

Effect of the Consolidation Agreement  
Among Catholic Health East and Trinity Health Corporation on the  
Availability or Accessibility of Healthcare Services in the Saint Agnes  
Medical Center Service Area

Prepared for the Office of the  
California Attorney General

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## INTRODUCTION AND PURPOSE

Saint Agnes Medical Center, a California nonprofit public benefit corporation (“SAMC Corporation”), owns and operates Saint Agnes Medical Center, a general acute care hospital located in Fresno, California (“SAMC”). SAMC Corporation’s sole corporate member is Trinity Health Corporation, an Indiana nonprofit corporation (“Trinity”). SAMC Corporation has requested the California Attorney General’s approval for the Consolidation Agreement among Trinity, Catholic Health East, a Pennsylvania nonprofit corporation (“CHE”), and CHE Trinity, Inc., an Indiana nonprofit corporation (“New Ministry”). This proposed transaction is a change of governance and does not involve a transfer of any of SAMC corporation’s assets.

Trinity and CHE are both multi-institutional Catholic health systems that are co-sponsored by religious congregations and Public Juridic Persons. 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. Catholic Health Ministries is the sponsor for Trinity. Hope Ministries is the co-sponsor for CHE along with seven religious congregations.

The Consolidation Agreement provides for the consolidation of CHE and Trinity into the newly created single healthcare system, New Ministry. Catholic Health Ministries will become the sponsor for New Ministry, and New Ministry will become the sole corporate member of both CHE and Trinity. Once consolidated, in the next 6-12 months, Trinity, CHE, and New Ministry plan to merge, consolidate, or reorganize into one single corporation.

The consolidation will create a health system that serves people in 21 states, comprised of 82 hospitals, 89 continuing care facilities and home health and hospice programs that provide nearly 2.8 million visits annually. CHE and Trinity do not currently provide any health care services in the same geographic areas. SAMC is Trinity’s only health facility in California. CHE does not operate or control any health facilities in California.

This report, prepared for the Office of the California Attorney General, describes the possible effects that the proposed consolidation agreement may have on the accessibility and availability of healthcare services in the SAMC service area.

Medical Development Specialists, LLC (“MDS”), a healthcare planning and policy consulting firm, was retained to prepare this report. In its preparation, MDS has utilized the following:

- A review of the application submitted by SAMC Corporation to the California Attorney General on January 22, 2013, and supplemental information and documents subsequently provided by SAMC;
- A review of various press releases and news articles related to Trinity, CHE, SAMC, and other hospital transactions;
- Interviews with representatives of the SAMC Corporation’s Board, SAMC’s administration and medical staff; the Fresno County Department of Community Health,

the County Emergency Medical Services, and the Hospital Council of Northern and Central California;

- An analysis of financial, utilization, and service information provided by SAMC’s management and the California Office of Statewide Health Planning and Development (“OSHPD”); and
- An analysis of publicly available data and reports regarding area healthcare services including:
  - Demographic characteristics and trends;
  - Payer mix;
  - Hospital utilization rates;
  - Health status indicators; and
  - Hospital market share.

