspecialties, including oncology, cardiology, maternity, orthopedics, and outpatient rehabilitation services. It is designated as a STEMI Receiving Center and is certified as a Comprehensive Stroke Center.

**St. Joseph Hospital of Orange** is located in Orange, opened in September of 1929, and provides healthcare services to the Orange County community. It is a general acute care hospital that is currently licensed for 463 beds, employs over 3,100 staff, and has a medical staff consisting of over 1,000 physicians. The hospital offers bariatric surgery, behavioral health, orthopedics, and kidney transplant services. The hospital has the Nasal and Sinus Center, the Heart and Vascular Center, the Center for Cancer Prevention and Treatment, and the Kidney Dialysis Center. It is designated as a STEMI Receiving Center and is certified as a Primary Stroke Center.

**Mission Hospital Regional Medical Center** has campuses in Mission Viejo and Laguna Beach. Both are general acute care hospitals that provide a wide range of patient services and are currently licensed for a combined total of 552 beds with a medical staff of over 750 physicians. The Medical Center has several specialty centers that include Heart Center, Spine Center, Women’s Center, and the Imaging Center. The Mission Viejo campus is designated as a Level II Trauma Center and STEMI Receiving Center and is certified as a Primary Stroke Center.

St. Joseph Health System operates the following hospitals in Northern California: St. Joseph Hospital-Eureka, Redwood Memorial Hospital, Santa Rosa Memorial Hospital, Petaluma Valley Hospital, and Queen of the Valley Medical Center. Descriptions of St. Joseph Health System’s Northern California hospitals are provided below:

**St. Joseph Hospital-Eureka** is located in Eureka, first opened in 1920, and provides healthcare services to the Eureka community. It is a general acute care hospital that is currently licensed for 153 beds with a medical staff of over 300 physicians. It provides emergency, cardiology, surgical, pediatric, maternity, and rehabilitation services. It also has a Sexual Assault Response Team and operates a Level II Neonatal Intensive Care Unit.

**Redwood Memorial Hospital** is located in Fortuna and provides healthcare services to the Fortuna community. It is a general acute care and critical care access hospital that is currently licensed for 35 beds with a medical staff of over 100 physicians. The hospital provides emergency, critical care, obstetric, surgical, outpatient rehabilitation, and radiology services, including ultrasound, digital mammography, and bone density services.

**Santa Rosa Memorial Hospital** is located in Santa Rosa and serves the communities of Sonoma County, Mendocino County, Napa County, and Lake County. The hospital is a general acute care hospital and is currently licensed for 278 beds with a medical staff of nearly 500 physicians. The hospital provides a range of specialty services, including emergency, pediatric, maternal and child health, joint replacement, and rehabilitation services. It is designated as a STEMI Receiving Center, certified as a Primary Stroke Center, and operates the region’s only Level II Trauma Center.

**Petaluma Valley Hospital** is located in Petaluma in Sonoma County. It is a general acute care hospital that is currently licensed for 80 beds with a medical staff of over 250 physicians. The hospital offers 24-hour emergency, intensive care, and surgical services. It also operates a Family Birth Center.

**Queen of the Valley Medical Center** is located in Napa, was founded in 1958 by the Sisters of St. Joseph of Orange, and provides services to the Napa Valley community. The Medical Center is a general acute care hospital that is currently licensed for 208 beds with a medical staff of over 300 physicians. It provides oncology, orthopedics, imaging, cardiac, maternity and infant care, emergency, and wellness services. It is designated as a STEMI Receiving Center.

St. Joseph Health System also operates the following entities:

### **St. Joseph Heritage Healthcare**

St. Joseph Heritage Healthcare operates as a nonprofit medical practice foundation<sup>7</sup> and provides primary and specialty care services, including family and internal medicine, pediatrics, dermatology, cardiology, and obstetrics and gynecology services. St. Joseph Heritage Healthcare is comprised of eight medical groups, including St. Jude Heritage Medical Group, St. Joseph Heritage Medical Group, Mission Heritage Medical Group, Hoag Medical Group, St. Mary High Desert Medical Group, Annadel Medical Group, Queen of the Valley Medical Associates, and Humboldt Medical Specialists. St. Joseph Heritage Healthcare also has several contracted physician networks that include St. Jude Affiliated Physician Network, St. Joseph Hospital Affiliated Physician Network, Mission Hospital Affiliated Physician Network, Hoag Affiliated Physician Network, and Premier IPA. In total, St. Joseph Heritage Healthcare is comprised of over 400 healthcare providers.

### **St. Joseph Health System Foundation**

The St. Joseph Health System Foundation, also known as the St. Joseph Health Community Partnership Fund, supports St. Joseph Health System's mission to improve the health and wellbeing of low-income individuals and families by raising and allocating funds and resources to various community programs.

### ***Key Statistics***

Key statistics for St. Joseph Health System's California hospitals include the following:

- In FY 2014, the hospitals operated a total of 2,357 licensed beds with an average occupancy rate of 48% and an average daily census of 1,183 patients;
- From FY 2013 to FY 2014, total inpatient discharges decreased 8%, from 129,967 to 119,420; and
- The percentage of Medicare and Medi-Cal inpatient discharges in FY 2014 were 44% and 21%, respectively.

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<sup>7</sup> The medical foundation operates under California Health and Safety Code section 1206(l). Under section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than ten board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

## Payer Mix

The following table illustrates St. Joseph Health System's California hospitals' inpatient discharge payer mix compared to the State of California for FY 2014. The comparison shows that St. Joseph Health System's California hospitals have higher percentages of Medicare Traditional, Third Party Managed Care, and County Indigent patients and lower percentages of Medi-Cal Managed Care and Third-Party Traditional patients relative to all hospitals in California.

PAYER MIX COMPARISON: FY 2014				
	St. Joseph Health System		California	
	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	10,337	10.6%	448,311	15.8%
Medi-Cal Managed Care	9,761	10.0%	435,129	15.3%
<b>Medi-Cal Total</b>	<b>20,098</b>	<b>20.6%</b>	<b>883,440</b>	<b>31.1%</b>
Medicare Traditional	32,046	32.8%	805,912	28.4%
Medicare Managed Care	11,039	11.3%	273,709	9.6%
<b>Medicare Total</b>	<b>43,085</b>	<b>44.1%</b>	<b>1,079,621</b>	<b>38.0%</b>
Third-Party Managed Care	27,166	27.8%	610,781	21.5%
<b>Third-Party Managed Care Total</b>	<b>27,166</b>	<b>27.8%</b>	<b>610,781</b>	<b>21.5%</b>
Third-Party Traditional	3,000	3.1%	121,054	4.3%
Other Payers	2,007	2.1%	62,617	2.2%
Other Indigent	327	0.3%	32,930	1.2%
County Indigent	2,103	2.2%	51,759	1.8%
<b>Other Total</b>	<b>7,437</b>	<b>7.6%</b>	<b>268,360</b>	<b>9.4%</b>
<b>Total</b>	<b>97,786</b>	<b>100%</b>	<b>2,842,202</b>	<b>100%</b>

Source: OSHPD Disclosure Reports, FY 2014

## Quality & Awards

St. Joseph Health System's California hospitals are accredited as shown below:

Hospital	Accreditation Organization	Effective Date
Hoag Memorial Hospital Presbyterian	Det Norske Veritas Healthcare, Inc.	1/21/2013
Hoag Orthopedic Institute	Det Norske Veritas Healthcare, Inc.	11/19/2013
Mission Hospital Regional Medical Center	The Joint Commission	5/9/2015
Petaluma Valley Hospital	The Joint Commission	4/26/2014
Queen of the Valley Hospital	The Joint Commission	10/11/2014
Redwood Memorial Hospital	Healthcare Facilities Accreditation Program	Current
Santa Rosa Memorial Hospital	The Joint Commission	5/16/2014
St. Joseph Hospital-Eureka	Healthcare Facilities Accreditation Program	Current
St. Joseph Hospital of Orange	The Joint Commission	1/7/2015
St. Jude Medical Center	The Joint Commission	4/11/2015
St. Mary Medical Center	The Joint Commission	5/8/2015

Source: Det Norske Veritas Healthcare, Inc., The Joint Commission, & Healthcare Facilities Accreditation Program

The following table reports the most recent quality scores for St. Joseph Health System’s California Hospitals as reported by Hospital Compare for measures of overall recommended care, readmission rate, overall patient experience, and overall surgical care:

ST. JOSEPH HEALTH SYSTEM: QUALITY SCORES				
Hospital	Overall Recommended Care	Readmission Rate	Overall Patient Experience	Overall Surgical Care
<b>State of California Average</b>	<b>96.9%</b>	<b>19.4%</b>	<b>68.0%</b>	<b>97.9%</b>
Hoag Memorial Hospital Presbyterian	95.9%	18.1%	84.0%	98.9%
Hoag Orthopedic Institute	100.0%	-	87.0%	100.0%
Mission Hospital Regional Medical Center	95.0%	18.5%	74.0%	97.8%
Petaluma Valley Hospital	95.7%	17.7%	69.0%	96.7%
Queen of the Valley Hospital	95.5%	18.2%	73.0%	99.2%
Redwood Memorial Hospital	96.4%	17.7%	-	-
Santa Rosa Memorial Hospital	95.5%	16.3%	69.0%	98.9%
St. Joseph Hospital-Eureka	96.1%	17.4%	57.0%	96.4%
St. Joseph Hospital of Orange	98.6%	18.0%	78.0%	100.0%
St. Jude Medical Center	97.5%	18.1%	74.0%	98.5%
St. Mary Medical Center	91.0%	20.4%	63.0%	95.0%

Source: Medicare.gov Hospital Compare

- For measures of overall recommended care, eight of the 11 hospitals’ rates were slightly below the State of California average of 96.9%;
- Overall, the hospitals’ readmission rates were lower than the State of California average of 19.4%, with only St. Mary Medical Center reporting a higher readmission rate of 20.4%;
- The majority of the hospitals reported higher overall patient experience scores than the State of California’s score of 68.0%, with the exception of St. Joseph Hospital-Eureka (57.0%) and St. Mary Medical Center (63.0%); and
- For measures of overall surgical care, six of the hospitals exceeded the State of California average of 97.9%, while the remaining four hospitals scored slightly below the State of California average.

## Financial Profile

### Combined Statement of Operations

ST. JOSEPH HEALTH CONSOLIDATED STATEMENT OF OPERATIONS: FY 2014 & 2015 (in Thousands of Dollars)				
	St. Joseph Health System System-Wide		St. Joseph Health System - California	
	FY 2014	FY 2015	FY 2014	FY 2015
Patient Service Revenue, Net of Contractual Allowances and Discounts	\$4,480,661	\$4,955,644	\$3,482,028	\$3,848,303
Provision for Doubtful Accounts	\$205,438	\$182,093	\$152,695	\$133,150
<b>Net Patient Service Revenue, Net of Provision for Doubtful Accounts</b>	<b>\$4,275,223</b>	<b>\$4,773,551</b>	<b>\$3,329,333</b>	<b>\$3,715,153</b>
Premium and Capitation Revenues	\$1,130,559	\$1,192,711	\$316,304	\$137,830
Other Revenues	\$225,884	\$272,254	\$66,751	\$69,744
<b>Total Revenues</b>	<b>\$5,631,666</b>	<b>\$6,238,516</b>	<b>\$3,712,388</b>	<b>\$3,922,727</b>
Compensation and Benefits	\$2,467,614	\$2,535,488	\$1,710,935	\$1,690,419
Supplies and Other	\$1,139,382	\$1,494,824	\$813,735	\$1,093,027
Professional Fees and Purchased Services	\$1,598,746	\$1,705,587	\$699,878	\$545,945
Depreciation and Amortization	\$303,521	\$343,777	\$237,237	\$243,515
Interest	\$110,737	\$103,460	\$84,235	\$79,014
Impairment of Goodwill	\$27,754	-	\$1,002	-
<b>Total Expenses</b>	<b>\$5,647,754</b>	<b>\$6,183,136</b>	<b>\$3,547,022</b>	<b>\$3,651,920</b>
Operating Income	(\$16,088)	\$55,380	\$165,366	\$270,807
Net Nonoperating Gains	\$324,875	\$4,899	\$297,152	\$39,652
<b>Excess of Revenues Over Expenses</b>	<b>\$308,787</b>	<b>\$60,279</b>	<b>\$462,518</b>	<b>\$310,459</b>
Less Excess of Revenues of Expenses Attributable to Noncontrolling Interests	\$15,985	\$17,192	\$17,443	\$20,106
<b>Excess of Revenues Over Expenses Attributable to Controlling Interests</b>	<b>\$292,802</b>	<b>\$43,087</b>	<b>\$445,075</b>	<b>\$290,353</b>
Excess of Revenues Over Expenses Attributable to Controlling Interests	\$292,802	\$43,087	-	-
Net Assets Related from Restrictions and Other Attributable to Controlling Interests	\$2,425	\$50,773	-	-
Increase in Unrestricted Net Assets Attributable to Controlling Interests	\$295,227	\$93,860	-	-
Excess of Revenues Over Expenses Attributable to Noncontrolling Interests	\$15,985	\$17,192	-	-
Net Assets Related from Restrictions and Other Attributable to Noncontrolling Interests	\$15,221	\$21,204	-	-
Increase in Unrestricted Net Assets Attributable to Noncontrolling Interests	\$31,206	\$38,396	-	-
<b>Increase in Unrestricted Net Assets</b>	<b>\$326,433</b>	<b>\$132,256</b>	-	-
Net Restricted Contributions and Other	\$60,205	\$83,073	-	-
Restricted Net Assets Released from Restrictions	(\$33,384)	(\$47,459)	-	-
Increase in Temporarily and Permanently Restricted Net Assets	\$26,821	\$35,614	-	-
<b>Increase in Net Assets</b>	<b>\$353,254</b>	<b>\$167,870</b>	-	-
<b>Net Assets at Beginning of Period</b>	<b>\$4,963,861</b>	<b>\$5,317,115</b>	-	-
<b>Net Assets at End of Period</b>	<b>\$5,317,115</b>	<b>\$5,484,985</b>	-	-

Source: St. Joseph Health Consolidated Financial Statements and Supplementary Information, FY 2014 and 2015 (Ernst & Young LLP)

Note: The increase in unrestricted net assets, the increase in net assets, the net assets at beginning of period, and the increase in temporarily and permanently restricted net assets are unavailable for St. Joseph Health System - California

### St. Joseph Health System's System-Wide Performance

St. Joseph Health System's audited consolidated financial statements for FY 2014 and FY 2015 display the system-wide performance of the entity and its affiliates.

- Net patient service revenue (less provision for bad debts) of \$4.8 billion in FY 2015 represents a net increase of approximately \$500 million (11.7%) as compared to FY 2014. Total revenues increased by \$607 million (10.8%) to \$6.2 billion in FY 2015;
- Total expenses increased by 9.5% in FY 2015 to \$6.2 billion. St. Joseph Health System's salaries and benefits expense accounted for approximately 43.7% of total expenses;
- In FY 2015, St. Joseph Health System realized a net non-operating gain of \$4.9 million, representing a substantial decrease from the net non-operating gain of \$324.9 million in FY 2014. Included in non-operating gains is interest, dividends, and realized gains on sales of marketable securities of \$154.7 million and \$174.7, net of related fees, for the fiscal years ended June 30, 2015 and 2014, respectively. Also included in non-operating gains are unrealized losses of \$102.6 million and net unrealized gains of approximately

\$182 million for fiscal years 2015 and 2014 respectively; and

- Operating income increased from a loss of \$16.1 million in FY 2014 to a gain of \$55.4 million in FY 2015. Excess of revenues over expenses decreased from \$308.8 million in FY 2014 to \$60.3 million in FY 2015 in part due to a large decrease in the net non-operating gain.

### **St. Joseph Health System's California Performance**

St Joseph Health System California's consolidated financial statements for FY 2014 and FY 2015 report the performance of St. Joseph Health System's Northern and Southern California entities and affiliates. St. Joseph Health System's Northern and Southern California performance displays increasing operating revenues and operating incomes year over year.

- Net patient service revenue (less provision for bad debts) of \$3.72 billion in FY 2015 represents a net increase of approximately \$385.8 million (11.6%) as compared to FY 2014. Total revenues increased by \$210.3 million (5.7%) to \$3.92 billion in FY 2015;
- Total expenses increased by approximately 3.0% in FY 2015 to \$3.7 billion. Compensation and benefits expense accounted for approximately 46.3% of total expenses in FY 2015;
- In FY 2015, St. Joseph Health System's Northern and Southern California entities realized a net non-operating gain of \$39.7 million, representing a substantial decrease from the net non-operating gain of \$297.2 million in FY 2014; and
- Operating income increased from \$165.4 million in FY 2014 to \$270.81 million in FY 2015. Excess of revenues over expenses decreased by 33% from \$462.52 million in FY 2014 to \$310.5 million in FY 2015.

## PROFILE OF QUEEN OF THE VALLEY MEDICAL CENTER

### *Overview of Queen of the Valley Medical Center*

St. Joseph Health System operates Queen of the Valley Medical Center, a 208 licensed-bed general acute care facility, located at 1000 Trancas Street in Napa. Queen of the Valley Medical Center has a “basic” emergency department<sup>8</sup> with 18 emergency treatment stations and operates the only Level III Trauma Center in Napa County. It also has 13 surgical operating rooms and two cardiac catheterization labs.

BED DISTRIBUTION 2015	
Bed Type	Number of Beds
General Acute Care	130
Intensive Care	36
Neonatal Intensive Care	6
Perinatal	22
Rehabilitation	14
<b>Total General Acute Care Beds</b>	<b>208</b>

Source: Hospital License 2015

### **Queen of the Valley Foundation**

Queen of the Valley Foundation provides financial support through philanthropy for Queen of the Valley Medical Center. Queen of the Valley Foundation raises funds through charitable donations and planned gifts that are dedicated to priority capital needs, core program needs, health education, and support for new programs. Currently, Queen of the Valley Foundation is raising funds to acquire new equipment and replace old equipment, build and remodel facilities, provide health education, and create new programs.

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<sup>8</sup> A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

## Key Statistics

KEY STATISTICS: FY 2012 - 2014			
	FY 2012	FY 2013	FY 2014
Inpatient Discharges	7,951	7,651	7,104
Licensed Beds	191	191	191
Patient Days	37,270	34,547	31,821
Average Daily Census	98	91	84
Occupancy	51.5%	47.5%	43.9%
Average Length of Stay	4.5	4.3	4.3
Emergency Services Visits <sup>1</sup>	29,078	31,033	30,311
Cardiac Catheterization Procedures <sup>1</sup>	1,326	1,175	860
Coronary Artery Bypass Graft (CABG) Surgeries <sup>1</sup>	69	64	54
Total Live Births	839	814	843

Medical Staff	310
Employees (Full-Time Equivalents) <sup>2</sup>	914

Sources: OSHPD Disclosure Reports, FY 2012-2014

<sup>1</sup> OSHPD Alerts Annual Utilization Reports

<sup>2</sup> St. Joseph Health System

For FY 2014, Queen of the Valley Medical Center had a total of 7,104 inpatient discharges, 31,821 patient days, and an average daily census of 84 patients (approximately 44% occupancy on the total licensed beds).

- Since FY 2012, both inpatient discharges and patient days have decreased by approximately 11% and 15%, respectively;
- In FY 2014, Queen of the Valley Medical Center reported 30,311 emergency department visits, a 4% increase since FY 2012;
- Queen of the Valley Medical Center reported approximately 860 cardiac catheterization procedures and 54 coronary artery bypass graft surgeries in FY 2014; and
- Between FY 2012 and FY 2014, total live births at Queen of the Valley Medical Center remained relatively stable, delivering an average of 832 births annually.

## ***Programs & Services***

Queen of the Valley Medical Center offers a broad spectrum of medical services, including cardiology, oncology, maternal child health, and emergency services.

- Audiology services include: Hearing loss, tinnitus, hearing aid, otolaryngology, otology, and speech/language pathology services;
- Cardiology services include: Cardiology, cardiac catheterization, electrophysiology, cardiac surgery, arrhythmia management, and STEMI Receiving Center services;
- Imaging services include: PET/CT, CT, MRI, diagnostic radiology, interventional radiology, and nuclear medicine services, as well as women’s imaging services, including bone density screening and digital mammography;
- Maternal child health services include: Prenatal, labor and delivery, and perinatal services, including services for high-risk pregnancies, gestational diabetes, and pregnancy-related health complications, and a Level III Neonatal Intensive Care Unit;
- Orthopedic services include: Arthritis, back pain, fibromyalgia, multiple sclerosis, pain management, joint replacement, spine care, osteoporosis screening, hand surgery, sports medicine, and trauma and fracture care services;
- Rehabilitation services include: Acute rehabilitation, adult day healthcare, home healthcare, and physical, occupational, and speech therapy services;
- Oncology services include: Home health care, palliative care, nutrition and dietician programs, integrative medicine, screening, treatment, imaging, and survivorship programs;
- Emergency services include: A 24-hour “basic” emergency department licensed for 18 treatment stations and a Level III Trauma Center;
- Neuroscience services include: Neurology diagnosis, treatment and rehabilitation services for brain and spine injuries, strokes, fractures, and neurological disorders and diseases. These services are provided at the Peggy Herman Neuroscience Center, a collaborative effort with the Department of Neurological Surgery at the University of California, San Francisco;
- Pediatric services include: Speech/language therapy, physical therapy, occupational therapy, and child development services; and

- Wellness services include: Exercise and fitness programs in combination with disease prevention, management, and rehabilitation. These services are provided at the Synergy Wellness Center.

### ***Accreditations, Certifications, & Awards***

Effective October 2014 through October 2017, Queen of the Valley Medical Center is accredited by The Joint Commission. Effective September 2015, Queen of the Valley Medical Center is also accredited by the American College of Surgeon's Commission on Cancer and by The Joint Commission for laboratory services. Over the years, Queen of the Valley Medical Center has received several awards and accolades as a provider of quality care, some of which include the following:

- Women's Choice Award for qualifying as America's Best Hospital for Orthopedics and Obstetrics Care in 2013, 2014, and 2016;
- Recognition for Performance Excellence in the Prevention of Injury Falls by the Collaborative Alliance for Nursing Outcomes in 2013;
- The 2013 Blue Distinction Center+ for Hip and Knee Replacement award by Blue Shield of California;
- Recognition for Top Performance on Key Quality Measures by The Joint Commission in 2013; and
- Recognition for excellence in accountability measure performance for heart attack, heart failure, pneumonia, and surgical care, as part of The Joint Commission's 2014 Annual Report.

## Quality Measures

The Hospital Value-Based Purchasing Program, established by the 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 the following three sets of measures: timely and effective care, surveys of patient experience, and 30-day mortality rates for heart attack, heart failure, and pneumonia patients. In FY 2015, the Centers for Medicare & Medicaid Services rewarded Queen of the Valley Medical Center with a 0.07% Medicare payment bonus. For FY 2016, the Centers for Medicare & Medicaid services will reduce payments to Queen of the Valley Medical Center by 0.12%.

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

QUALITY SCORES COMPARISON				
Domain	Measure	Queen of the Valley Hospital	California Average	National Average
Clinical Process of Care Domain	Average of Acute Myocardial Infarction, Heart Failure, Pneumonia, Surgical Care Improvement & Healthcare Associated Infection Measures	98.9%	97.6%	97.3%
Patient Experience of Care Domain	Average of Measures for the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey	68.2%	67.0%	71.0%
Outcome Domain	Average of Outcome Measures for Acute Myocardial Infarction, Heart Failure & Pneumonia 30-Day Mortality Rates & Central-Line Bloodstream Infection Rates	12.7%	12.1%	12.4%
Efficiency Domain	Medicare Spending per Beneficiary Ratio	0.91	0.99	0.98

Source: Medicare.gov Hospital Compare, 2015

- For the clinical process of care domain, Queen of the Valley Medical Center scored higher (98.9%) than the California average (97.6%) and the national average (97.3%);
- Queen of the Valley Medical Center scored higher (68.2%) than the California average (67.0%), but lower than the national average (71.0%) for the patient experience of care domain;
- Within the outcome domain, Queen of the Valley Medical Center has a slightly inferior average 30-day mortality rate and central-line bloodstream infection rate (12.7%) than the California and national averages (12.1% and 12.4%, respectively); and
- With an efficiency ratio of 0.91, Queen of the Valley Medical Center spends less per patient for an episode of care initiated at its facility than California hospitals (0.99) and national hospitals (0.98).

The Hospital Readmissions Reduction Program<sup>9</sup>, 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. In FY 2016, 224 California hospitals will be penalized at an average of 0.40%. 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.

In FY 2014, Queen of the Valley Medical Center was not penalized for its 30-day readmission rates. In FY 2015, Queen of the Valley Medical Center was penalized with a 0.03% reduction in reimbursement. The following graph shows Queen of the Valley Medical Center’s 30-day readmission rates for heart attack, heart failure, and pneumonia patients:

30-DAY READMISSION RATES			
Condition	Queen of the Valley Hospital	National Average	California Average
Heart Attack	16.7%	17.0%	17.0%
Heart Failure	22.3%	22.0%	22.1%
Pneumonia	15.4%	16.9%	16.9%
<b>Average 30-Day Readmission Rate</b>	<b>18.1%</b>	<b>18.6%</b>	<b>18.6%</b>

Source: IPRO & Medicare.gov Hospital Compare, 2015

- Queen of the Valley Medical Center had fewer 30-day readmissions (18.1%) than the national and statewide averages of 18.6%; and
- Queen of the Valley will be penalized with a 0.75% reduction in reimbursement in FY 2016.

<sup>9</sup> 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 criteria<sup>10</sup>, Queen of the Valley Medical Center'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 shown in the table below. These classifications require that Queen of the Valley Medical Center's structures undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards.

SEISMIC OVERVIEW		
Building	SPC Compliance Status	NPC Compliance Status
1) Main Hospital	SPC-1	NPC-2
2) West Wing	SPC-1	NPC-2
3) West Tower	SPC-2	NPC-2
4) Conference Addition	SPC-3	NPC-2
5) Link Corridor	SPC-3	NPC-2
6) South Elevator Tower	SPC-4	NPC-2
7) North Elevator Tower	SPC-3	NPC-2
8) North Nursing Wing	SPC-4	NPC-2
9) Maternity/Pediatrics	SPC-3	NPC-2
10) Admitting/Lobby	SPC-3	NPC-2
11) Radiology/Oncology Addition	SPC-3	NPC-2
12) MRI Building	SPC-5	NPC-2
13) Emergency Addition	SPC-5	NPC-2
14) Emergency Canopy	SPC-5	NPC-4
15) Canopy Addition	SPC-5	NPC-4
16) Imaging Center Canopy	SPC-5	NPC-4
17) Women's Center	SPC-5	NPC-4

Source: OSHPD

- Queen of the Valley Medical Center has three buildings that are rated as SPC-1 and SPC-2. In order to continue providing delivery of acute care services, the two buildings designated as SPC-1 must be seismically retrofitted by January 1, 2020, while the building designated as SPC-2 must be seismically retrofitted by January 1, 2030.

<sup>10</sup> OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

## Patient Utilization Trends

The following table shows volume trends at Queen of the Valley Medical Center from FY 2010 through FY 2014:

SERVICE VOLUMES: FY 2010-2014					
PATIENT DAYS	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Medical/Surgical	31,260	28,391	27,279	24,747	22,501
Neonatal Intensive Care	1,368	1,484	1,401	1,441	1,245
Intensive Care	3,961	3,684	3,929	3,770	3,508
Obstetrics	2,576	2,643	2,344	2,295	2,436
Physical Rehabilitation	1,686	2,003	2,317	2,296	2,131
<b>Total</b>	<b>40,851</b>	<b>38,205</b>	<b>37,270</b>	<b>34,549</b>	<b>31,821</b>
DISCHARGES					
Medical/Surgical	6,651	6,425	6,163	5,977	5,453
Neonatal Intensive Care	193	151	135	201	185
Intensive Care	276	241	524	463	333
Obstetrics	1,007	1,006	894	782	923
Physical Rehabilitation	145	197	235	228	210
<b>Total</b>	<b>8,272</b>	<b>8,020</b>	<b>7,951</b>	<b>7,651</b>	<b>7,104</b>
AVERAGE LENGTH OF STAY					
Medical/Surgical	4.7	4.4	4.4	4.1	4.1
Neonatal Intensive Care	7.1	9.8	10.4	7.2	6.7
Intensive Care	14.4	15.3	7.5	8.1	10.5
Obstetrics	2.6	2.6	2.6	2.9	2.6
Physical Rehabilitation	11.6	10.2	9.9	10.1	10.1
<b>Total</b>	<b>4.9</b>	<b>4.8</b>	<b>4.7</b>	<b>4.5</b>	<b>4.5</b>
AVERAGE DAILY CENSUS					
Medical/Surgical	85.6	77.8	74.7	67.8	61.6
Neonatal Intensive Care	3.7	4.1	3.8	3.9	3.4
Intensive Care	10.9	10.1	10.8	10.3	9.6
Obstetrics	7.1	7.2	6.4	6.3	6.7
Physical Rehabilitation	4.6	5.5	6.3	6.3	5.8
<b>Total</b>	<b>111.9</b>	<b>104.7</b>	<b>102.1</b>	<b>94.7</b>	<b>87.2</b>
OTHER SERVICES					
Inpatient Surgeries	2,986	2,722	2,500	2,304	2,041
Outpatient Surgeries	4,145	4,213	3,939	4,058	4,312
Emergency Services Visits <sup>1</sup>	29,565	29,505	29,078	31,033	30,311
Cardiac Catheterization Procedures <sup>1</sup>	1,424	1,310	1,326	1,175	860
Obstetric Deliveries	940	901	839	814	843

Sources: OSHPD Disclosure Reports, FY 2010-2014

<sup>1</sup> OSHPD Alerts Annual Utilization Reports

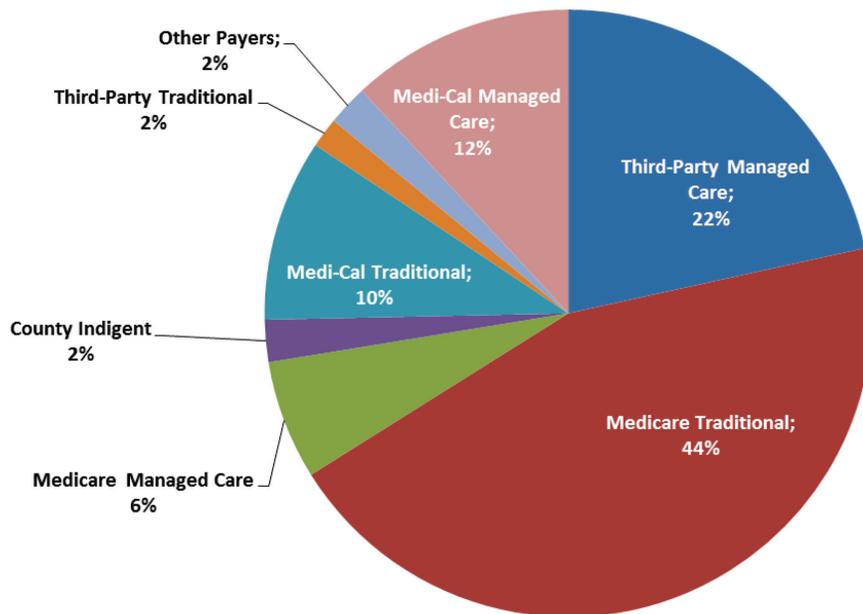
A review of historical utilization trends supports the following conclusions:

- Total patient days have decreased by 22% over the five-year period;
- Inpatient discharges have decreased 14% from 8,272 in FY 2010 to 7,104 in FY 2014;
- The average daily census has decreased from 112 patients in FY 2010 to 87 patients in FY 2014; and
- Obstetric deliveries have decreased 10% from 940 in FY 2010 to 843 in FY 2014.

### ***Payer Mix***

In FY 2014, approximately 50% of Queen of the Valley Medical Center’s inpatient payer mix consisted of Medicare Traditional (44%) and Medicare Managed Care (6%) patients. Approximately 24% of Queen of the Valley Medical Center’s inpatient payer mix consisted of Third-Party Managed Care (22%) and Third-Party Traditional (2%) patients. In addition, approximately 22% of Queen of the Valley Medical Center’s inpatient payer mix consisted of Medi-Cal Managed Care (12%) and Medi-Cal Traditional (10%) patients. The remaining 4% of the inpatient discharges consisted of Other Payers\* (2%) and County Indigent (2%) patients.

**Queen of the Valley Medical Center Payer Mix, FY 2014**



### **Total Discharges = 7,104**

\* Other Payers includes self-pay, workers’ compensation, other government, and other payers  
Source: OSHPD Financial Disclosure Report, FY 2014 (based on inpatient discharges).

The following table illustrates Queen of the Valley Medical Center’s inpatient discharge payer mix compared to Napa County and the State of California for FY 2014. The comparison shows that Queen of the Valley Medical Center has higher percentages of Medicare Traditional and County Indigent patients and lower percentages of Medi-Cal Traditional, Medicare Managed Care, and Third-Party Traditional patients relative to other hospitals in Napa County and California.

PAYER MIX COMPARISON						
	Queen of the Valley Medical Center (FY 2014)		Napa County (FY 2014)		California (FY 2014)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	687	9.7%	898	7.4%	448,311	15.8%
Medi-Cal Managed Care	844	11.9%	2,467	20.3%	435,129	15.3%
<b>Medi-Cal Total</b>	<b>1,531</b>	<b>21.6%</b>	<b>3,365</b>	<b>27.7%</b>	<b>883,440</b>	<b>31.1%</b>
Medicare Traditional	3,158	44.5%	5,031	41.4%	805,912	28.4%
Medicare Managed Care	450	6.3%	520	4.3%	273,709	9.6%
<b>Medicare Total</b>	<b>3,608</b>	<b>50.8%</b>	<b>5,551</b>	<b>45.7%</b>	<b>1,079,621</b>	<b>38.0%</b>
Third-Party Managed Care	1,529	21.5%	2,698	22.2%	610,781	21.5%
<b>Third-Party Managed Care Total</b>	<b>1,529</b>	<b>21.5%</b>	<b>2,698</b>	<b>22.2%</b>	<b>610,781</b>	<b>21.5%</b>
Third-Party Traditional	113	1.6%	159	1.3%	121,054	4.3%
Other Payers	153	2.2%	192	1.6%	62,617	2.2%
Other Indigent	11	0.2%	12	0.1%	32,930	1.2%
County Indigent	159	2.2%	164	1.4%	51,759	1.8%
<b>Other Total</b>	<b>436</b>	<b>6.1%</b>	<b>527</b>	<b>4.3%</b>	<b>268,360</b>	<b>9.4%</b>
<b>Total</b>	<b>7,104</b>	<b>100%</b>	<b>12,141</b>	<b>100%</b>	<b>2,842,202</b>	<b>100%</b>

Source: OSHPD Disclosure Reports, FY 2014

### ***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.

Napa County has a County Organized Health System, a local agency created by the County Board of Supervisors. The County Organized Health System contracts with the Medi-Cal Managed Care program. In FY 2014, Napa County reported approximately 3,365 inpatient discharges from either Medi-Cal Traditional (27%) or Medi-Cal Managed Care (73%) coverage. The percentage of Napa County residents with Medi-Cal Managed Care coverage is expected to increase significantly as a result of the ACA and California initiatives to expand managed care.

In Napa County, the County Organized Health System plan is provided by Partnership Health Plan of California. Currently, Queen of the Valley Medical Center is contracted with Partnership Health Plan of California to provide services for Medi-Cal Managed Care patients.

## Medical Staff

Queen of the Valley Medical Center has 310 medical staff members representing multiple specialties. The five largest specialties comprising 35% of the medical staff include: internal medicine, radiology/teleradiology, family medicine, pulmonary disease, and emergency medicine. Of the 310 members of the medical staff, 142 members are considered “active” users of Queen of the Valley Medical Center (representing approximately 46% of the medical staff).

Queen of the Valley Medical Center is affiliated with Queen of the Valley Medical Associates, a medical group that contracts exclusively with St. Joseph Heritage Healthcare. Queen of the Valley Medical Center is also affiliated with Meritage Medical Network, an Independent Physician Association.