# BACKGROUND AND DESCRIPTION OF THE TRANSACTION

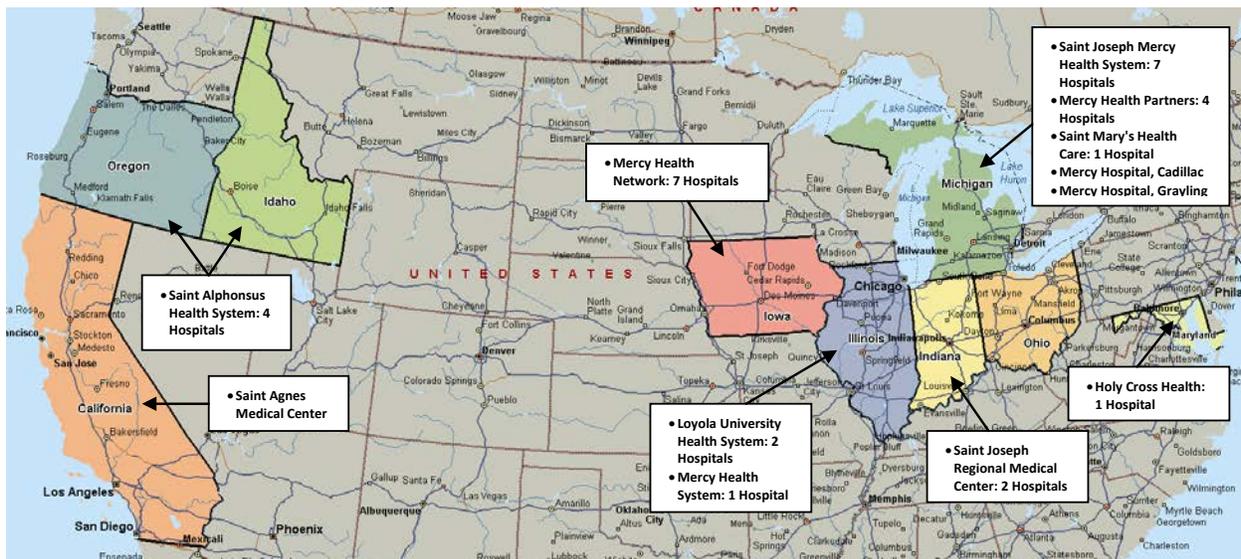
## *History of the Hospital*

The Sisters of the Holy Cross began work in Fresno, California, in 1894, with the opening of a boarding and day school for girls. In 1929, at the request of the local bishop, nine Holy Cross Sisters established the original Saint Agnes Hospital with 75 beds in downtown Fresno. In 1975, the hospital moved and opened at its current location at 1303 E. Herndon Ave. Fresno, California 93720. Since then, SAMC has undergone several expansions to its current size of 436 licensed acute-care beds.

In 2000, Trinity became the sole corporate member of SAMC Corporation when Holy Cross Health System merged with Mercy Health Services to form Trinity Health.

## *Trinity Health Corporation*

Trinity is the fourth largest Catholic healthcare system and the 10th largest health system in the United States. The system is made up of 20 ministry organizations that encompass 47 hospitals, 432 outpatient facilities, 32 long-term care facilities, several home health and hospice programs, and senior housing communities in ten states.



Trinity is sponsored by Catholic Health Ministries, an entity established by the Roman Catholic Church to oversee the healing ministry and Catholic identity of Trinity. Catholic Health Ministries' purpose is to further the faith-based healing mission through the ownership, management, and governance of health facilities, programs, and services intended to improve the health of the people and communities served.

Catholic Health Ministries was founded by the Sisters of Mercy, Regional Community of Detroit, now West Midwest Community, and the Congregation of the Sisters of the Holy Cross.

Statistics for Trinity in 2012 include the following:

- Trinity reported revenues of approximately \$9 billion;
- Trinity reported more than \$616 million in community benefit services; and
- Trinity has approximately 56,000 full-time employees and a medical staff of more than 11,000 active physicians.