MEDICAL STAFF PROFILE 2016					
Specialty	Count	% of Total	Specialty	Count	% of Total
Adult Critical Care Nursing	3	1.0%	Obstetrics & Gynecology	10	3.2%
Allergy & Immunology	1	0.3%	Occupational Medicine	2	0.6%
Anesthesiology	11	3.5%	Ophthalmology	10	3.2%
Cardiovascular Disease	3	1.0%	Oral & Maxillofacial Surgery	4	1.3%
Certified Registered Nurse Anesthetist	7	2.3%	Orthopedic Surgery	9	2.9%
Clinical Cardiac Electrophysiology	2	0.6%	Otolaryngology	4	1.3%
Clinical Perfusionist	3	1.0%	Pain Medicine	1	0.3%
Critical Care Medicine	2	0.6%	Pathology, Anatomic & Clinical	2	0.6%
Dentistry	4	1.3%	Pediatric Cardiology	1	0.3%
Dermatology	4	1.3%	Pediatrics	8	2.6%
Emergency Medicine	14	4.5%	Physical Medicine & Rehabilitation	4	1.3%
Endocrinology, Diabetes & Metabolism	2	0.6%	Physician Assistant	4	1.3%
Family Medicine	21	6.8%	Plastic Surgery	5	1.6%
Gastroenterology	3	1.0%	Podiatric Medicine	2	0.6%
Gynecology	1	0.3%	Podiatric Surgery	2	0.6%
Infectious Disease	1	0.3%	Pulmonary Disease	20	6.5%
Internal Medicine	31	10.0%	Radiation Oncology	3	1.0%
Interventional Cardiology	4	1.3%	Radiology, Diagnostic	7	2.3%
Intraoperative Dental Assistant	6	1.9%	Radiology, Teleradiology	23	7.4%
Intraoperative Neurophysiologist	9	2.9%	Registered Dental Assistant	2	0.6%
Medical Oncology	3	1.0%	Registered Nurse First Assistant	4	1.3%
Nephrology	6	1.9%	Rheumatology	3	1.0%
Neurological Surgery	4	1.3%	Sexual Assault Nurse Examiner	3	1.0%
Neurology	6	1.9%	Surgery, General	13	4.2%
Neurophysiological Intraoperative Monitoring	1	0.3%	Thoracic & Cardiac Surgery	4	1.3%
Nurse Practitioner - Acute Care	4	1.3%	Urology	4	1.3%
<b>Total Medical Staff</b>	<b>310</b>				

Source: Queen of the Valley Medical Center

## Unionized Employees

Queen of the Valley Medical Center is currently negotiating with the California Nurses Association to finalize the terms of their Collective Bargaining Agreement (CBA)<sup>11</sup>. The agreement represents 366 employees.

In total, approximately 33% of Queen of the Valley Medical Center's employees are covered by CBAs.

EMPLOYEES REPRESENTED BY UNIONS	
Union	Total
California Nurses Association	366
<b>Total Employees Represented by Unions</b>	<b>366</b>
Total Non-Union Employees	727
<b>Total Employees</b>	<b>1,093</b>
<b>Total Percentage of Employees Represented by Unions</b>	<b>33%</b>

Source: St. Joseph Health System

## Financial Profile

Between FY 2010 and FY 2014, Queen of the Valley Medical Center's net income dropped nearly 70% from \$31.8 million in FY 2010 to \$9.7 million in FY 2014. This is largely due to net patient revenue decreasing by 7% and operating expenses increasing by 9% for the same period. Net non-operating revenue, totaling more than \$80.1 million over the five-year period, helped offset decreases in net patient revenue and increases in operating expenses. Net non-operating revenue represents revenue received or recognized for services that are not directly related to the provision of healthcare services. Examples of non-operating revenue include unrestricted contributions, income and gains from investments, and various government assessments, taxes, and appropriations.

Queen of the Valley Medical Center's current asset-to-liability ratio<sup>12</sup> has decreased over the last five years from 4.29 in FY 2010 to 3.17 in FY 2014, compared to the California average of 1.72. Queen of the Valley Medical Center's percentage of bad debt is approximately 1.2%, which is lower than the statewide average of 1.3%.

<sup>11</sup> A Collective Bargaining Agreement is an agreement between employers and employees aimed at regulating working conditions.

<sup>12</sup> 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.

FINANCIAL AND RATIO ANALYSIS: FY 2010-2014						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	-
Patient Days	40,851	38,205	37,270	34,549	31,821	-
Discharges	8,272	8,020	7,951	7,651	7,104	-
ALOS	4.9	4.8	4.7	4.5	4.5	-
Net Patient Revenue	\$253,469,667	\$248,028,849	\$237,722,278	\$249,361,683	\$236,952,945	-
Other Operating Revenue	\$2,228,907	\$2,749,387	\$5,889,288	\$8,218,045	\$9,195,781	-
Total Operating Revenue	\$255,698,574	\$250,778,236	\$243,611,566	\$257,579,728	\$246,148,726	-
Operating Expenses	\$233,400,266	\$247,158,796	\$250,882,482	\$254,397,070	\$254,185,836	-
Net from Operations	\$22,298,308	\$3,619,440	(\$7,270,916)	\$3,182,658	(\$8,037,110)	-
Net Non-Operating Revenue	\$15,352,918	\$23,350,084	\$8,554,199	\$13,394,467	\$19,504,815	-
Net Income	\$31,836,020	\$20,408,486	(\$6,946,000)	\$13,497,508	\$9,752,847	-
						2014 California Average
Current Ratio	4.29	4.25	4.07	4.66	3.17	1.72
Days in A/R	52.8	55.5	50.2	59.1	53.7	62.2
Bad Debt Rate	0.8%	0.0%	1.0%	1.0%	1.2%	1.3%
Operating Margin	8.72%	1.44%	-2.98%	1.24%	-3.27%	2.48%

Source: OSHPD Disclosure Reports, 2010-2014

## Cost of Hospital Services

Queen of the Valley Medical Center's operating cost of services includes both inpatient and outpatient care. In FY 2014, approximately 50% of total costs were associated with Medicare patients, 29% with Third Party payers, 16% with Medi-Cal patients, and 3% with Other Payers. The remaining 2% is attributed to County Indigent. In FY 2014, 40% of the total costs for all of the hospitals in California were associated with Medicare patients, 26% with Medi-Cal patients, 2% with County Indigent, 29% with Third Party, 1% with Other Indigent, and 2% with Other Payers.

COST OF SERVICES BY PAYER CATEGORY 2010-2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Expenses	\$233,400,266	\$247,158,796	\$250,882,482	\$254,397,070	\$254,185,836
<b>Cost of Services By Payer:</b>					
Medicare	\$112,812,283	\$122,048,647	\$127,591,630	\$129,163,141	\$126,023,537
Medi-Cal	\$25,225,490	\$29,534,734	\$27,587,754	\$32,086,480	\$40,082,868
County Indigent	\$7,236,054	\$7,709,541	\$7,962,207	\$9,068,030	\$5,672,269
Third Party	\$82,107,791	\$80,559,156	\$78,798,685	\$75,152,293	\$73,522,360
Other Indigent	\$1,287,397	\$1,633,592	\$977,694	\$981,072	\$667,760
Other Payers	\$4,731,251	\$5,673,126	\$7,964,512	\$7,946,054	\$8,217,041

Source: OSHPD Disclosure Reports, 2010-2014

## Charity Care

According to OSHPD, Queen of the Valley Medical Center's charity care charges have decreased from \$22.3 million in FY 2011 to approximately \$7.7 million in FY 2015. The five-year average for charity charges was approximately \$13.6 million.

CHARITY CARE	
TOTAL CHARGES: FY 2011-2015	
Year	OSHPD Disclosure Reports
2015	\$7,664,041
2014	\$9,896,342
2013	\$13,079,629
2012	\$15,241,774
2011	\$22,270,007
<b>5-Year Average</b>	<b>\$13,630,359</b>

Source: OSHPD Disclosure Reports, FY 2011-2015

The following table shows a comparison of charity care and bad debt for Queen of the Valley Medical Center and all general acute care hospitals in the State of California. The five-year (FY 2011-2015) average of charity care and bad debt for Queen of the Valley Medical Center, as a percentage of gross patient revenue, was 2.1%. This is lower 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											
CHARITY CARE - FY 2011 to FY 2015											
(Millions)											
	2011		2012		2013		2014		2015		
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	
Gross Patient Revenue	\$1,058.92	\$288,636.7	\$1,117.2	\$303,278.6	\$1,183.09	\$317,543.8	\$1,187.38	\$337,773.16	\$1,122.98	-	
Charity	\$22.27	\$6,171.5	\$15.24	\$6,251.0	\$13.08	\$6,209.9	\$9.90	\$4,571.00	\$7.66	-	
Bad Debt	\$0.43	\$4,815.5	\$11.03	\$5,007.6	\$12.00	\$5,549.5	\$14.38	\$4,420.44	\$10.22	-	
<b>Total</b>	<b>\$22.70</b>	<b>\$10,987.0</b>	<b>\$26.27</b>	<b>\$11,258.6</b>	<b>\$25.08</b>	<b>\$11,759.4</b>	<b>\$24.28</b>	<b>\$8,991.45</b>	<b>\$17.88</b>	-	
Charity as a % of Gross Rev.	2.1%	2.1%	1.4%	2.1%	1.1%	2.0%	0.8%	1.4%	0.7%	-	
Bad Debt as a % of Gross Rev.	0.0%	1.7%	1.0%	1.7%	1.0%	1.7%	1.2%	1.3%	0.9%	-	
Total as a % of Gross Rev.	2.1%	3.8%	2.4%	3.7%	2.1%	3.7%	2.0%	2.7%	1.6%	-	
<b>Uncompensated Care</b>											
Cost to Charge Ratio	23.1%	24.6%	21.9%	24.6%	20.8%	24.4%	20.6%	23.5%	21.3%	-	
Cost of Charity	\$5.1	\$1,520.9	\$3.3	\$1,539.1	\$2.7	\$1,514.6	\$2.04	\$1,074.19	\$1.63	-	
Cost of Bad Debt	\$0.1	\$1,186.8	\$2.4	\$1,232.9	\$2.5	\$1,353.5	\$2.97	\$1,038.80	\$2.17	-	
<b>Total</b>	<b>\$5.2</b>	<b>\$2,707.7</b>	<b>\$5.8</b>	<b>\$2,772.0</b>	<b>\$5.22</b>	<b>\$2,868.1</b>	<b>\$5.01</b>	<b>\$2,112.99</b>	<b>\$3.80</b>	-	

Source: OSHPD Disclosure Reports, 2011-2015

The table below shows Queen of the Valley Medical Center’s historical costs for charity care as reported by OSHPD. Queen of the Valley Medical Center’s charity care costs have decreased from approximately \$5.1 million in FY 2011 to \$1.6 million in FY 2015. The average cost of charity care for the last five-year period was approximately \$3.0 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	\$7,664,041	21.3%	\$1,632,441	0.7%
FY 2014	\$9,896,342	20.6%	\$2,041,891	0.8%
FY 2013	\$13,079,629	20.8%	\$2,721,617	1.1%
FY 2012	\$15,241,774	21.9%	\$3,342,254	1.3%
FY 2011	\$22,270,007	23.1%	\$5,140,150	2.1%
<b>5-Year Average</b>	<b>\$13,630,359</b>		<b>\$2,975,670</b>	

Source: OSHPD Disclosure Reports, FY 2011-2015

Queen of the Valley Medical Center reported the following charity care charges by inpatient, outpatient, and emergency room.

COST OF CHARITY CARE BY SERVICE				
	Inpatient	Outpatient	Emergency Room	Total Costs
<b>2015:</b>				
Cost of Charity	\$661,593	\$275,770	\$753,622	\$1,690,985
Visits/Discharges	330	1,086	2,408	
<b>2014:</b>				
Cost of Charity	\$544,703	\$565,251	\$887,488	\$1,997,442
Visits/Discharges	228	1,286	1,423	
<b>2013:</b>				
Cost of Charity	\$1,020,089	\$514,316	\$1,052,771	\$2,587,175
Visits/Discharges	249	1,351	1,673	
<b>2012:</b>				
Cost of Charity	\$1,592,149	\$514,523	\$1,059,947	\$3,166,619
Visits/Discharges	466	2,356	2,839	
<b>2011:</b>				
Cost of Charity	\$2,128,455	\$908,168	\$1,702,677	\$4,739,301
Visits/Discharges	752	3,978	5,952	

Source: St. Joseph Health System

## Community Benefit Services

Queen of the Valley Medical Center 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 \$4,038,424 per year.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	5-Year Average	Total
Benefits for Persons Living in Poverty	\$1,579,540	\$1,971,364	\$2,216,944	\$3,084,041	\$2,930,656	\$2,356,509	\$11,782,545
Benefits for Broader Community	\$2,259,478	\$2,148,185	\$1,618,186	\$1,418,566	\$965,158	\$1,681,915	\$8,409,573
<b>Total</b>	<b>\$3,839,018</b>	<b>\$4,119,549</b>	<b>\$3,835,130</b>	<b>\$4,502,607</b>	<b>\$3,895,814</b>	<b>\$4,038,424</b>	<b>\$20,192,118</b>

Source: Queen of the Valley Hospital

Note: Community Benefit programs and services excludes grants

- Queen of the Valley Medical Center’s five-year average cost of community benefit services for persons living in poverty is approximately \$2.4 million per year;
- Queen of the Valley Medical Center’s five-year average cost of community benefit services for the broader community is approximately \$1.7 million per year; and
- Queen of the Valley Medical Center’s combined total cost of community benefit services has increased by 1.5% from FY 2011 to FY 2015.

Queen of the Valley Medical Center's community benefit services over the past five fiscal years included the following programs over \$10,000:

COST OF COMMUNITY BENEFIT SERVICES FY 2011-2015					
Services over \$10,000 in cost:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Cancer Wellness Program	-	-	\$37,800	\$89,850	\$116,386
CARE Network	\$1,281,305	\$1,443,746	\$1,516,502	\$1,650,405	\$1,847,699
CARE Network - Family Service Napa Valley	\$110,000	\$110,004	\$110,004	\$119,171	-
CARE Network: Cardiac Rehab	\$11,172	-	-	-	-
CARE Network: HIV/AIDS Clinic	\$36,000	\$36,000	-	-	-
CARE Network: HOPWA	\$41,738	\$45,187	-	\$83,320	\$29,167
Children & Families: Child Health Benefits Access	\$72,033	\$90,594	-	-	-
Children & Families: Children's Mobile Clinic	\$652,994	\$671,926	-	-	-
Children's Health Initiative (CHI)	\$25,000	\$27,500	-	-	-
Community Action NV Meals on Wheels Program	-	-	\$10,000	-	-
Community Education	\$603,145	-	-	-	-
Community Events & Capacity Building	\$185,206	\$186,111	-	-	-
Community Health	-	\$34,306	-	-	-
Community Health Education and Support Groups	-	-	-	-	\$21,902
Community Outreach Transitional Care Program	-	-	-	-	\$43,378
Community Health Clinic OLE - Colon Cancer Case Mngt	-	-	\$22,059	-	-
Community Health Clinic OLE - Well Women Clinic Exams	-	\$50,026	-	-	-
Community Health Clinic OLE-CARE Network: HIV/AIDS Clinic	-	-	\$36,000	\$36,000	\$36,000
Community Health Clinic OLE-Oncology Clinic/Cancer Prevention	-	-	\$15,000	\$25,000	\$5,000
Compassion Fund-QVMC Social Services	-	-	\$16,035	\$15,993	-
Diversity & Inclusion Program	-	-	\$115,186	\$137,428	-
Food Bank of Napa Valley	-	\$15,000	-	-	-
Family Services Napa Valley	-	-	-	-	\$110,004
Healthy 4 Life Program	\$67,535	\$34,565	\$49,673	\$123,391	\$102,726
Healthy Aging Population Initiative (HAPI)	\$43,200	\$21,600	-	\$32,400	-
Healthy Communities-Community Support	-	-	\$198,732	\$131,180	\$141,498
Healthy Community & Health Library	\$223,959	-	-	-	-
Healthy Minds- Healthy Aging: Prevention Early Intervention PEI	\$57,955	\$70,554	\$80,865	\$71,222	\$79,744
Heart Safe Program of Napa Valley - VIA Foundation	-	-	\$20,000	\$20,000	-
Hospice of Napa Valley - Alzheimer's Day Care	\$90,000	\$55,000	\$40,000	\$55,000	-
Infant-Parent Mental Health Graduate Certificate Program	-	\$37,800	-	\$41,000	\$46,800
Lifeline	\$63,445	\$59,825	\$60,054	\$77,455	-
Mobile Dental Clinic	-	-	\$773,496	\$402,948	\$818,461
Napa Emergency Women's Services (NEWS)	\$10,000	-	-	-	-
Napa Valley Community Housing	-	\$10,000	-	-	-
Oncology Clinic	\$15,000	\$15,000	-	-	-
Operation: With LOVE from HOME	-	\$10,000	-	-	-
Parent University	-	\$119,902	\$83,088	\$100,872	\$72,256
Perinatal and Community Health Education	-	-	\$69,433	\$30,438	-
Perinatal Outreach and Health Education	\$12,346	\$20,651	\$499,236	\$445,558	\$476,121
Support Group: AA	-	\$15,750	-	-	\$13,832
Support Group: Food Addicts in Recovery	-	\$13,275	-	-	-
The Table	-	\$10,261	-	-	\$5,000
Welcome Every Baby	\$30,935	\$12,449	-	-	-
Well Women Clinic Exams	\$33,794	-	-	-	-
Wolfe Center After School Program	-	\$10,000	-	-	-
Wolfe Center-Taboo Tattoo	-	-	\$10,547	\$13,809	-

Source: Queen of the Valley Hospital

Note: Includes Community Benefit Expenses to Queen of the Valley Hospital before Grants and Offsets

Queen of the Valley Medical Center's community benefit services have supported many programs for the community, including various CARE Network efforts, women and children's health programs, community health initiatives, and others as described below<sup>13</sup>:

- Cancer Wellness Program: Operates a free, comprehensive rehabilitation program for patients with cancer, including monitored exercise, nutrition consultation, stress counseling, and case management;
- CARE Network: Provides comprehensive, community-based case management and transitional care services to chronically ill, low income individuals;
- CARE Network - Family Service Napa Valley: Contracts behavioral health therapist to provide support for low income, chronically ill CARE Network clients;
- CARE Network - HIV/AIDS Clinic: Provides local access to HIV, AIDS, and Hepatitis C specialty care for individuals who would not otherwise have access to such services;
- CARE Network - HOPWA: Funds housing and utilities for individuals living with HIV/AIDS;
- Children & Families - Children's Mobile Clinic: Operates a mobile dental clinic that provides basic preventive care, cleanings, x-rays, sealants, fluoride treatments, and oral health education;
- Children's Health Initiative: Provides cash/in-kind donations to secure access to comprehensive, quality healthcare for community children;
- Community Action NV Meals on Wheels Program: Offers cash/in-kind donations to provide home-delivered meals for individuals in need;
- Community Events & Capacity Building: Contributes a variety of charitable cash/in-kind donations to local nonprofits;
- Community Health Education and Support Groups: Provides breastfeeding support groups and classes, Bosom Buddies, spine support group, stroke support group, and art wellness classes for the broader community;

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<sup>13</sup> The following community benefit programs and services are no longer being provided: CARE Network: Cardiac Rehab, Children & Families: Child Health Benefits Access, Community Education, Community Health, Community Health Clinic OLE - Colon Cancer Case Management, Community Health Clinic OLE – Well Women Clinic Exams, Diversity & Inclusion Program, Healthy Community & Health Library, Lifeline, Oncology Clinic, Perinatal and Community Health Education, Welcome Every Baby, Well Women Clinic Exams, Wolfe Center After School Program, and Wolfe Center - Taboo Tattoo.

- Community Outreach Transitional Care Program: Provides 30-day telephone and in-person follow-ups by registered nurses for discharged patients. Interventions include medication reconciliation and advanced care planning;
- Community Health Clinic OLE - CARE Network HIV/AIDS Clinic: Provides support and assistance for residents who are HIV positive or living with AIDS;
- Community Health Clinic OLE - Oncology Clinic/Cancer Prevention: Contributes cash/in-kind donations in order to improve access to cancer care and prevention services;
- Compassion Fund - QVMC Social Services: Provides cash/in-kind donations for low income patients that require assistance with medical equipment, prescriptions, and other basic needs;
- Family Services Napa: Facilitates a mental health services program that is designed to serve the mental health needs of the economically poor, vulnerable, underserved, elderly, and Latino communities of Napa County;
- Food Bank of Napa Valley: Contributes cash/in-kind donations to support the Food Bank of Napa Valley;
- Healthy for Life Program: Facilitates a school-based program that addresses obesity prevention, nutrition, and fitness, designed to emphasize lifelong fitness and healthy eating behaviors among children and adolescents;
- Healthy Aging Population Initiative: Administers a community-based initiative designed to address the safety and quality of life of older adults;
- Healthy Communities - Community Support: Provides cash/in-kind donations to various community nonprofit organizations;
- Healthy Minds Healthy Aging - Prevention and Early Intervention: Coordinates a community collaborative of 4 organizations (Area Agency on Aging, Family Service of Napa Valley, Napa Valley Adult Day Services, and Queen of the Valley Medical Center) that is focused on prevention and early intervention of early on-set mental illness and cognitive impairment;
- Heart Safe Program of Napa Valley - VIA Foundation: Contributes cash/in-kind donations to the Heart Safe Program that strives to provide Automated External Defibrillators and CPR training to all businesses, organizations, and schools in Napa County;
- Hospice of Napa Valley - Alzheimer's Day Care: Provides cash/in-kind donations to support adult day health care and Alzheimer's day care;

- Infant - Parent Mental Health Graduate Certificate Program: Contributes cash/in-kind donations to support the Infant-Parent Mental Health program;
- Mobile Dental Clinic: Offers full service dental care to low-income children and oral health education to children and their families;
- Napa Emergency Women's Services: Offers cash/in-kind donations to provide refuge for women and children suffering from domestic violence and/or sexual assault;
- Napa Valley Community Housing: Provides cash/in-kind donations to offer affordable housing and serves the needs of low income individuals and families throughout Napa County;
- Operation with LOVE from HOME: Provides cash/in-kind donations to support the deployed armed forces;
- Parent University: Facilitates a school-based, collaborative initiative between three organizations (On The Move, Napa Valley Unified School District, and Queen of the Valley) aimed at reducing health and educational inequities through parental engagement, designed especially for low income Latino parents;
- Perinatal Outreach and Health Education: Offers a variety of community health education programs and perinatal education programs;
- Support Group - Alcoholics Anonymous: Facilitates Alcoholics Anonymous support groups;
- Support Group - Food Addicts: Facilitates Food Addicts in Recovery support groups; and
- The Table: Offers cash/in-kind donations to support community food insecurity and well-being.

## ANALYSIS OF QUEEN OF THE VALLEY MEDICAL CENTER'S SERVICE AREA

### *Service Area Definition*

Based upon Queen of the Valley Medical Center's 2014 inpatient discharges, Queen of the Valley Medical Center's service area is comprised of 14 ZIP Codes from which 84% of its inpatient discharges originated. Approximately 50% of Queen of the Valley Medical Center's discharges originated from the ZIP Code 94558 located in Napa. In 2014, Queen of the Valley Medical Center's market share in the service area was approximately 40% based on total area discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative		Market Share
				% of Discharges	Total Area Discharges	
94558	Napa	3,391	49.2%	49.2%	6,013	56.4%
94559	Napa	1,203	17.4%	66.6%	2,101	57.3%
94599	Yountville	543	7.9%	74.5%	741	73.3%
94503	American Canyon	341	4.9%	79.5%	1,428	23.9%
95476	Sonoma	132	1.9%	81.4%	2,665	5.0%
94574	Saint Helena	106	1.5%	82.9%	688	15.4%
94515	Calistoga	35	0.5%	83.4%	505	6.9%
94581	Napa	24	0.3%	83.8%	54	44.4%
94508	Angwin	12	0.2%	83.9%	201	6.0%
94567	Pope Valley	10	0.1%	84.1%	51	19.6%
94576	Deer Park	6	0.1%	84.2%	32	18.8%
94573	Rutherford	6	0.1%	84.3%	23	26.1%
94562	Oakville	3	0.0%	84.3%	8	37.5%
95487	Vineburg	2	0.0%	84.3%	19	10.5%
<b>Subtotal</b>		<b>5,814</b>	<b>84.3%</b>	<b>84.3%</b>	<b>14,529</b>	<b>40.0%</b>
Other ZIPs		1,080	15.7%	100%		
<b>Total</b>		<b>6,894</b>	<b>100%</b>			

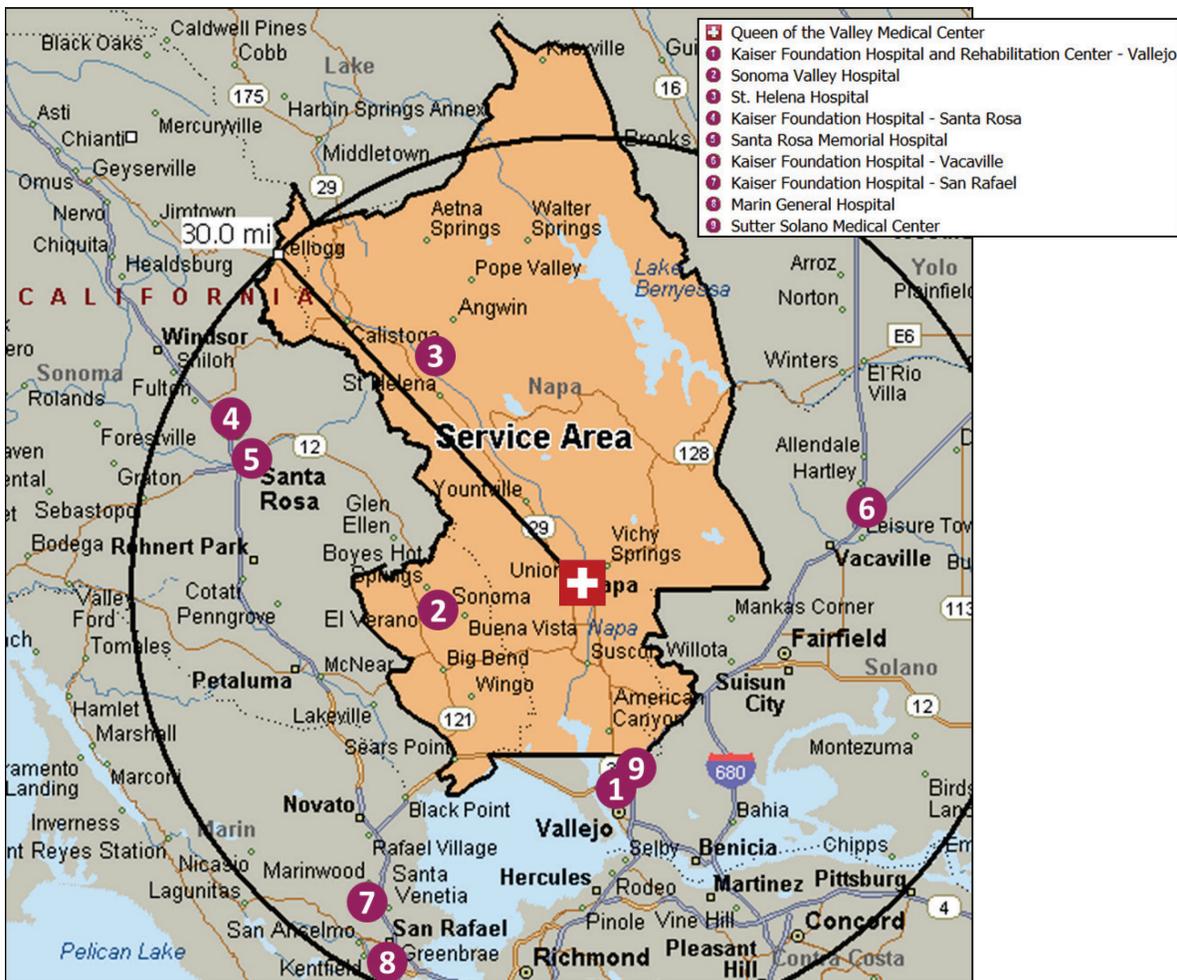
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

## Service Area Map

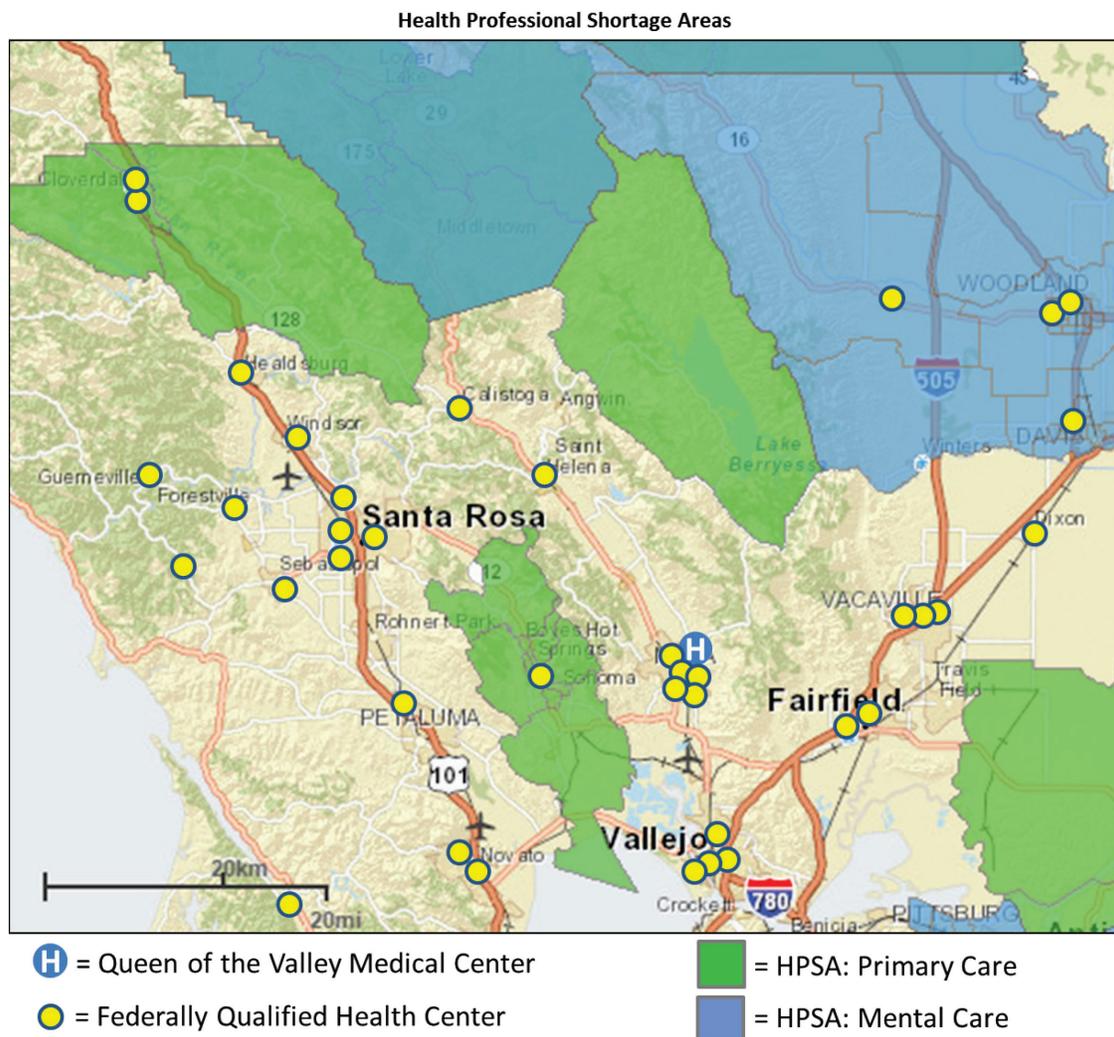
Queen of the Valley Medical Center’s service area, with approximately 183,000 residents, includes the communities of Napa, Yountville, American Canyon, Sonoma, Saint Helena, Calistoga, Angwin, Pope Valley, Deer Park, Rutherford, Oakville, and Vineburg.

There are two other hospitals located within Queen of the Valley Medical Center’s service area, including: Sonoma Valley Hospital and St. Helena Hospital. Kaiser Foundation Hospital and Rehabilitation Center-Vallejo, Sutter Solano Medical Center, Kaiser Foundation Hospitals-Santa Rosa, Kaiser Foundation Hospitals-Vacaville, and Santa Rosa Memorial Hospital are located outside of the service area and also provide care to service area residents. Queen of the Valley Medical Center is the inpatient market share leader within the service area.



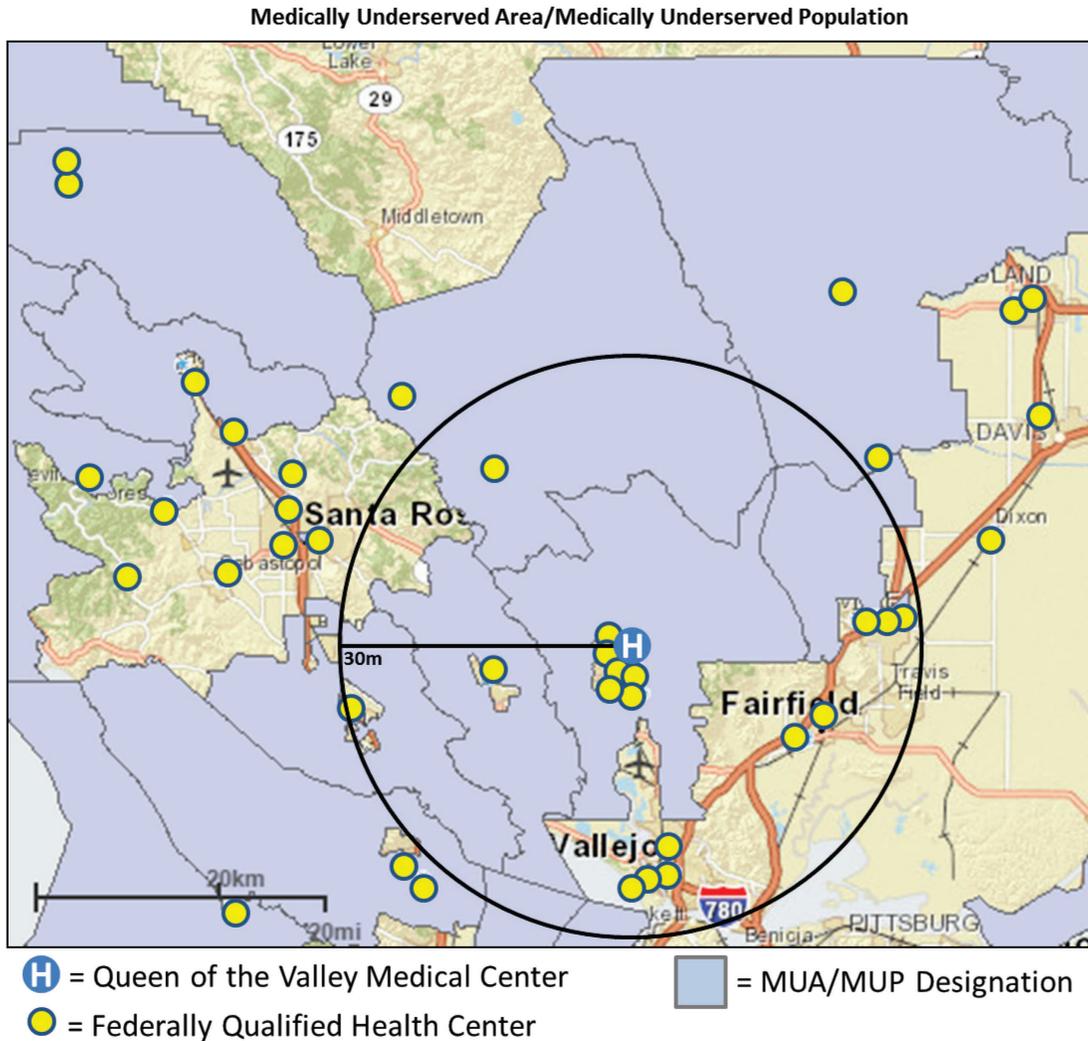
## Health Professional Shortage Areas, Medically Underserved Areas & Medically Underserved Populations

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 Queen of the Valley Medical Center is not located in a shortage area, large portions of the service area to the west and north of Queen of the Valley Medical Center are designated as shortage areas. The map below depicts these shortage areas relative to Queen of the Valley Medical Center's location.



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 Queen of the Valley Medical Center's location.