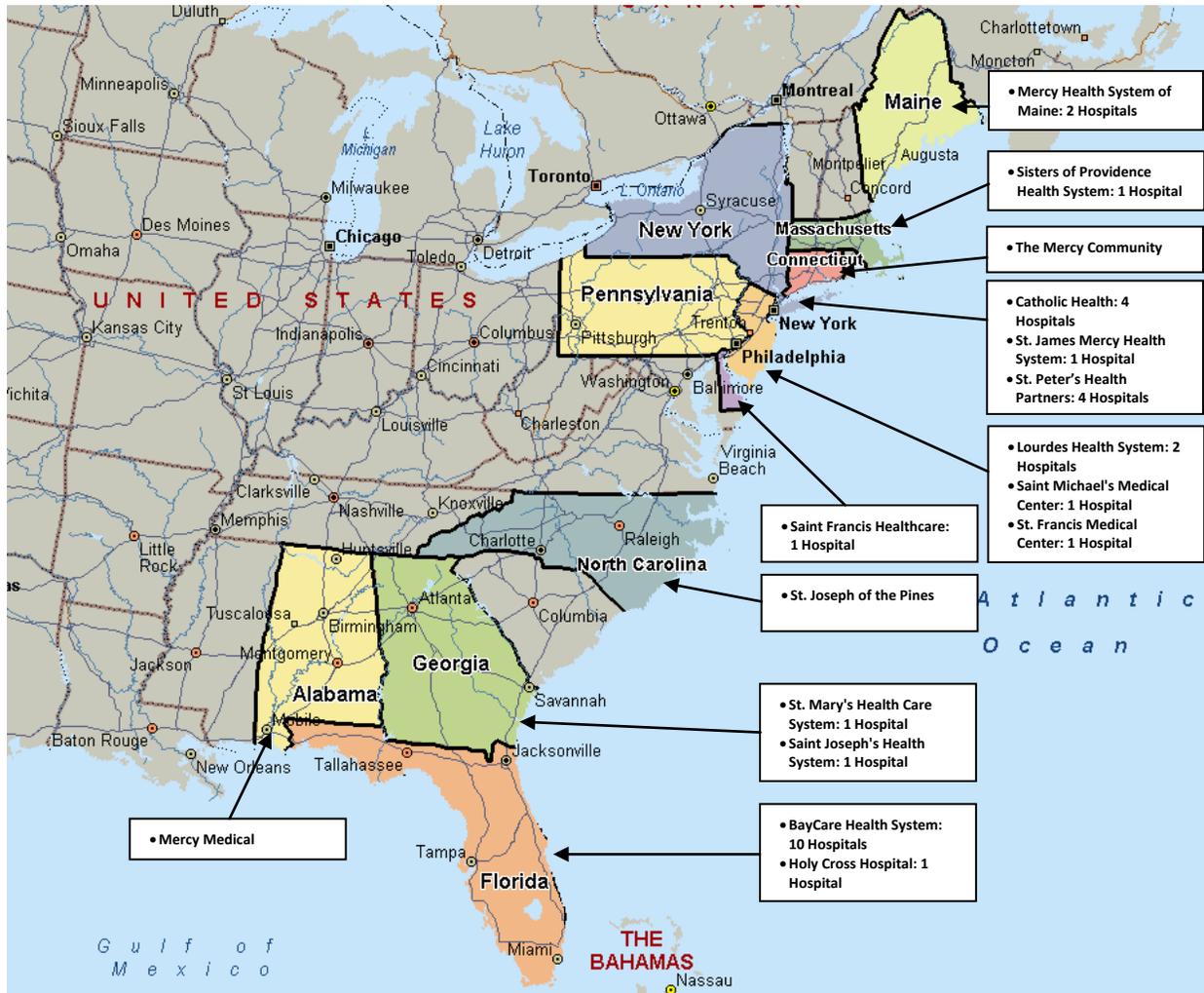
### ***Catholic Health East***

CHE is a Catholic health system based in Newtown Square, Pennsylvania. CHE is co-sponsored by seven religious congregations and Hope Ministries, a Public Juridic Person within CHE.

Hope Ministries, established in 1997, was created as an alternative method of sponsorship to ensure the future of the ministry. The role of Hope Ministries is to serve as a sponsor for new healthcare organizations that join CHE or eventually transfer sponsorship to another Public Juridic Person.

The religious congregations that serve as co-sponsors to CHE include: The Franciscan Sisters of Allegany in New York, The Sisters of Providence in Holyoke, Massachusetts, Sisters of Mercy of the Americas, Mid-Atlantic Community, New York, Pennsylvania, Pacific West Community, Northeast Community, South Central Community, The Sisters of St. Joseph of St. Augustine, Florida, and The Sisters of Charity of Seton Hill in Greensburg, Pennsylvania.

CHE includes 35 acute care hospitals, four long-term acute care hospitals, 26 freestanding and hospital-based long-term care facilities, 12 assisted-living facilities, four continuing care retirement communities, eight behavioral health and rehabilitation facilities, 31 home health/hospice agencies, and numerous ambulatory and community-based health services. CHE has facilities that span across 11 eastern states, including Alabama, Connecticut, Delaware, Florida, Georgia, Massachusetts, Maine, New Jersey, New York, North Carolina, and Pennsylvania.



CHE is the largest nonprofit provider of home healthcare services in the United States, ranked by the number of visits, as well as the nation's leading provider of PACE (Program of All Inclusive Care for the Elderly), based on the number of programs.

Statistics for CHE include the following:

- In 2011, CHE had a total of 35 general acute care hospitals and 7,318 licensed beds;

- Community benefit services totaling approximately \$322 million, including \$101 million in care for the poor and \$99 million in community benefit programs;
- For 2011, CHE reported the following:
  - 185,000 discharges and 10,800 deliveries;
  - 116,430 inpatient and outpatient surgeries;
  - Nearly 713,000 emergency room visits; and
  - A combined staff of approximately 55,000 employees.

### ***New Ministry***

New Ministry, an Indiana nonprofit corporation, was incorporated on January 17, 2013, as a result of the Consolidation Agreement. It was created to serve as the sole corporate member of both CHE and Trinity and parent of the multi-state Catholic healthcare system. The Boards of Directors for New Ministry, Trinity, and CHE will comprise the same individuals who are the members of Catholic Health Ministries. The initial post-closing members of Catholic Health Ministries will be identified and recommended by both CHE and Trinity.