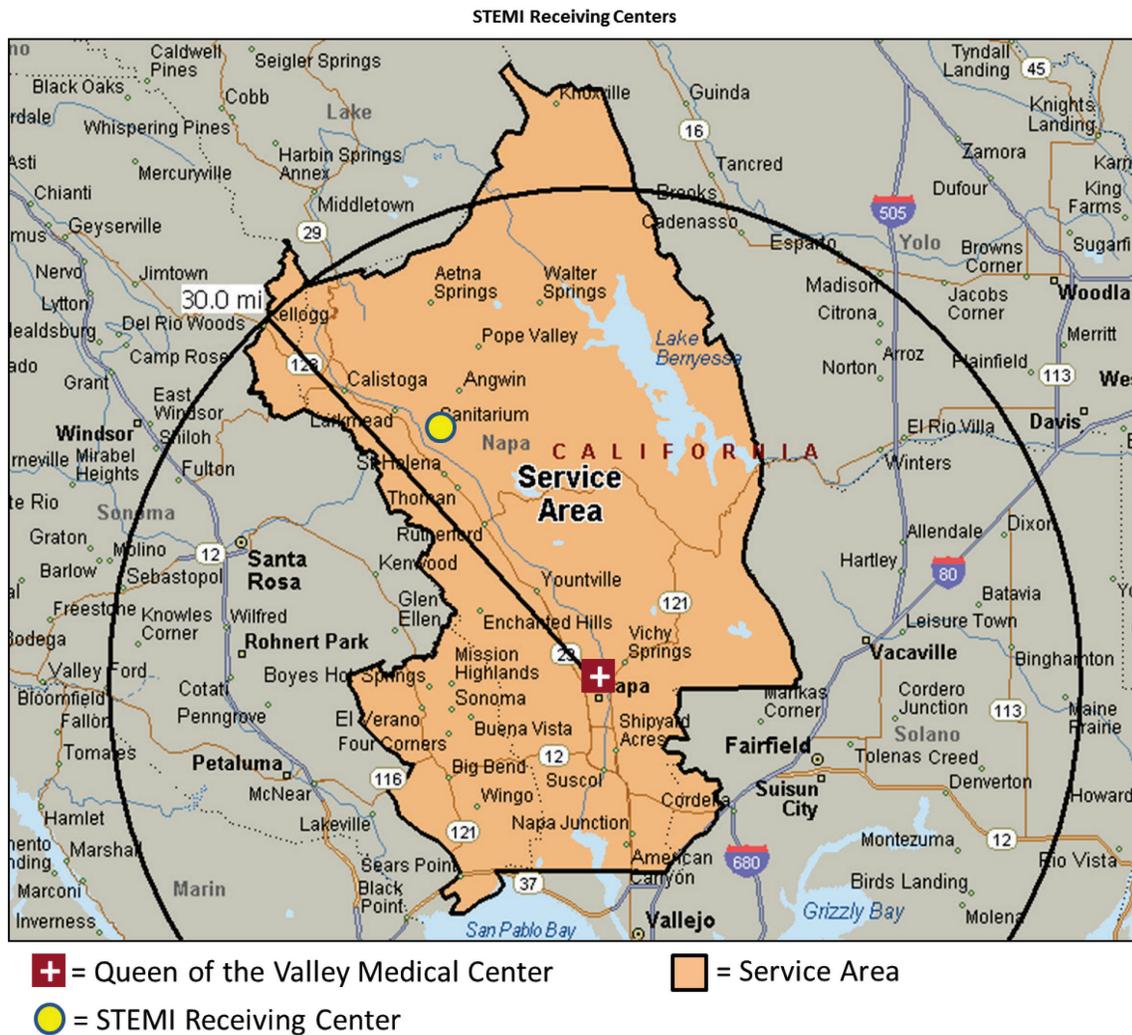
Queen of the Valley Medical Center, along with the majority of the service area, is located in a Medically Underserved Area/Medically Underserved Populations area, signifying the importance of Queen of the Valley Medical Center to the community it serves.

There are also 18 Federally Qualified Health Centers within a 30 mile radius of Queen of the Valley Medical Center. 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 includes provisions that increased federal funding for 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. Many of the Federally Qualified Health Centers' patients utilize the services of Queen of the Valley Medical Center.

### Service Area STEMI Receiving Centers

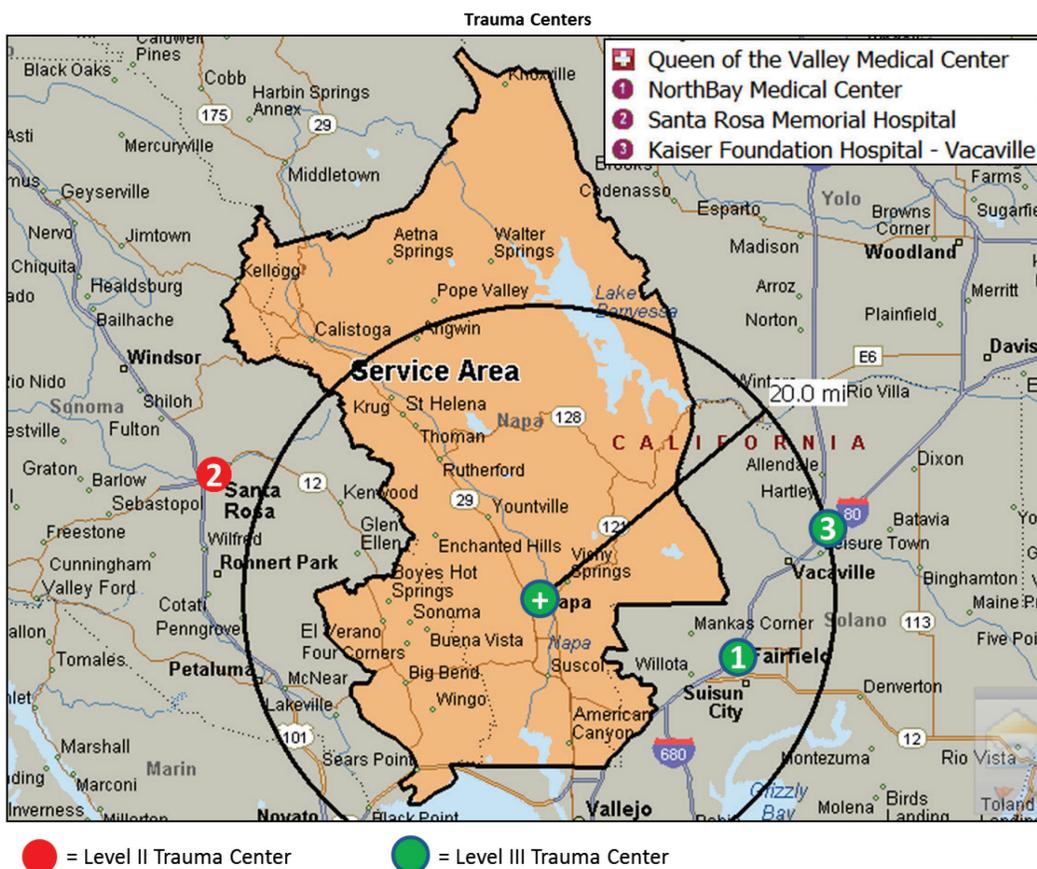
Queen of the Valley Medical Center is one of two STEMI Receiving Centers within the service area that administers percutaneous coronary intervention for patients experiencing an acute heart attack.



## Service Area Trauma Services

The American College of Surgeons' Committee on Trauma classifies trauma centers as Level I through Level IV. Level I Trauma Centers provide the highest level of trauma care. Those designated as Level IV provide initial trauma care and transfer patients to a higher level trauma center if necessary. Queen of the Valley Medical Center is a Level III Trauma Center, and therefore, is required to have 24-hour immediate coverage by emergency medicine physicians and the prompt availability of general surgeons and anesthesiologists. A Level III Trauma Center must also have transfer agreements for patients requiring more comprehensive care at a Level I or Level II Trauma Center.

The map below illustrates Queen of the Valley Medical Center relative to other area trauma centers within 25 miles of Queen of the Valley Medical Center.



- There are three other trauma centers located within 25 miles of Queen of the Valley Medical Center: Santa Rosa Memorial Hospital (Level II), NorthBay Medical Center (Level III), and Kaiser Foundation Hospitals-Vacaville (Level III); and
- As the only emergency trauma center in Napa County, Queen of the Valley Medical Center provides care to nearly 400 trauma patients per year.

## Demographic Profile

Queen of the Valley Medical Center’s service area population is expected to grow by 3.4% over the next five years. This is almost identical to the expected growth rate for Napa County (3.3%), but lower than the expected growth rate for the State of California (3.7%).

SERVICE AREA POPULATION STATISTICS 2015-2020			
	2015 Estimate	2020 Projection	% Change
Total Population	176,958	182,971	3.4%
Households	65,159	67,356	3.4%
Percentage Female	50.3%	50.3%	-

Source: Esri

The median age of the population in Queen of the Valley Medical Center’s service area is 41.7 years, which is higher than the State of California median age of 35.7 years. The percentage of adults over the age of 65 years old is the fastest growing age cohort and is forecasted to increase approximately 19% by 2020. The number of women of child-bearing age is expected to increase by 2% over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2015-2020				
	2015 Estimate		2020 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	31,316	17.7%	30,909	16.9%
Age 15-44	64,252	36.3%	65,683	35.9%
Age 45-64	48,888	27.6%	47,821	26.1%
Age 65+	32,502	18.4%	38,558	21.1%
<b>Total</b>	<b>176,958</b>	<b>100%</b>	<b>182,971</b>	<b>100%</b>
Female 15-44	30,889	17.5%	31,550	17.2%
Median Age	41.7	-	42.7	-

Source: Esri

The largest population cohorts in Queen of the Valley Medical Center’s service area are White (71%) and Some Other Race (15%). Approximately 67% of the service area population is of non-Hispanic ethnicity. This is higher than the non-Hispanic ethnic populations of both Napa County (66%) and the State of California (61%).

SERVICE AREA POPULATION RACE/ETHNICITY: 2015-2020		
	2015	2020
White	71.2%	68.6%
Black	1.8%	2.0%
American Indian	0.7%	0.7%
Asian or Pacific Islander	6.9%	7.9%
Some Other Race	15.2%	16.2%
Two or More Races	4.3%	4.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>
Hispanic Ethnicity	33.3%	35.5%
Non-Hispanic or Latino	66.7%	64.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Esri

Queen of the Valley Medical Center’s service area has an average household income of \$94,453. This is 2% higher than the average for Napa County (\$96,079) and 8% higher than the State of California average (\$87,152). The percentage of higher-income households (\$150,000+) is growing at a slower rate (16%) than those for both Napa County (19%) and the State of California (19%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2015-2020						
Annual Income	2015 Estimate			2020 Estimate		
	Service Area	Napa County	California	Service Area	Napa County	California
\$0 - \$15,000	8.4%	8.2%	11.1%	7.5%	7.2%	10.3%
\$15 - \$24,999	7.6%	7.3%	9.0%	5.4%	5.2%	6.6%
\$25 - \$34,999	9.2%	8.4%	9.3%	7.7%	7.0%	7.7%
\$35 - \$49,999	12.2%	11.7%	12.2%	11.0%	10.6%	11.3%
\$50 - \$74,999	16.8%	16.7%	16.5%	15.6%	15.5%	15.9%
\$75 - \$99,999	12.6%	12.9%	12.3%	14.4%	14.6%	14.2%
\$100 - \$149,999	16.2%	17.1%	14.9%	18.2%	19.0%	16.6%
\$150,000+	17.0%	17.7%	14.6%	20.2%	21.0%	17.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Average Household Income</b>	<b>\$94,453</b>	<b>\$96,079</b>	<b>\$87,152</b>	<b>\$107,156</b>	<b>\$108,681</b>	<b>\$99,512</b>

Source: Esri

## Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that 12% of the population in Queen of the Valley Medical Center’s service area was eligible for Medi-Cal coverage (compared to the State of California average of 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 to more than 12 million total enrollees in the Medi-Cal program in 2015. Based on Queen of the Valley Medical Center’s percentage of Medi-Cal inpatient discharges and the service area’s low percentage of Medi-Cal eligible residents, a lower percentage of service area residents will qualify for Medi-Cal coverage under the ACA expansion than seen on average statewide.

## Selected Health Indicators

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

- Napa County’s rates of low birth weight infants and first trimester prenatal care are superior to both the State of California rates and the national goals. Napa County’s rate of adequate/adequate plus care is inferior to the California rate, but it is superior to the national goal.

NATALITY STATISTICS: 2015			
Health Status Indicator	Napa County	California	National Goal
Low Birth Weight Infants	6.2%	6.8%	7.8%
First Trimester Prenatal Care	86.6%	83.6%	77.9%
Adequate/Adequate Plus Care	78.4%	79.2%	77.6%

Source: California Department of Public Health

- The overall age-adjusted mortality rate for Napa County is higher than that of the State of California. Napa County’s age-adjusted rates for nine out of the 18 causes of mortality are lower than the statewide rates. Napa County’s age-adjusted rates are higher than the State of California rates for all cancers, lung cancer, prostate cancer, Alzheimer’s disease, cerebrovascular disease, accidents, motor vehicle traffic crashes, suicide, and drug-induced deaths. Based on underlying and contributing cause of death statistics, Napa County reported lower age-adjusted death rates for eight out of the 14 reported national goals.

MORTALITY STATISTICS: 2015 RATE PER 100,000 POPULATION				
Selected Cause	Napa County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	853.9	650.9	641.1	N/A
- All Cancers	205.7	163.1	151.0	161.4
- Colorectal Cancer	14.0	10.8	13.9	14.5
- Lung Cancer	48.1	38.5	33.6	45.5
- Female Breast Cancer	22.1	15.9	20.7	20.7
- Prostate Cancer	25.5	23.4	20.2	21.8
- Diabetes	14.7	11.4	20.8	N/A
- Alzheimer's Disease	44.3	31.0	30.8	N/A
- Coronary Heart Disease	116.7	86.3	103.8	103.4
- Cerebrovascular Disease (Stroke)	54.4	39.5	35.9	34.8
- Influenza/Pneumonia	19.5	13.8	16.3	N/A
- Chronic Lower Respiratory Disease	43.5	33.4	35.9	N/A
- Chronic Liver Disease And Cirrhosis	13.0	10.9	11.7	8.2
- Accidents (Unintentional Injuries)	34.2	30.7	27.9	36.4
- Motor Vehicle Traffic Crashes	9.1	9.3	7.6	12.4
- Suicide	13.5	12.8	10.2	10.2
- Homicide	1.4	1.4	5.1	5.5
- Firearm-Related Deaths	5.8	5.6	7.8	9.3
- Drug-Induced Deaths	13.2	11.5	11.1	11.3

Source: California Department of Public Health

- Napa County has lower morbidity rates for each of the health status indicators reported below than the State of California overall. The measured Napa County rates for each of the health status indicators are lower than the national goals in all indicators except tuberculosis.

MORBIDITY STATISTICS: 2015 RATE PER 100,000 POPULATION			
Health Status Indicator	Napa County	California	National Goal
AIDS	4.3	8.1	12.4
Chlamydia	231.2	442.6	N/A
Gonorrhea Female 15-44	50.6	152.8	251.9
Gonorrhea Male 15-44	43.6	213.1	194.8
Tuberculosis	2.9	5.9	1.0

Source: California Department of Public Health

## ***2014 Community Health Needs Assessment***

In order to determine the health priorities, emerging gaps, and ongoing needs of their community, Queen of the Valley Medical Center conducts a Community Health Needs Assessment every three years. Queen of the Valley Medical Center's most recent 2014 assessment incorporated primary data collected through a community questionnaire, community focus groups, and key informant interviews, as well as secondary sources. Whereas Queen of the Valley Medical Center's primary and secondary service areas include locations outside of Napa County, the community benefit service area is defined by the geographic boundaries of Napa County. For the purpose of this assessment, the county was divided into the following four regions:

- North County consisting of Calistoga, St. Helena, Deer Park, Rutherford, and Oakville;
- East County consisting of Angwin, Pope Valley, and Lake Berryessa;
- Central County consisting of Napa and Yountville; and
- South County consisting of American Canyon.

Priority community health needs identified through engagement with community stakeholder include:

- Childhood obesity prevention;
- Access to dental care, particularly for low income children;
- Behavioral health services for low income adults, older adults, and pregnant women;
- Chronic disease management for low income and older adults; and
- Community health/prevention education and health literacy.

## Hospital Supply, Demand & Market Share

There are three general acute care hospitals within the defined service area: Queen of the Valley Medical Center, Sonoma Valley Hospital, and St. Helena Hospital. In FY 2014, the service area hospitals had a combined total of 425 licensed beds and an aggregate occupancy rate of approximately 42%. Queen of the Valley Medical Center had 191 licensed beds<sup>14</sup> that operated at an occupancy rate of nearly 46%. Furthermore, Queen of the Valley Medical Center was responsible for 52% of the service area discharges and approximately 48% of the patient days.

An analysis of the services offered by Queen of the Valley Medical Center 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 hospital bed capacity within the region.

AREA HOSPITAL DATA FY 2014									
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Queen of the Valley Medical Center	St. Joseph Health System	Napa	X	191	7,104	31,821	87	45.6%	-
Sonoma Valley Hospital	Sonoma Valley Healthcare District	Sonoma	X	83	1,516	11,905	33	39.3%	16.5
St. Helena Hospital	St. Helena	St. Helena	X	151	5,037	22,038	60	40.0%	20.9
<b>SUB-TOTAL</b>				<b>425</b>	<b>13,657</b>	<b>65,764</b>	<b>180</b>	<b>42.4%</b>	
Kaiser Foundation Hospitals - Vallejo	Kaiser Foundation Hospitals	Vallejo		248	9,638	48,885	134	54.0%	16.2
Santa Rosa Memorial Hospital	Santa Rosa Memorial Hospital	Santa Rosa		278	10,778	56,778	156	56.0%	34.4
Kaiser Foundation Hospitals - Santa Rosa	Kaiser Foundation Hospitals	Santa Rosa		173	8,494	29,190	80	46.2%	36.5
UCSF Medical Center	Regents of the University of California	San Francisco		650	28,736	178,893	490	75.4%	53.3
<b>TOTAL</b>				<b>1,774</b>	<b>71,303</b>	<b>379,510</b>	<b>1,040</b>	<b>58.6%</b>	

Source: OSHPD Disclosure Reports, FY 2014; Google Maps

<sup>14</sup> Since FY 2014, Queen of the Valley Medical Center revised its bed licensure and is currently licensed for 208 beds. Queen of the Valley Medical Center's current hospital license is included in the Appendix.