## *Reasons for the Consolidation Agreement*

CHE and Trinity believe that the consolidation under New Ministry will help address the rapidly changing healthcare environment that requires more focus on population health and the delivery of more coordinated and integrated healthcare and wellness services. The consolidation will result in a health system with \$13.3 billion in revenue located in 21 states with 82 hospitals, 89 continuing care facilities, and home health and hospice programs that provide nearly 2.8 million visits annually.

As stated in the Consolidation Agreement, CHE and Trinity want to consolidate their ministries into a single healthcare system in order to:

- Improve and enhance the health of the communities served while strengthening the efforts to meet the needs of the poor and underserved;
- Preserve Catholic healthcare by bringing together Catholic healthcare systems that share similar missions and values;
- Continue with the evolution of a Public Juridic Person model of sponsorship that will accommodate participation by additional Catholic organizations in the future;
- Operate in a manner that is consistent with the goals of the Catholic ministry;
- Create a healthcare structure that will seek to achieve economies of scale that strives to both improve quality and reduce cost;
- Achieve increased mission and financial strength through geographic diversity;
- Develop an integrated health delivery system through consolidated governance and oversight of combined system resources;
- Make the New Ministry resources available to other congregations and partners involved in the mission of delivering healthcare services;
- Advance the strategic plans of Trinity and CHE for future development;
- Better position CHE and Trinity for meeting the challenges of a rapidly evolving healthcare market;
- Create opportunities for better coordination of health services delivery across the continuum of care;
- Increase influence in the development of healthcare policy; and

- Create an organization that will encourage partnering with Catholic and other-than-Catholic organizations, as well as with physicians and other professional providers of care.

The SAMC Corporation Board of Directors (“Board”) was not involved in the decision to consolidate or to form New Ministry. However, the Board has stated its unanimous support of the consolidation for the following reasons:

- SAMC Corporation and its Board will be able to continue, without change or limitation, its faith-based mission and programs that provide healthcare services to its community;
- The consolidation will result in a larger, faith-based health system that is fully compatible with the mission of SAMC Corporation;
- The consolidated health system will have greater resources to support its downstream providers, including SAMC Corporation, including access to capital; system strategic planning; and consulting and management services, all of which will be needed as the nation transitions into expanded health coverage and other health changes under the 2010 Federal Patient Protection and Affordable Care Act; and
- The consolidated health system will have greater geographic scope, making SAMC Corporation part of a broader health system, with greater opportunity to participate in financing and payment programs that are negotiated on a national basis.

### ***Transaction Process and Timing***

- October 2012 – Trinity and CHE enter into a Letter of Intent;
- October 17, 2012 – Trinity and CHE announce the proposed consolidation through a joint news release;
- January 11, 2013 – The Trinity Board passes a resolution approving the material terms and authorizing the execution of a consolidation agreement;
- January 11, 2013 – Trinity and CHE enter into a Consolidation Agreement;
- January 17, 2013 – New Ministry is formed by the filing of the Articles of Incorporation;
- January 17, 2013 – The Board passes a resolution approving the material terms of the consolidation of Trinity and CHE;
- January 22, 2013 – SAMC Corporation provides notice of the proposed consolidation and requests the California Attorney General’s consent.

## *Consolidation Agreement*

The proposed Consolidation Agreement, dated January 11, 2013, and submitted to the Office of the California Attorney General on January 22, 2013, contains the following major statements and provisions:

- New Ministry is created to serve as the sole corporate member of both CHE and Trinity;
- Trinity and CHE have agreed that Catholic Health Ministries will serve as the sole Public Juridic Person and sponsor of New Ministry;
- The initial post-closing members of Catholic Health Ministries shall reflect, as nearly as practicable, appointment in equal numbers of individuals who are currently serving in governance or sponsorship roles for CHE and Trinity, respectively, together with individuals who have not previously served in a governance capacity for either CHE or Trinity;
- The Board of Directors of Trinity, CHE, and New Ministry will be composed of the same individuals who are the members of Catholic Health Ministries;
- Catholic Health Ministries will have the following reserved powers and responsibilities with regard to New Ministry:
  - To ratify the Articles of Incorporation of New Ministry, and to adopt and approve any amendments, modifications, or restatements thereto;
  - To ratify the Bylaws of New Ministry and to adopt and approve any amendments, modifications, or restatements thereto which affect the rights of the members of Catholic Health Ministries as set forth in the Bylaws of New Ministry;
  - To adopt and approve the Mission and Core Values of New Ministry, and any changes thereto, and final approval of matters which affect the Catholic Identity of New Ministry;
  - To approve the sale, lease, mortgage, transfer, easement or encumbrance of any property of New Ministry or its subsidiaries or affiliates, the alienation of which would require approval under Canon Law<sup>1</sup>;
  - To approve the merger, consolidation, acquisition, liquidation, or dissolution of New Ministry, or the sale of all or substantially all of the assets of New Ministry;

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<sup>1</sup> Canon law is the body of laws and regulations made or adopted by ecclesiastical authority, for governing Christian organizations and their members. It is the internal ecclesiastical law governing the Catholic Church.

- To ratify the appointment of, and to remove, with or without cause, the members of the Board of Directors of New Ministry;
- To ratify the appointment of, and to remove, with or without cause, the President/Chief Executive Officer of New Ministry, with such action to include the involvement of the New Ministry Board of Directors; and
- To ratify the election of the Chair of the Board of Directors of New Ministry.
- Trinity and CHE will retain their charitable and Catholic identity, and continue to be subject to the Ethical and Religious Directives for Catholic Health Care Services<sup>2</sup>;
- There is no purchase or sale of any assets, and no funds will be exchanged;
- Effective on the Closing Date, the same individuals will serve as the Chair of the Board, President, Treasurer, and Secretary of CHE, Trinity, and New Ministry;
- All of the assets and liabilities of Trinity, CHE, and their respective System Affiliates<sup>3</sup> shall continue to be owned by the existing owners immediately after closing;
- Following the closing, Trinity, CHE, and New Ministry shall effectuate a merger, consolidation, or reorganization of Trinity, CHE, and New Ministry into a single corporation. The parties intend to develop and execute a plan to facilitate this post-closing transaction that will include the following:
  - A community benefit plan which will continue the work of CHE and Trinity to serve the poor and vulnerable in the communities they serve;
  - A debt financing plan, which may include consolidation of debt and any Master Trust Indentures of Trinity and CHE into one or more integrated debt structures;
  - A plan to integrate the professional and general liability programs of insurance and self-insurance, including the captive insurance carriers of Trinity and CHE;
  - A plan to combine employee benefit and pension plans and funds;
  - A framework for rationalizing overlapping, redundant, or unnecessary programs within New Ministry System; and

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<sup>2</sup> The Ethical and Religious Directives for Catholic Healthcare Services were developed by the Committee on Doctrine of the National Conference of Catholic Bishops and approved as the national code by the full body of bishops at its June 2001 General Meeting. The purpose is to “reaffirm the ethical standards of behavior in healthcare that flow from the Church’s teaching about the dignity of the human person, second, to provide authoritative guidance on certain moral issues that face Catholic health care today.”

<sup>3</sup> System Affiliates refers to corporations, limited liability companies, and other entities that are controlled, directly or indirectly, by CHE or Trinity.

- A plan to facilitate the amendment and restatement, as required, of the governance documents of the System Affiliates to reflect and conform to the terms of the Post-Closing Transaction.

## PROFILE OF SAINT AGNES MEDICAL CENTER

### *General Information*

SAMC provides inpatient, outpatient, and emergency services for the residents of Fresno and Madera Counties, California. SAMC operates a 436-licensed-bed hospital in the City of Fresno, with the following bed distribution by bed type:

SAMC - BED DISTRIBUTION 2012*	
Bed Type	Number of Beds
Medical/Surgical <sup>1</sup>	343
Coronary Care	26
Intensive Care	35
Obstetrics	32
<b>Total Beds</b>	<b>436</b>

Source: OSHPD Disclosure Report 2012

\*Unaudited

<sup>1</sup>80 of the medical/surgical beds are used for definitive observation.

### *Key Statistics*

SAMC KEY STATISTICS			
	2010	2011*	2012*
Inpatient Discharges	24,680	25,454	24,946
Licensed Beds	436	436	436
Patient Days	105,799	104,869	101,562
Average Daily Census	290	287	278
Occupancy	66.5%	65.9%	63.6%
Average Length of Stay	4.3	4.1	4.1
Emergency Services Visits	74,729	71,482	73,633
Cardiac Catheterization Procedures <sup>1</sup>	4,928	4,748	4,331
Total Live Births	4,006	4,140	4,281
Physicians on Medical Staff	Approximately 800		
Current Number of Employees (FTEs)	Approximately 2,600		

Sources: OSHPD Disclosure Reports, 2010-2012 and SAMC

\*Unaudited

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

- For Fiscal Year (“FY”) 2012, SAMC had a total of 24,946 discharges, 101,562 patient days, and an average daily census of 278 (64% occupancy of licensed beds);

- While inpatient discharges have remained relatively constant over the previous three years, the average length of stay, patient days, and occupancy have all declined;
- In FY 2012, SAMC performed 4,331 diagnostic cardiac catheterization procedures, a 14% decrease from the previous three years;
- In FY 2012, SAMC had 73,663 emergency department visits;
- In 2012, SAMC had 4,281 deliveries, an increase of more than 6% from 2010; and
- SAMC has approximately 2,600 employees and 800 physicians on the medical staff.