## Hospital Market Share

The table below illustrates service area hospital inpatient market share from 2012 to 2014:

HOSPITAL MARKET SHARE: 2012-2014				
Hospital	2012	2013	2014	Trend
Queen of the Valley Medical Center	42.5%	40.8%	40.0%	↔
Kaiser Foundation Hospitals-Rehabilitation Center Vallejo	15.0%	15.8%	16.7%	↗
Sonoma Valley Hospital	9.1%	8.6%	8.1%	↘
St. Helena Hospital	8.8%	8.6%	7.8%	↘
UCSF Medical Center	2.5%	2.7%	3.4%	↗
Kaiser Foundation Hospitals-Santa Rosa	2.4%	2.4%	2.7%	↗
Santa Rosa Memorial Hospital	1.6%	1.8%	1.9%	↗
Kaiser Foundation Hospitals-Vacaville	0.9%	1.0%	1.7%	↗
Kaiser Foundation Hospitals-San Rafael	1.2%	1.6%	1.6%	↔
Marin General Hospital	1.4%	1.4%	1.3%	↔
Other Discharges	14.6%	15.3%	14.9%	↔
<b>Total Percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>Total Discharges</b>	<b>15,732</b>	<b>15,340</b>	<b>14,529</b>	↘

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The number of discharges in Queen of the Valley Medical Center’s service area decreased by nearly 8% between 2012 and 2014;
- Queen of the Valley Medical Center has consistently been the service area market share leader based on discharges (40% in 2014). Kaiser Foundation Hospital Rehabilitation Center-Vallejo ranked second in inpatient discharges with 17% market share in 2014; and
- Sonoma Valley Hospital decreased its market share slightly to 8%.

## Market Share by Payer Type

The following table illustrates hospital market share by payer category for 2014:

HOSPITAL MARKET SHARE BY PAYER: 2014											
Payer Type	Total Discharges	Queen Of the Valley Medical Center	Kaiser Foundation Hospitals- Rehabilitation Center Vallejo	Sonoma Valley Hospital	St. Helena Hospital	UCSF Medical Center	Kaiser Foundation Hospitals- Santa Rosa	Kaiser Foundation Hospital Vacaville	All Others	Total	
Medicare	7,009	41.5%	18.3%	10.6%	7.9%	2.0%	2.6%	1.6%	1.5%	14.0%	100%
Private Coverage	4,264	26.5%	24.2%	4.1%	7.8%	4.6%	4.6%	1.7%	3.0%	23.6%	100%
Medi-Cal	2,627	55.5%	3.1%	7.3%	8.1%	5.8%	0.5%	3.1%	0.3%	16.3%	100%
All Other	344	45.1%	1.2%	13.4%	5.8%	1.7%	0.3%	2.3%	0.3%	29.9%	100%
Self Pay	285	55.8%	8.1%	6.0%	3.9%	0.7%	3.2%	2.1%	0.7%	19.6%	100%
<b>Total Percentage</b>		<b>40.0%</b>	<b>16.7%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>3.4%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>17.7%</b>	<b>100%</b>
<b>Total Discharges</b>	<b>14,529</b>	<b>5,814</b>	<b>2,423</b>	<b>1,174</b>	<b>1,128</b>	<b>494</b>	<b>397</b>	<b>280</b>	<b>242</b>	<b>2,577</b>	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest categories of service area inpatient discharges are comprised of Medicare at approximately 7,000 discharges (48%), Private Coverage at approximately 4,300 discharges (29%), and Medi-Cal at over 2,600 discharges (18%);
- Queen of the Valley Medical Center is the market share leader for all payer categories including Medicare (42%), Private Coverage (27%), Medi-Cal (56%), and Self-Pay (56%); and
- Kaiser Foundation Hospital Rehabilitation Center-Vallejo has notable market share in private coverage (24%).

## Market Share by Service Line

The following table illustrates service area hospital market share by service line for 2014:

HOSPITAL MARKET SHARE BY SERVICE LINE: 2014												
Service Line	Total Discharges	Kaiser Foundation Hospitals									All Others	Total
		Queen of the Valley Medical Center	Rehabilitation Center Vallejo	Sonoma Valley Hospital	St. Helena Hospital	UCSF Medical Center	Kaiser Foundation Hospitals-Santa Rosa	Santa Rosa Memorial Hospital	Kaiser Foundation Hospitals-Vacaville			
General Medicine	4,419	45.4%	18.7%	9.2%	7.4%	2.7%	2.6%	1.8%	0.6%	11.6%	100%	
Obstetrics	1,829	44.9%	21.6%	5.7%	8.9%	1.1%	5.2%	1.2%	2.4%	8.9%	100%	
Cardiac Services	1,489	42.6%	19.1%	4.1%	9.8%	1.7%	1.6%	2.0%	0.3%	18.7%	100%	
Orthopedics	1,468	28.7%	20.5%	9.5%	10.0%	2.5%	4.0%	2.4%	4.8%	17.6%	100%	
General Surgery	1,119	37.3%	15.6%	5.8%	6.5%	5.7%	2.0%	1.8%	1.2%	24.1%	100%	
Neonatology	747	49.9%	15.8%	5.5%	5.4%	4.3%	3.9%	3.6%	1.3%	10.3%	100%	
Neurology	592	47.0%	15.4%	6.8%	4.9%	3.2%	2.7%	2.4%	0.5%	17.2%	100%	
Behavioral Health	568	8.3%	2.8%	1.2%	16.7%	0.7%	0.5%	0.4%	0.0%	69.4%	100%	
Rehabilitation	455	26.8%	9.5%	55.6%	0.0%	0.0%	0.0%	2.0%	0.0%	6.2%	100%	
Oncology/Hematology (Medical)	374	39.6%	11.2%	3.7%	7.2%	9.9%	1.6%	1.3%	1.6%	23.8%	100%	
Spine	286	34.3%	4.5%	5.6%	2.4%	7.3%	0.3%	2.4%	8.0%	35.0%	100%	
Other	275	40.4%	10.5%	2.5%	5.1%	2.5%	1.1%	5.5%	8.7%	23.6%	100%	
Urology	245	36.3%	15.9%	1.6%	6.1%	11.4%	4.1%	0.4%	1.2%	22.9%	100%	
Vascular Services	243	47.7%	12.8%	1.2%	9.5%	5.3%	1.2%	2.5%	0.8%	18.9%	100%	
Gynecology	136	34.6%	5.9%	5.1%	7.4%	4.4%	0.7%	0.7%	0.0%	41.2%	100%	
ENT	136	36.0%	5.9%	1.5%	8.8%	19.1%	3.7%	4.4%	2.2%	18.4%	100%	
Neurosurgery	121	21.5%	0.0%	1.7%	0.0%	24.8%	1.7%	1.7%	7.4%	41.3%	100%	
<All others>	27	37.0%	18.5%	3.7%	3.7%	7.4%	0.0%	0.0%	0.0%	29.6%	100%	
<b>Total Percentage</b>		<b>40.0%</b>	<b>16.7%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>3.4%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>17.7%</b>	<b>100%</b>	
<b>Total Discharges</b>	<b>14,529</b>	<b>5,814</b>	<b>2,423</b>	<b>1,174</b>	<b>1,128</b>	<b>494</b>	<b>397</b>	<b>280</b>	<b>242</b>	<b>2,577</b>		

Note: Excludes normal newborns  
Source: OSHPD Patient Discharge Database

- Queen of the Valley Medical Center is the service line leader in 13 of 16 service lines: general medicine (45%), obstetrics (45%), cardiac services (43%), orthopedics (29%), general surgery (37%), neonatology (50%), neurology (47%), oncology/hematology (40%), spine (34%), urology (36%), vascular services (48%), gynecology (35%), and ear, nose, and throat (36%);
- Queen of the Valley Medical Center also has a notable service line market share in rehabilitation (27%) and neurosurgery (22%);
- In 2014, Sonoma Valley Hospital was the market share leader in rehabilitation (56%) and had notable market share in orthopedics (10%);
- Despite not being market share leader in any service lines, Kaiser Foundation Hospital Rehabilitation Center-Vallejo had notable market share in obstetrics (22%) and orthopedics (21%); and
- UCSF Medical Center has the highest market share in neurosurgery (25%) and St. Helena Hospital has the highest market share in behavioral health (17%).

## Market Share by ZIP Code

The following table illustrates service area hospital market share by ZIP Code for 2014:

HOSPITAL MARKET SHARE BY ZIP CODE: 2014												
ZIP Code	Community	Total Discharges	Queen of the Valley Medical Center	Kaiser Foundation Hospitals-Rehabilitation Center Vallejo	Sonoma Valley Hospital	St. Helena Hospital	UcCSF Medical Center	Kaiser Foundation Hospitals-Santa Rosa	Santa Rosa Memorial Hospital	Kaiser Foundation Hospitals-Vacaville	All Others	Total
94558	Napa	6,013	56.4%	20.4%	1.0%	2.8%	3.3%	0.3%	0.5%	2.7%	12.7%	100%
95476	Sonoma	2,665	5.0%	2.0%	41.0%	0.8%	5.0%	9.2%	6.2%	0.1%	30.8%	100%
94559	Napa	2,101	57.3%	21.7%	0.4%	2.8%	3.2%	0.3%	0.4%	1.6%	12.4%	100%
94503	American Canyon	1,428	23.9%	38.3%	0.2%	1.0%	2.8%	0.1%	0.1%	2.2%	31.5%	100%
94599	Yountville	741	73.3%	8.9%	0.1%	10.3%	0.9%	0.5%	1.1%	0.5%	4.3%	100%
94574	Saint Helena	688	15.4%	6.8%	0.0%	56.1%	4.2%	2.6%	1.7%	0.6%	12.5%	100%
94515	Calistoga	505	6.9%	1.2%	0.0%	46.3%	2.4%	19.8%	8.9%	0.6%	13.9%	100%
94508	Angwin	201	6.0%	3.5%	0.0%	62.7%	3.0%	2.0%	2.0%	1.5%	19.4%	100%
94581	Napa	54	44.4%	20.4%	3.7%	7.4%	1.9%	0.0%	0.0%	1.9%	20.4%	100%
94567	Pope Valley	51	19.6%	9.8%	0.0%	43.1%	2.0%	2.0%	3.9%	2.0%	17.6%	100%
94576	Deer Park	32	18.8%	0.0%	3.1%	31.3%	0.0%	0.0%	0.0%	0.0%	46.9%	100%
94573	Rutherford	23	26.1%	0.0%	0.0%	34.8%	8.7%	0.0%	0.0%	0.0%	30.4%	100%
95487	Vineburg	19	10.5%	0.0%	36.8%	0.0%	0.0%	0.0%	5.3%	0.0%	47.4%	100%
94562	Oakville	8	37.5%	12.5%	0.0%	12.5%	0.0%	0.0%	0.0%	0.0%	37.5%	100%
<b>Total Percentage</b>			<b>40.0%</b>	<b>16.7%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>3.4%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>17.7%</b>	<b>100%</b>
<b>Total Discharges</b>		<b>14,529</b>	<b>5,814</b>	<b>2,423</b>	<b>1,174</b>	<b>1,128</b>	<b>494</b>	<b>397</b>	<b>280</b>	<b>242</b>	<b>2,577</b>	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- Queen of the Valley Medical Center is the market share leader in five of the service area ZIP Codes. In three of these ZIP Codes, represented by Napa and Yountville, Queen of the Valley Medical Center had over 50% of the market share in 2014;
- Kaiser Foundation Hospitals-Rehabilitation Center Vallejo is the market share leader in American Canyon; and
- St. Helena Hospital is the market share leader in six service area ZIP Codes located in Saint Helena, Calistoga, Angwin, Pope Valley, Deer Park, and Rutherford.

## Service Availability by Bed Type

Using FY 2014 data, the tables on the following pages show Queen of the Valley Medical Center’s existing hospital bed capacity, occupancy, and availability for medical/surgical, intensive/coronary care, obstetrics, neonatal intensive care, rehabilitation and emergency services.

## Medical/Surgical Capacity Analysis

The medical/surgical beds within Queen of the Valley Medical Center’s service area operated at an overall occupancy rate of nearly 42%. Queen of the Valley Medical Center’s 133 licensed medical/surgical beds<sup>15</sup> represented approximately 53% of the beds in this category for the service area.

MEDICAL/SURGICAL BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Queen of the Valley Medical Center	-	X	133	5,453	22,501	62	46.4%
Sonoma Valley Hospital	16.5	X	46	815	2,821	8	16.8%
St. Helena Hospital	20.9	X	70	3,741	12,719	35	49.8%
<b>SUB-TOTAL</b>			<b>249</b>	<b>10,009</b>	<b>38,041</b>	<b>104</b>	<b>41.9%</b>
Kaiser Foundation Hospitals - Vallejo	16.2		128	6,308	25,468	70	54.5%
Santa Rosa Memorial Hospital	34.4		203	8,292	40,088	110	54.1%
Kaiser Foundation Hospitals - Santa Rosa	36.5		118	5,708	21,162	58	49.1%
UCSF Medical Center	53.3		324	21,258	107,416	294	90.8%
<b>TOTAL</b>			<b>1,022</b>	<b>51,575</b>	<b>232,175</b>	<b>636</b>	<b>62.2%</b>

Source: OSHPD Disclosure Reports, FY 2014; Google Maps

- Queen of the Valley Medical Center reported 5,453 hospital discharges and 22,501 patient days, resulting in an occupancy rate of approximately 46% and an average daily census of 62 patients.

<sup>15</sup> Since FY 2014, Queen of the Valley Medical Center reduced its bed licensure and is currently licensed for 130 medical/surgical beds.

## Intensive Care Unit/Coronary Care Unit Capacity Analysis

There were 34 intensive care unit/coronary care unit beds within the service area that operated at an overall occupancy rate of nearly 63%. Queen of the Valley Medical Center had 16 licensed intensive care unit beds<sup>16</sup> with an average occupancy rate of approximately 60% and an average daily census of ten patients.

INTENSIVE CARE UNIT/CORONARY CARE UNIT BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Queen of the Valley Medical Center	-	X	16	333	3,508	10	60.1%
Sonoma Valley Hospital	16.5	X	6	200	1,180	3	53.9%
St. Helena Hospital	20.9	X	12	254	3,063	8	69.9%
<b>SUB-TOTAL</b>			<b>34</b>	<b>787</b>	<b>7,751</b>	<b>21</b>	<b>62.5%</b>
Kaiser Foundation Hospitals - Vallejo	16.2		24	173	2,957	8	33.8%
Santa Rosa Memorial Hospital	34.4		26	550	7,877	22	83.0%
Kaiser Foundation Hospitals - Santa Rosa	36.5		20	156	2,310	6	31.6%
UCSF Medical Center	53.3		90	444	17,802	49	54.2%
<b>TOTAL</b>			<b>194</b>	<b>2,110</b>	<b>38,697</b>	<b>106</b>	<b>54.6%</b>

Source: OSHPD Disclosure Reports, FY 2014; Google Maps

- Among the service area hospitals, the average daily census was 21 patients based on 7,751 days;
- Queen of the Valley Medical Center provided approximately 47% of the service area's intensive care beds; and
- Queen of the Valley Medical Center accounted for approximately 42% of the service area's intensive care/coronary care discharges.

<sup>16</sup> Since FY 2014, Queen of the Valley Medical Center increased its bed licensure and is currently licensed for 36 intensive care beds.

## Obstetrics Capacity Analysis

As shown below, there were 35 obstetric beds located in the service area with an aggregate occupancy rate of nearly 27%. Queen of the Valley Medical Center reported 22 licensed obstetric beds with an average daily census of seven patients.

OBSTETRICS BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Queen of the Valley Medical Center	-	X	22	923	2,436	7	30.3%
Sonoma Valley Hospital	16.5	X	4	153	340	1	23.3%
St. Helena Hospital	20.9	X	9	267	614	2	18.7%
<b>SUB-TOTAL</b>			<b>35</b>	<b>1,343</b>	<b>3,390</b>	<b>9</b>	<b>26.5%</b>
Kaiser Foundation Hospitals - Vallejo	16.2		32	1,727	2,502	7	21.4%
Santa Rosa Memorial Hospital	34.4		15	897	2,439	7	44.5%
Kaiser Foundation Hospitals - Santa Rosa	36.5		17	2,223	3,714	10	59.9%
UCSF Medical Center	53.3		29	1,920	8,473	23	80.0%
<b>TOTAL</b>			<b>128</b>	<b>8,110</b>	<b>20,518</b>	<b>56</b>	<b>43.9%</b>

Source: OSHPD Disclosure Reports, FY 2014; Google Maps

The Kaiser Permanente facilities and St. Helena Hospital have Alternative Birthing Centers

- Queen of the Valley Medical Center provided nearly 63% of the licensed obstetrics beds within its service area, and it reported almost 69% of the discharges among service area hospitals; and
- Hospitals within the service area had available capacity, with occupancy rates ranging from almost 19% at St. Helena Hospital to approximately 30% at Queen of the Valley Medical Center.

## Neonatal Intensive Care Unit Capacity Analysis

Queen of the Valley Medical Center was the only provider with a neonatal intensive care unit within the service area.

NEONATAL INTENSIVE CARE BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Queen of the Valley Medical Center	-	X	6	185	1,245	3	56.8%
Sonoma Valley Hospital	16.5	X	-	-	-	-	-
St. Helena Hospital	20.9	X	-	-	-	-	-
<b>SUB-TOTAL</b>			<b>6</b>	<b>185</b>	<b>1,245</b>	<b>3</b>	<b>56.8%</b>
Kaiser Foundation Hospitals - Vallejo	16.2		16	317	1,401	4	24.0%
Santa Rosa Memorial Hospital	34.4		12	154	1,650	5	37.7%
Kaiser Foundation Hospitals - Santa Rosa	36.5		11	95	1,412	4	35.2%
UCSF Medical Center	53.3		51	731	14,213	39	76.4%
<b>TOTAL</b>			<b>96</b>	<b>1,482</b>	<b>19,921</b>	<b>55</b>	<b>56.9%</b>

Source: OSHPD Disclosure Reports, FY 2014; Google Maps

- Queen of the Valley reported six licensed neonatal intensive care beds, with an occupancy rate of nearly 57%; and
- The closest provider of neonatal intensive care beds outside of the service area is Kaiser Foundation Hospitals-Vallejo that had 16 licensed beds and is located 16.2 miles away from Queen of the Valley Medical Center.

## Rehabilitation Capacity Analysis

Queen of the Valley Medical Center was the only provider with rehabilitation beds within the service area.

REHABILITATION BEDS FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Queen of the Valley Medical Center	-	X	14	210	2,131	6	41.7%
Sonoma Valley Hospital	16.5	X	-	-	-	-	-
St. Helena Hospital	20.9	X	-	-	-	-	-
<b>SUB-TOTAL</b>			<b>14</b>	<b>210</b>	<b>2,131</b>	<b>6</b>	<b>41.7%</b>
Kaiser Foundation Hospitals - Vallejo	16.2		48	1,113	16,557	45	94.5%
Santa Rosa Memorial Hospital	34.4		16	240	3,111	9	53.3%
Kaiser Foundation Hospitals - Santa Rosa	36.5		-	-	-	-	-
UCSF Medical Center	53.3		-	-	-	-	-
<b>TOTAL</b>			<b>78</b>	<b>1,563</b>	<b>21,799</b>	<b>60</b>	<b>76.6%</b>

Source: OSHPD Disclosure Reports, FY 2014; Google Maps

- Queen of the Valley Medical Center had 14 licensed rehabilitation beds that were approximately 42% occupied on average (average daily census of six patients); and
- The closest provider of rehabilitation beds outside of the service area is Kaiser Foundation Hospitals-Vallejo that had 48 licensed beds and is located 16 miles away from Queen of the Valley Medical Center.