### *Programs and Services*

SAMC is a full-service regional hospital that offers a comprehensive range of services, including emergency, diagnostic, surgical, maternity, cardiac, cancer, neurological, and orthopedic care.

- Cancer Services include: diagnostic testing, genetic counseling, lymphedema management, education and support services, rehabilitation, home care and hospice. The Cancer Program at SAMC earned a top ranking from the Commission on Cancer (CoC) of the American College of Surgeons, placing it in the top 28% of participating institutions;
- Heart and Vascular Services include: cardiac surgery, thoracic surgery, vascular surgery, diagnostic cardiology, interventional cardiology, vascular and interventional radiology, non-invasive cardiology, electrophysiology, and cardiac rehabilitation. SAMC's cardiac care services have received the following awards: Award for Excellence as a Blue Distinction Center for Cardiac Care; and the Beacon Award for Critical Care Excellence;
- Imaging Services include: diagnostic radiology, mammography, bone density screening, CT, MRI, ultrasound, and nuclear medicine;
- Orthopedic Services include: total knee and hip replacement and revisions, back, spine, and disc surgery, shoulder surgery, hand surgery, knee arthroscopy, treatment of fractures and broken bones, treatment of bone diseases, and arthritis management;
- Neurological Services include: detection, diagnosis, and treatment of complex conditions of the brain, spine, and central nervous system;
- Women's Services include: pregnancy and delivery services, maternal fetal medicine, breast care services, and heart and vascular care;
- Respiratory Care Services include: fiberoptic bronchoscopy, pulmonary function laboratory, and pulmonary rehabilitation;

- Palliative Care Services include: symptom management, emotional and spiritual support, information and communication;
- Endoscopy Center Services include: colonoscopy and bronchoscopy;
- Rehabilitation Services include: physical and occupational therapy; and
- Emergency Services: a 24-hour basic emergency department.

In addition to the programs and services offered at the main hospital, SAMC also operates several outpatient facilities, as follows:

- The California Eye Institute at Saint Agnes: Services include: 24-hour emergency care, cataract and intraocular lens implants, corneal transplants, cosmetic procedures, diabetes exams, disease diagnosis and surgical treatments for retinal disorders and macular degeneration, laser surgery, glaucoma screening and treatment, pediatric ophthalmology, refractive surgery, and complete eye exams;
- Cancer Center: Services include the five standard cancer treatment modalities: surgery (hospital inpatient), radiation oncology, chemotherapy (medical oncology), hormone therapy, and biological therapy;
- Breast Centers: Services at two locations include: digital mammography, breast ultrasound, breast ultrasound biopsy, fine needle aspiration/cyst aspiration, core biopsy, galactogram/ductogram, needle localization, and vacuum-assisted stereotactic core biopsy;
- Home Health and Hospice: Services include: skilled nursing, physical, speech, and occupational therapy, home health aide, and medical-social services; and
- Wound, Ostomy, and Hyperbaric Center: Services include: inpatient and outpatient services to individuals who have had ostomy surgery or open wounds that require continuing care.

### ***Accreditations, Certifications, and Awards***

SAMC is accredited by the Joint Commission, effective August 2011 through August 2014. Additionally, the Joint Commission has certified it as a Primary Stroke Center, effective July 2011 through July 2013.

Other accreditations, certifications, and awards SAMC has received include:

- Received a Consumer Choice Award from National Research Corporation for 17 consecutive years (1996-2012/2013) as one of the best hospitals in the country;
- Voted Best Hospital for eight consecutive years in The Fresno Bee's Central Valley People's Choice Awards, 2005-2012;
- Received the HealthGrades Maternity Care Excellence Award for the fifth year in a row (2007/2008-2010/2011); ranked among the top 5% in the nation for Maternity Care for the fourth year in a row (2008/2009-2010/2011); and was 5-Star Rated for Maternity Care for the seventh year in a row (2005 & 2006/2007-2010/2011);
- Earned full three-year approval with commendation from the American College of Surgeons Commission on Cancer (2012-2014);
- SAMC received American College of Radiology accreditations in Breast MRI and Nuclear Medicine, through 2014;
- SAMC Diagnostic Breast Center was named a Breast Imaging Center of Excellence by the American College of Radiology in 2011;
- Named a 5-Star Rated Hospital for the Treatment of Heart Attack two years in a row (2010-11) and 5-Star Rated for Valve Replacement Surgery in 2011 by HealthGrades;
- Coronary Intensive Care Unit at Saint Agnes received the Beacon Award for Critical Care Excellence-first adult critical care unit in Fresno to receive this national award (2009/10);
- Designated a Blue Distinction Center for Spine Surgery, Cardiac Care, and Knee and Hip Replacement by Blue Shield of California in 2010; and
- Named a Mentor Hospital for Heart Attack Care by the Institute for Healthcare Improvement. SAMC is among 21 hospitals nationwide - and among only three in California - to receive this distinction (2008 to present).