## Emergency Department Volume at Hospitals in the Service Area

In 2014, Queen of the Valley Medical Center had 18 emergency treatment stations. In total, there were 35 treatment stations among all service area hospitals. As shown below, Queen of the Valley Medical Center reported 30,311 visits, totaling nearly 64% of all visits among the service area hospitals (47,744 visits).

The table below shows the visits by severity category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System.

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2014												
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
Queen of the Valley Medical Center	-	X	Basic	18	30,311	1,256	5,196	11,601	10,514	1,744	13.5%	-
Sonoma Valley Hospital	16.5	X	Basic	9	9,678	397	2,176	3,431	2,467	1,207	8.4%	-
St. Helena Hospital	20.9	X	Standby	8	7,755	59	1,043	3,045	2,012	1,596	16.9%	-
<b>SUB-TOTAL</b>				<b>35</b>	<b>47,744</b>	<b>1,712</b>	<b>8,415</b>	<b>18,077</b>	<b>14,993</b>	<b>4,547</b>	<b>13.0%</b>	<b>-</b>
Kaiser Foundation Hospitals - Vallejo	16.2		Basic	48	53,046	17,392	7,335	8,832	13,759	5,728	8.9%	-
Santa Rosa Memorial Hospital	34.4		Basic	33	41,451	1,378	3,316	17,042	15,124	4,591	19.0%	-
Kaiser Foundation Hospitals - Santa Rosa	36.5		Basic	34	51,103	12,469	11,297	9,369	13,387	4,581	8.9%	-
UCSF Medical Center	53.3		Basic	33	44,572	292	2,606	13,893	8,978	18,803	20.9%	1,031
<b>TOTAL</b>				<b>183</b>	<b>237,916</b>	<b>33,243</b>	<b>32,969</b>	<b>67,213</b>	<b>66,241</b>	<b>38,250</b>	<b>13.7%</b>	<b>1,031</b>

Source: OSHPD Allirts Annual Utilization Reports, 2014; Google Maps

- Queen of the Valley Medical Center maintains a Level III Trauma Center Designation;
- Nearly 14% of Queen of the Valley Medical Center's 2014 emergency department visits resulted in admission to the hospital; and
- None of the service area hospitals went on diversion<sup>17</sup> in 2014.

<sup>17</sup> 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, use a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2014, Queen of the Valley Medical Center’s emergency department was operating at nearly 84% of its 18-bed capacity. Comparatively, Sonoma Valley Hospital operated at almost 54% of its nine-bed capacity, and St. Helena Hospital, a standby emergency department<sup>18</sup>, operated at approximately 49% of its eight-bed capacity.

EMERGENCY DEPARTMENT CAPACITY 2014							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Queen of the Valley Medical Center	-	X	Basic	18	30,311	36,000	5,689
Sonoma Valley Hospital	16.5	X	Basic	9	9,678	18,000	8,322
St. Helena Hospital	20.9	X	Standby	8	7,755	16,000	8,245
<b>SUB-TOTAL</b>				<b>35</b>	<b>47,744</b>	<b>70,000</b>	<b>22,256</b>
Kaiser Foundation Hospitals - Vallejo	16.2		Basic	48	53,046	96,000	42,954
Santa Rosa Memorial Hospital	34.4		Basic	33	41,451	66,000	24,549
Kaiser Foundation Hospitals - Santa Rosa	36.5		Basic	34	51,103	68,000	16,897
UCSF Medical Center	53.3		Basic	33	44,572	66,000	21,428
<b>TOTAL</b>				<b>183</b>	<b>237,916</b>	<b>366,000</b>	<b>128,084</b>

Source: OSHPD Alerts Annual Utilization Reports, 2014; Google Maps

- Overall, the service area hospitals’ emergency departments operated at approximately 68% capacity in 2014.

<sup>18</sup> A “standby” emergency department provides emergency medical care in a specially designed part of a hospital that is equipped and maintained at all times to receive patients with urgent medical problems and is capable of providing physician services within a reasonable time.

## SUMMARY OF INTERVIEWS FOR QUEEN OF THE VALLEY MEDICAL CENTER

Between December 2015 and February 2016, both in-person and telephone interviews were conducted with representatives of Queen of the Valley Medical Center, St. Joseph Health System, and Providence Health & Services. Interviews were also held with physicians, Partnership Health Plan representatives, Napa County representatives, Queen of the Valley Medical Center's employees, union representatives, and various other related community representatives. The purpose of these 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 combination of system level governance between St. Joseph Health System and Providence Health & Services to form Providence St. Joseph Health. 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***

Members of Queen of the Valley Medical Center's Board of Trustees, management team, and medical staff cited a number of reasons why the proposed combination may prove to be beneficial, including the following:

- The opportunity to partner with a Catholic, faith-based health system with a similar heritage and values would help to ensure that the mission to serve uninsured and under-insured patient populations would be continued;
- Leveraging the different strengths of Providence Health & Services and St. Joseph Health System would create an opportunity for sharing and mutual learning regarding best clinical practices, data, and community benefits and charity care;
- The proposed combination will put two already fiscally strong health systems in an even stronger financial position by increasing their bargaining power, allowing greater economies of scale, and providing greater access to capital at a lower cost; and
- The proposed combination has the potential to enable more collaboration between the hospitals and the sharing of best practices for development of programs for clinical services, mental health, telemedicine, and information technology.

## ***Importance of Queen of the Valley Medical Center to the Community***

According to all who were interviewed, Queen of the Valley Medical Center is an important provider of healthcare services to the local community by providing essential services to uninsured and under-served populations. It is also especially important for the financial support of community benefit programs, such as the Mobile Dental Clinic and CARE Network, a program to provide education and resources for chronically ill low-income patients. While there are two other hospitals within the defined service area, Queen of the Valley Medical Center is the market share leader, with Medi-Cal and Medicare payers representing 73% of its patient population. Some of the programs and services that were mentioned in the interviews as being especially important include the following:

- Cardiac services, including two cardiac catheterization labs and designation as a STEMI Receiving Center;
- Emergency services, including designation as a Level III Trauma Center;
  - Queen of the Valley Medical Center's emergency services were also emphasized as critically important because of Queen of the Valley Medical Center's proximity to Lake County because the use of methamphetamine was described as one of the highest in the State of California. In addition, the emergency services were described as especially important for Napa County's homeless population, many of whom were born and raised in Napa County.
- Orthopedic and joint replacement services;
- Oncology services;
- Rehabilitation services;
- Neurology services; and
- Maternal and child health services.

All community representatives who were interviewed believed that it was essential for Queen of the Valley Medical Center to retain all the services that it currently offers, including, but not limited to, obstetrics, intensive care, neonatal intensive care, cardiovascular, trauma, emergency services, and emergency services for patients with substance abuse issues. If Queen of the Valley Medical Center did not maintain its current level of healthcare services, accessibility and availability issues would occur for the underinsured and uninsured residents of the surrounding communities.

## ***Selection of Providence Health & Services for the Proposed Combination***

In addition to the reasons set forth in the Health System Combination Agreement, members of Queen of the Valley Medical Center's Board of Trustees, management, and medical staff cited a number of reasons why the proposed combination with Providence Health & Services would be beneficial. These reasons include the opportunity to partner with an organization that has the same shared commitments to the poor and underserved, realize economies of scale, and unify the sponsorship of two Catholic organizations with similar cultures and a similar heritage. Some of those who were interviewed knew members of the Providence Health & Services leadership team through participation in the joint Ministry Leadership Program that is held annually and were familiar with the shared mission and values of the two organizations. Many who were interviewed believed that Providence Health & Services was well prepared for the future of healthcare, further ahead in information technology, population and risk based management contracts, electronic medical records systems and telemedicine and had expertise that would be helpful for Queen of the Valley Medical Center.

## ***Impact on the Availability and Accessibility of Healthcare Services***

None of those interviewed expressed any concern that the proposed combination would negatively impact the accessibility or availability of current services. While most believed that the proposed combination would lead to new services and increase the accessibility and availability of services, they also believed there were many unknowns. A few of those interviewed were concerned that a new governance structure might result in a change to the level of emergency services provided. Many believed that it was essential for Queen of the Valley Medical Center to continue to offer Level III trauma services because it is the sole provider of trauma services in Napa County. Many also believed that there is a growing need for mental health services in Napa County and that the proposed combination would create the opportunity to expand service offerings for behavioral and mental health services in the service area.

## ***Alternatives***

Almost all interviewed believed that the proposed combination was not driven by financial necessity. Rather, they believed it was instead driven by a desire to create greater opportunity for improving operational, financial, and clinical performance. While some interviewed had no direct knowledge of Providence Health & Services or interactions with Providence Health & Services' staff, many individuals were confident that combining efforts with a financially strong, Catholic, faith-based health system would ensure that fulfilling the mission of caring for the poor would continue to remain a priority. None of the interviewees believed that a more suitable partner could have been found for this proposed combination.

## ***Views of National and Regional Health Plan Representatives***

The views of the health plan representatives can be divided into the following categories: views from the larger, national health plans whose membership is primarily insured by commercial health products, and views from representatives of health plans that are regional, with a focus on lower income Medi-Cal and dual Medicare/Medi-Cal eligible patient populations.

The representatives from the nationally-based health plans stated that their relationship with both St. Joseph Health System and Providence Health & Services has always been strong. They viewed the proposed combination positively, and they did not express any concerns about the effects of the transaction on their membership. Despite some uncertainty regarding how the larger size of the new organization may impact contract negotiations, they believed they would be able to continue their existing relationships with the respective health systems and potentially expand coverage to new markets.

The representatives from the regional health plan, Partnership Health Plan, did not express any concerns surrounding the proposed combination. This payer has had a strong and long-standing relationship with Queen of the Valley Medical Center with a large percentage of its patient population comprised of low-income and Medi-Cal eligibles. Partnership Health Plan views the proposed combination positively because of the potential to expand coverage to additional members for the patient populations it serves. As there are fewer hospitals and less specialty providers in Northern California, some of those who were interviewed expressed concerns about limited member access to specialty services and some women's reproductive services. They indicated that the proposed combination has the potential to improve physician recruitment efforts for the hospitals and particularly in specialty services.

All national and regional health plan representatives indicated they were unaware of any plans to eliminate or change covered services as a result of the proposed combination. The representatives viewed Providence Health & Services and St. Joseph Health System's decision to come together positively as they felt it will allow them to capitalize on opportunities to lower costs, expand physician networks, and offer patients greater service offerings.

## ***Views of the Unions***

Ten of the hospitals under consideration as part of the Health System Combination Agreement are represented by unions. These unions are: California Nurses Association, National Union of Healthcare Workers, International Union of Operating Engineers Local 39, Staff Nurses Association, United Steelworkers Union, Service Employees International Union Local 121 RN, and Service Employees International Union United Healthcare Workers West. Approximately 40% of the employees at the hospitals are represented by CBAs.

Approximately 33% of Queen of the Valley Medical Center's employees are covered by a CBA with California Nurses Association.

Union members and representatives have voiced various concerns regarding St. Joseph Health System and the proposed combination, including the following:

- Inadequate registered nurse staffing ratios at some of the St. Joseph Health System hospitals;
- The especially large footprint that will result from the proposed combination;
- The fact that, historically, when mergers have occurred, prices to consumer have risen, making healthcare less affordable and accessible;
- The potential for closure of the hospitals, elimination of patient services, and decreases in charity care and community benefit programs, as well as layoffs or outsourcing of skilled, experienced employees; and
- The impact of the Ethical and Religious Directives that prohibit healthcare providers from offering a range of beginning of life and end of life services may be administered differently from hospital to hospital.

Some of those who were interviewed disagreed with the Bishop's authority to determine what services are offered at a facility that receives public tax dollars. Some of those who were interviewed also believed the financial benefit received from the merger should translate into an increase in community benefit spending, higher rates of pay, lower prices to patients, and increased service offerings at the Providence Health & Services and St. Joseph Health System hospitals.

## **ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES**

### ***Importance of Queen of the Valley Medical Center to the Community***

Queen of the Valley Medical Center is an important provider of healthcare services to residents of their surrounding communities. Queen of the Valley Medical Center's provision of emergency, trauma, obstetrics, neonatology, and cardiovascular services is especially essential for residents within both the service area and the broader community. Other key services offered include orthopedics, oncology, neurology, urology, gynecology, rehabilitation, and pediatric emergency and imaging services.

In addition to the provision of key medical services, Queen of the Valley Medical Center has historically provided a significant level of charity care and community benefit programs for low-income, uninsured, and under-insured populations residing in the surrounding communities.

### ***Continuation as a General Acute Care Hospital***

The Health System Combination Agreement states that Queen of the Valley Medical Center will continue to operate as a licensed general acute care facility for a minimum of five years.

### ***Emergency and Trauma Services***

Queen of the Valley Medical Center is an important provider of emergency and trauma services, and maintains a Level III Trauma Center designation. As the sole provider of trauma services in Napa County, Queen of the Valley Medical Center is critical to the residents of Napa Valley and the surrounding communities. In 2014, Queen of the Valley Medical Center reported over 30,000 emergency department visits, including treatment for nearly 400 trauma patients. The 18 emergency treatment stations operated at 84% capacity based on a standard of 2,000 visits per station, per year. Any change in trauma medical services or a loss or reduction of emergency services would have a negative impact on the community as a whole.

Emergency departments at other service area facilities have only a limited number of treatment stations. Sonoma Valley Hospital has nine basic treatment stations that operate at 54% capacity, and St. Helena Hospital has eight standby treatment stations that operate at 48% capacity. As a result of the ACA and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. This influx of newly insured individuals and the growing shortage of primary care physicians, is expected to result in increased emergency department utilization within the service area. Keeping Queen of the Valley Medical Center's emergency department open is critical to the provision of emergency services within its service area.

## ***Medical/Surgical Services***

Queen of the Valley Medical Center is an important provider of traditional medical/surgical needs with 133 licensed medical/surgical beds. In FY 2014, Queen of the Valley Medical Center had an average daily census of approximately 62 patients, representing a 47% occupancy rate.

## ***Intensive Care Services***

In FY 2014, Queen of the Valley Medical Center had an occupancy rate of approximately 60% on its 16 licensed intensive care beds. These services are an important resource for supporting the emergency department and other medical and surgical services at Queen of the Valley Medical Center. Excluding Queen of the Valley Medical Center, the remaining two hospitals in the service area are running at a combined occupancy rate of approximately 65% on 18 intensive care beds. In FY 2014, Sonoma Valley Hospital ran at an annual occupancy rate of 54%, and St. Helena Hospital ran at nearly 70%. Maintaining intensive care beds at Queen of the Valley Medical Center is important in ensuring continued accessibility and availability of intensive and critical care services in the service area.

## ***Obstetrics Services***

Queen of the Valley Medical Center had an occupancy rate of just over 30% on its 22 licensed obstetrics beds with an average daily census of seven patients. With approximately 843 live births in FY 2014, Queen of the Valley Medical Center is an important provider of obstetrics services, with the largest market share and approximately 45% of inpatient obstetrics discharges within its service area. Queen of the Valley Medical Center is an important provider of obstetrics services to low-income patients.

## ***Neonatal Intensive Care Services***

Queen of the Valley Medical Center operated the only licensed neonatal intensive care beds within the service area in FY 2014, and it maintained a Level III Neonatal Intensive Care Unit with an occupancy rate of nearly 57%. In FY 2014, Queen of the Valley Medical Center has approximately 843 deliveries, and is an important provider of neonatal intensive care services. The next closest provider of neonatal intensive care services is Kaiser Foundation Hospitals-Vallejo that is located approximately 16 miles from Queen of the Valley Medical Center.

## ***Rehabilitation Services***

Queen of the Valley Medical Center is the sole provider of inpatient rehabilitation services in the service area with 14 licensed rehabilitation beds and a steady occupancy of approximately 42% in FY 2014. Queen of the Valley Medical Center is an important provider of these services to the local community.

## ***Pediatric Services***

While Queen of the Valley Medical Center is not specifically licensed for pediatric beds, approximately 16% of patients seen in its emergency department in 2014 were pediatric patients. Additionally, there are three children's hospitals located approximately 50 miles from Queen of the Valley Medical Center, including Children's Hospital Oakland, University of California, San Francisco Benioff Children's Hospital, and St. Jude Children's Research Hospital.

## ***Reproductive Health Services***

Providence Health & Services and St. Joseph Health System are subject to the Ethical and Religious Directives for Catholic Health Care Services (the Ethical and Religious Directives). The Ethical and Religious Directives is a document that offers guidance based on the Catholic Church's teachings regarding various aspects of healthcare delivery. The Ethical and Religious Directives were created as a discernment tool to be used in the application of healthcare decisions regarding beginning-of-life and end-of life-issues, and to safeguard the sacredness of the physician-patient relationship.

Within each Catholic Diocese, the Bishop has the authority to interpret the practical application of the Ethical and Religious Directives at area hospitals. Since the Catholic Church vests this authority to the Bishop in each Diocese, there may be slight variations in the application of the Ethical and Religious Directives among various Dioceses. Queen of the Valley Medical Center is located within the Diocese of Santa Rosa.

Under the Ethical and Religious Directives, some women's reproductive health services, including elective abortions and tubal ligations, are prohibited. According to interviews with the ethicists of Providence Health & Services and St. Joseph Health System, each hospital facility has an Ethics Committee in place to provide timely review and consultation with physicians, as needed, to ensure the physicians are supported throughout the decision-making process regarding the application of the Ethical and Religious Directives. While the Ethical and Religious Directives prohibit tubal ligations and abortions, these procedures are performed at both Providence Health & Services and St. Joseph Health System's hospitals when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

Queen of the Valley Medical Center is an important provider of a range of women's reproductive services and provide these services to an underserved population that has low rates of prenatal care, resulting in an increased number of high risk births. This can increase instances of stillborn delivery, miscarriage, and fetal abnormalities.

Below is a table showing instances where Queen of the Valley Medical Center recorded reproductive-related procedures that were in accordance with the Ethical and Religious Directives in 2014.