## Seismic Issues

Using the HAZUS seismic criteria<sup>4</sup>, the nine SAMC structures subject to seismic compliance have been classified, at a minimum, as meeting the SPC-2 requirement, as seen in the table below.

SAMC SEISMIC COMPLIANCE			
Building Number	Building Name	Construction Completed	SPC 2013
1	Main Building	1973	SPC-2
1a	Gift Shop	1987	SPC-2
1b	Canopy	1973	SPC-2
2	West Addition	1979	SPC-4
3	Cogen Building	1985	SPC-4
4	Chapel Addition	1987	SPC-4
5	Northwest Addition	1987	SPC-4
6	East Addition	1989	SPC-4
7	Central Plan	1989	SPC-4
8	2001 Cardiac Catheterization Lab	2002	SPC-5
9	2001 Medical Center Expansion	Under Construction	SPC-5

Source: SAMC

- Three of the nine buildings are classified as SPC-2, indicating that they have until 2030 to comply with the structural seismic safety standards; and
- SAMC is currently undertaking a long-term master planning process to evaluate its future facility needs.

<sup>4</sup> OSHPD is using HAZARDS U.S. (“HAZUS”), a state-of-the-art methodology, to re-assess the seismic risk of SPC-1 buildings. Buildings that are determined to pose a low seismic risk may be reclassified to SPC-2.

## Patient Volume

The following table shows patient volume trends at SAMC for FY 2008 through 2012.

SAMC SERVICE VOLUMES					
	FY 2008	FY 2009	FY 2010	FY 2011*	FY 2012*
<b>PATIENT DAYS</b>					
Intensive Care	4,833	6,228	6,449	4,820	5,202
Coronary Care	5,470	4,717	4,125	4,261	4,461
Medical/Surgical	92,283	89,610	85,179	84,704	81,102
Obstetrics	10,498	10,150	10,046	11,084	10,797
<b>Total</b>	<b>113,084</b>	<b>110,705</b>	<b>105,799</b>	<b>104,869</b>	<b>101,562</b>
<b>DISCHARGES</b>					
Intensive Care	254	229	398	281	305
Coronary Care	809	410	342	276	274
Medical/Surgical	19,063	19,015	19,826	20,432	20,071
Obstetrics	4,489	4,066	4,114	4,465	4,296
<b>Total</b>	<b>24,615</b>	<b>23,720</b>	<b>24,680</b>	<b>25,454</b>	<b>24,946</b>
<b>AVERAGE LENGTH OF STAY</b>					
Intensive Care	19.0	27.2	16.2	17.2	17.1
Coronary Care	6.8	11.5	12.1	15.4	16.3
Medical/Surgical	4.8	4.7	4.3	4.1	4.0
Obstetrics	2.3	2.5	2.4	2.5	2.5
<b>Total</b>	<b>4.6</b>	<b>4.7</b>	<b>4.3</b>	<b>4.1</b>	<b>4.1</b>
<b>AVERAGE DAILY CENSUS</b>					
Intensive Care	13.2	17.1	17.7	13.2	14.2
Coronary Care	14.9	12.9	11.3	11.7	12.2
Medical/Surgical	252.1	245.5	233.4	232.1	221.6
Obstetrics	28.7	27.8	27.5	30.4	29.5
<b>Total</b>	<b>309.0</b>	<b>303.3</b>	<b>289.9</b>	<b>287.3</b>	<b>277.5</b>
<b>OTHER SERVICES</b>					
Inpatient Surgeries	6,557	5,955	5,787	5,904	5,785
Outpatient Surgeries	11,836	9,889	9,438	9,354	9,312
Emergency Visits	65,808	73,166	74,729	71,482	73,633
Cardiac Cath Procedures	1,435	1,488	4,928	4,748	4,331
Obstetric Deliveries	4,327	3,824	4,006	4,140	4,281