REPRODUCTIVE HEALTH SERVICES BY DIAGNOSTIC RELATED GROUP			
Diagnostic Related Group	Queen of the Valley Medical Center	Providence Health & Services	St. Joseph Health System
778-Threatened Abortion	21	183	239
779-Abortion w/o D&C	1	33	48
777-Ectopic Pregnancy	2	81	49
767-Vaginal Delivery w Sterilization &/or D&C	3	31	69
770-Abortion w D&C, Aspiration Curettage or Hysterectomy	-	61	32
<b>Total 2014 Discharges:</b>	<b>27</b>	<b>389</b>	<b>437</b>

Source: OSHPD 2014

Women’s reproductive services are available at other area providers, including, but not limited to, Sonoma Valley Hospital, Planned Parenthood, Alpha Pregnancy Clinic, and Ole Health.

Since both St. Joseph Health System and Providence Health & Services are Catholic-sponsored health systems, both adhere to the Ethical and Religious Directives, and no changes in reproductive health services are expected as a result of the Health System Combination Agreement.

### ***Effects on Services to Medi-Cal, County Indigent, and Other Classes of Patients***

Approximately 73% of Queen of the Valley Medical Center’s inpatient discharges are reimbursed through Medicare (51%), Medi-Cal (22%), and an additional 2% classified as indigent. Queen of the Valley Medical Center currently participates in the Medicare program and the Medi-Cal managed care program, and maintains managed care contracts for these types of patients with Napa County’s County Organized Health System.

The Health System Combination Agreement includes a commitment to keep Queen of the Valley Medical Center’s emergency department open for at least five years in order to ensure access to services to Medicare and Medi-Cal patients. In order for Medicare and Medi-Cal patients to access other key services not provided through the emergency department, Queen of the Valley Medical Center must maintain its participation in both programs and maintain its managed care contractual agreements with Napa County and the Medicare payers. Providence St. Joseph Health has made a five-year commitment for Queen of the Valley Medical Center to continue to remain certified in the Medicare program and to maintain its Medi-Cal contracts, on competitive terms, which provide the same types and levels of emergency services and non-emergency services as their existing Medicare and Medi-Cal contracts.

If Queen of the Valley Medical Center did not participate in the Medicare and Medi-Cal managed care programs, these classes of patients would be denied access to certain non-emergency healthcare services. A denial of access would negatively impact the availability or accessibility of services for these patient populations.

### ***Effects on the Level and Type of Charity Care Historically Provided***

Many uninsured and under-insured individuals in the community rely on Queen of the Valley Medical Center for healthcare services. Queen of the Valley Medical Center has historically provided a significant amount of charity care costs, averaging approximately \$3.0 million per year over the last five years. However, Queen of the Valley Medical Center provides a lower percentage of charity care and bad debt than the State of California average (1.6% of gross patient revenue, as compared to 2.7% for the State of California). Due to Medicaid expansion and the expansion of coverage through Covered California, the provision of charity care at Queen of the Valley Medical Center has diminished and is expected to continue to decrease.

### ***Effects on Community Benefit Programs***

Queen of the Valley Medical Center supports a significant number of community benefit programs that serve lower income residents from the surrounding communities. In the Health System Combination Agreement, Providence St. Joseph Health has made a commitment for Queen of the Valley Medical Center to maintain expenditures for community benefit services based on the average expenditure for the years FY 2011-2014. This equates to a commitment of no less than \$3.2 million per year. However, the five-year average was approximately \$4.0 million per year.

Ongoing community benefit programs at Queen of the Valley Medical Center include the CARE Network, Healthy for Life Program, and Perinatal Outreach and Health Education, among others. The Health System Combination Agreement includes a commitment to maintain the CARE Network, the Children's Mobile Dental Clinic, the Healthy for Life Program, and the Perinatal Outreach and Health Education Program for a period of five years.

### ***Effects on County Contracts***

Queen of the Valley Medical Center has a number of contracts with the County of Napa to provide and support specific services. According to the Health System Combination Agreement, these contracts will be maintained for a period of five years unless the contract is terminated for cause or expires in accordance with its current terms.

### ***Effects on Staffing and Employee Rights***

The Health System Combination Agreement states that all non-executive employees of Queen of the Valley Medical Center shall remain employees of their current employer, with compensation and benefits established by their respective employer. The Health System Combination Agreement does not specify a time commitment for this intention

Approximately 33% of Queen of the Valley Medical Center's employees are represented by CBAs. Management has made no specific assurances to the unions.

Almost all who were interviewed indicated that some administrative functions may be regionalized and/or centralized over time to leverage the strength of both Providence Health & Services and St. Joseph Health System, capitalize on best practices, or to achieve efficiencies. Consistent with past business practices, it is also expected that the number of patient-care employees could change with fluctuations in patient volumes.

### ***Effects on Medical Staff***

The Health System Combination Agreement states that it is the intent of the parties not to adversely affect (or require a change to) the medical staff privileges held by any member of a medical staff of a health care facility owned or controlled by a party. The Health System Combination Agreement, however, does not contain any specific commitments to maintain physician contracts, including on-call services. Nor does it contain any specific commitments to maintain medical staff officers, department or committee chairs/heads, or vice-chairs/heads of Queen of the Valley Medical Center's medical staff.

### ***Alternatives***

If the proposed combination is not approved, neither the health systems nor the communities they serve are expected to be negatively impacted. Community benefit programs and charity care provisions would be expected to continue at their present levels, due to the mission and commitment of the respective organizations' to serve the poor and underserved. However, due to the ACA and changes in the marketplace, Providence Health & Services and St. Joseph Health System may not realize the same anticipated benefits if they remained as independent organizations.

## CONCLUSIONS

### ***Potential Conditions for Transaction Approval by the California Attorney General***

If the California Attorney General approves the proposed combination, MDS Consulting 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 ten years from closing, Queen of the Valley Medical Center shall continue to operate as a general acute care hospital;
2. For at least five years from closing, Queen of the Valley Medical Center shall maintain 24-hour emergency and trauma services at no less than current licensure and designation with the same types and/or levels of services, including the following:
  - a. A minimum of 18 emergency treatment stations; and
  - b. Designation as a Level III Trauma Center.
3. For at least five years from closing, Queen of the Valley Medical Center shall maintain the following services at current licensure, types, and/or levels of services:
  - a. Cardiology services, including a minimum of 2 cardiac catheterization labs and the designation as a STEMI Receiving Center;
  - b. Critical care services, including a minimum of 36 intensive care beds;
  - c. Obstetrics services, including a minimum of 15 obstetrics beds;
  - d. Neonatal intensive care services, including a minimum of 6 neonatal intensive care beds and at a minimum, maintaining the Level III Neonatal Intensive Care Unit;
  - e. Pediatric services, including emergency, imaging, and therapy services; and
  - f. Rehabilitation services, including a minimum of 14 rehabilitation beds.
4. Additionally, for at least five years from closing, Queen of the Valley Medical Center shall maintain the following services as committed to in Exhibit 8.13 of the Health System Combination Agreement:
  - a. Cancer care services;
  - b. Imaging/radiology services;
  - c. Interventional radiology services;
  - d. Laboratory services;
  - e. Neurosciences services;
  - f. Orthopedics services;
  - g. Palliative care services;
  - h. Surgical services;

- i. Wellness Center services;
  - j. Women’s services; and
  - k. Wound care services.
5. For at least five years from closing, Queen of the Valley Medical Center shall maintain a charity care policy that is no less favorable than Queen of the Valley Medical Center’s current charity care policy and in compliance with California and Federal law, and Queen of the Valley Medical Center shall provide an annual amount of Charity Care equal to or greater than \$2,975,670 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Queen of the Valley Medical Center in connection with the operations and provision of services at Queen of the Valley Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California;
6. For at least five years from closing, Queen of the Valley Medical Center shall continue to expend an average of no less than \$4,038,424 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California. The following community benefit programs and services shall continue to be offered on an ongoing basis:
  - a. CARE Network;
  - b. Mobile Dental Clinic;
  - c. Healthy for Life; and
  - d. Perinatal Outreach and Health Education.
7. For at least five years from closing, Queen of the Valley Medical Center shall maintain its participation in the Medi-Cal managed care program through Partnership Health Plan or its successor, 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;
8. For at least five years from closing, Queen of the Valley Medical Center shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;

9. For at least five years from closing, Queen of the Valley Medical Center shall maintain its current contracts with the County of Napa, including the following:
  - a. Business Associate Agreement with the County;
  - b. Suspected Child Abuse with Child Welfare Services;
  - c. Synergy Agreement with the County;
  - d. Medical Emergency Coop Agreement for HealthCare Organizations to support the Community Health Clinic Ole;
  - e. Napa Fussy Baby Collaborative with the County Department of Health & Human Services;
  - f. PSA for Services to provide HIV Care through an AIDS Master Grant Agreement;
  - g. Designation as a Level III Trauma Center;
  - h. Hospital Preparedness Program Coalition Participation Agreement;
  - i. Grant Agreement as part of the Tobacco Settlement; and
  - j. Grant Agreement for Dental Van – Children & Family Community.
10. Providence St. Joseph Health and Queen of the Valley Medical Center shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at Queen of the Valley Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070); and
11. Providence St. Joseph Health and Queen of the Valley Medical Center shall complete any capital projects as committed to in the Health System Combination Agreement.

## APPENDIX

### List of Interviewees

Last Name	First Name	Position	Affiliation
Afable, MD	Rick	EVP, Southern California / President & CEO, St. Joseph Hoag Health	St. Joseph Health System
Bahn	MaryLou	Registered Nurse	California Nurses Association
Bennett	Greg A.	Board Member & Former President, Board	Queen of the Valley Medical Center
Bird, MD	James	Chief Medical Officer & Medical Director, Informatics & Quality	Queen of the Valley Medical Center
Boren	Jaynie	Vice President, Strategy	Queen of the Valley Medical Center
Butler	Mike	President & Chief Operating Officer	Providence Health & Services
Cadron	Dana	Executive Director, Community Clinics and Outreach	Queen of the Valley Medical Center
Carlson	Cori	Director, Emergency Department	Queen of the Valley Medical Center
Carrier	Karl	Interim Chief Executive Officer	Providence Health & Services, Southern California
Carter	William	Deputy Director, Mental Health	Napa County Health & Human Services Administration
Dwyer	Dana	Regional Vice President, Mission Integration	St. Joseph Health System
Eason, MD	Lanny	Chief Medical Officer	Providence Health & Services, Southern California
Escasa-Haigh	Jo Ann	Chief Financial Officer	St. Joseph Health System
Ester	Lesley	Registered Nurse	California Nurses Association
Forrester	Shawn	Vice President, Provider Solutions	Anthem Blue Cross of California
Gibboney	Liz	Chief Executive Officer	Partnership Health Plan
Gray	Sr. Katherine	Chair	St. Joseph Health Ministry
Henricksen	Brian	EMS Administrator	Napa County Emergency Medical Services Agency
Herald, MD	Amy	Physician Advisor, Case Management	Queen of the Valley Medical Center
Hewitt	Con	Chairman, Board	Queen of the Valley Medical Center
Igram	Rick	Senior Vice President, Network Development & Contracting	St. Joseph Health System
John	Elaine	Chief Development Officer	Queen of the Valley Medical Center
Jurecki	Sr. Nancy	Director, Mission Leadership & Spiritual Care	Providence Health & Services, Southern California
Khurana	Prub (P.K.)	Chief Strategic Services Officer	Providence Health & Services, Southern California
Knister, MD	James	Medical Director, Radiation Oncology	Queen of the Valley Medical Center
Manemann	Kevin	Chief Executive Officer	St. Joseph Heritage Healthcare
Mast	Dave	Chief Integration Officer, Shared Services	Providence Health & Services, Southern California
McNair	Karen	Registered Nurse	California Nurses Association
Mickens	Walt	Chief Executive Officer	Queen of the Valley Medical Center
Mohr	Steven	Vice President, Finance & Operations	Providence Health & Services, Southern California
Montalvo	Darrin	President, Integrated Services	St. Joseph Health System
Murphy	Kevin	Vice President, Theology & Ethics	St. Joseph Health System
Noce	Bill	Chair, Board of Trustees	St. Joseph Health System
Papouchian	Arminé	Vice President, Contracting Relations & Analytics	Blue Shield
Pavic-Zabinski	Karen	Regional Director, Ethics	Providence Health & Services, Southern California
Proctor	Deborah	President & Chief Executive Officer	St. Joseph Health System
Riccioni	Mich	Chief Financial Officer	Queen of the Valley Medical Center
Saddiq, MD	Kaliq	Regional Medical Director	St. Joseph Heritage Healthcare
Sanders	Lois	Registered Nurse, Wound Care	St. Mary Medical Center
Schelling	Donna	Director, Human Resources	Queen of the Valley Medical Center
Schiele	Julie	Registered Nurse, Neonatal Intensive Care Unit	St. Mary Medical Center
Schubert	Sr. Marian	Executive Vice President, Mission Integration	St. Joseph Health System
Selden	Ian	Labor Representative	California Nurses Association
Siebert	Greg	Senior Vice President, Network Management	UnitedHealthcare
Sloggett-O'Dell	Stephanie	Vice President, Labor & Employee Relations	St. Joseph Health System
Stahl	Pam	Chief Human Resources Officer	Providence Health & Services, Southern California
Stanton	Suki	Chief Nursing Officer	Queen of the Valley Medical Center
Stuebe	Michelle	Registered Nurse	St. Mary Medical Center
Sweeney	Kerry	Registered Nurse	California Nurses Association
Treanor	Joline	Senior Vice President, Human Resources	St. Joseph Health System
Vohs	Jill	Director, Imaging Services	Queen of the Valley Medical Center
Walker	Annette	Executive Vice President, Strategic Services / Newly Appointed President & CEO	St. Joseph Health System
Williams	Karen	Senior Regional Director, Napa and Sonoma County	Planned Parenthood

**Hospital License**

License: 110000060

Effective: 11/01/2015

Expires: 10/31/2016

Licensed Capacity: 208

**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*

**Queen of the Valley Hospital of Napa County**

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

**Queen of the Valley Medical Center**

1000 Trancas St  
Napa, CA 94558-2906

**Bed Classifications/Services**

- 208 General Acute Care
- 36 Intensive Care
- 22 Perinatal
- 14 Rehabilitation
- 6 Intensive Care Newborn Nursery
- 130 Unspecified General Acute Care

**Other Approved Services**

- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Cardiovascular Surgery
- Mobile Unit - Dental
- Nuclear Medicine
- Occupational Therapy
- Outpatient Service - Outpatient Clinic - IMAGING at Napa Valley Imaging Center @ 1000 Trancas St., NAPA
- Outpatient Service - Outpatient Clinic - Lab Draw at Lab Draw Station, 980 Trancas St, Suite 11, Napa
- Outpatient Service - Outpatient Clinic - Primary Care
- Outpatient Service - Outpatient Clinic - Rehab Serv, & Women's Center at Queen of the Valley Wellness Center @, 3421 Villa Ln., NAPA
- Outpatient Service - Outpatient Clinic - Surgery at Outpatient Surgery & Procedures Center @, 1000 Trancas Street. Napa, CA 94558 ,
- Physical Therapy
- Radiation Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

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

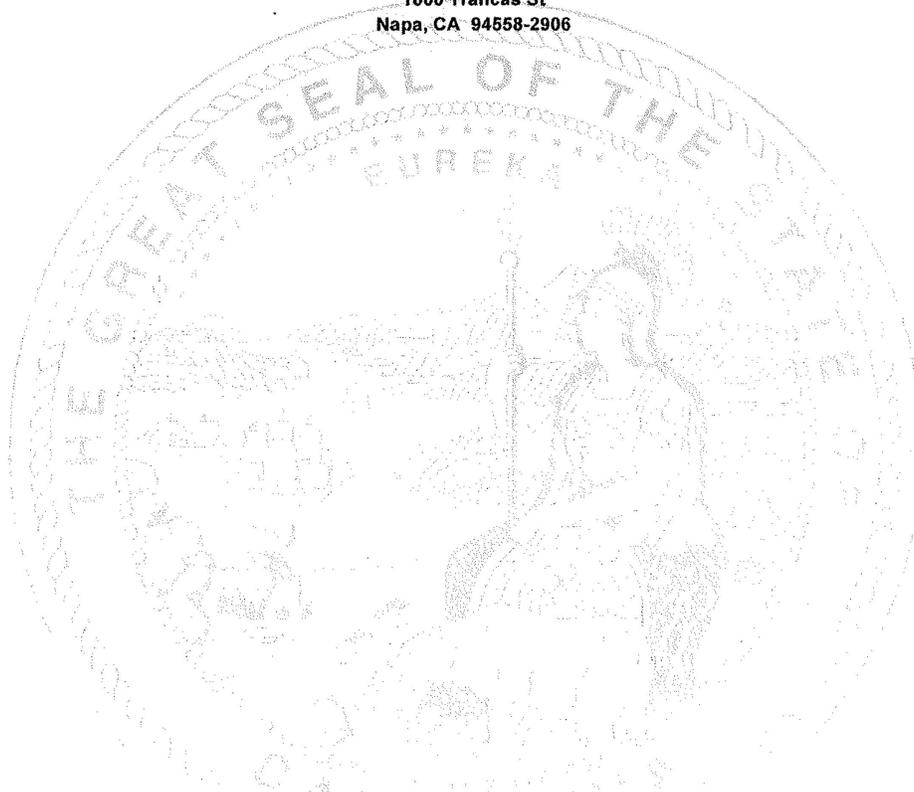
Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

**POST IN A PROMINENT PLACE**

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

License: 11000060  
Effective: 11/01/2015  
Expires: 10/31/2016  
Licensed Capacity: 208

Queen of the Valley Medical Center (Continued)  
1000 Trancas St  
Napa, CA 94558-2906



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

MOBILE DENTAL UNIT - HCD# 21986 VIN# 5B4MPA7G893439129

Mobile CT Scanner Approved 11/22/2010 - HCD # 17294

VIN # 1KKVA42254L21204

8 UNSPECIFIED GENERAL ACUTE CARE BEDS APPROVED AS A LOCKED MEDICAL GUARDED UNIT.

NICU APPROVED FOR CONTINUING AND INTERMEDIATE LEVEL CARE NOT TO EXCEED TOTAL CAPACITY OF 6.

MOBILE MRI APPROVED 01/29/2010 - HCD # 21124 VIN # 1S9FA48288113312

Karen L. Smith, MD, MPH

Director and State Health Officer

Dana Forney, HFEM II, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Santa Rosa/Redwood Coast District Office, 2170 Northpoint Parkway, Santa Rosa, CA 95407, (707)576-6775

POST IN A PROMINENT PLACE