Sources: OSHPD Disclosure Reports, 2008-2012 and SAMC

\*Unaudited

A review of historical utilization trends at SAMC between FY 2008 and FY 2012 supports the following conclusions:

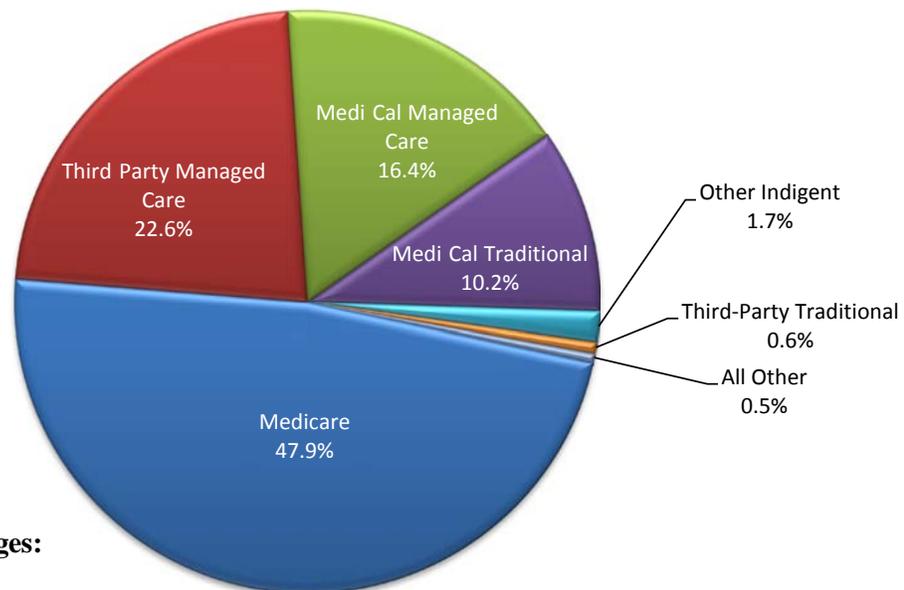
- Inpatient discharges have remained relatively constant over the five-year period, with a total of 24,946 discharges in 2012;
- The overall average length of stay has decreased from 4.6 days in 2008 to 4.1 days in 2012;
- The average daily census has dropped from 309 patients in 2008 to 278 patients in 2012;
- Over the five reported years, total patient days have fluctuated from a high in 2008 of 113,084 to a low in 2012 of 101,562;
- Although inpatient and outpatient surgeries decreased over the last five years, they remained relatively constant between 2010 and 2012. In 2012, there were 5,785 inpatient surgeries and 9,312 outpatient surgeries;
- Cardiac catheterization volume increased dramatically between 2009 and 2010;
- Between 2010 and 2012, there were, on average, 73,200 emergency visits per year, with an average of 202 visits per day in 2012; and
- There were, on average, 4,100 deliveries between 2008 and 2012, with nearly 4,300 in 2012.

## *Payer Mix*

SAMC's payer mix for 2012 consisted of a large proportion of Medicare<sup>5</sup> patients who accounted for essentially half (47.9%) of all inpatient hospital discharges. Medi-Cal patients accounted for over 26% of all inpatient discharges, with Medi-Cal Traditional at 10.2% and Medi-Cal Managed Care at 16.4%. Third-Party Managed Care accounted for 22.6% of all inpatient hospital discharges. Additionally, 1.7% of all inpatient hospital discharges were indigent patients (uninsured/poor), compared to 4.9% for Fresno County and 4.7% for the State of California. The remaining 1.1% of payer inpatient discharges was Third-Party Traditional (0.6%) and Other\* (0.5%).

SAMC does not have a county contract for County Indigent patients, and therefore, gets fewer of these patients. SAMC currently has a Traditional Medi-Cal contract; however, this will be transitioning to a non-contracted MS-DRG methodology in July 2013. SAMC also contracts with the two Medi-Cal Managed Care plans in Fresno County.

### **SAMC Payer Mix, 2012**



**Total Inpatient Discharges:  
24,946**

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

Source: OSHPD Financial Disclosure Report, FY 2012 (based on inpatient discharges)

<sup>5</sup> Medicare includes both Managed Care and Traditional patients. Medicare Managed Care patients account for approximately 4.9% of the total inpatient discharges at SAMC.

The following table illustrates SAMC's inpatient discharge payer mix compared to Fresno County and statewide. The comparison shows that SAMC has a much higher percentage of Medicare and Medi-Cal Managed Care patients and lower percentages of Medi-Cal Traditional and Medicare Managed Care patients relative to other hospitals in Fresno County and statewide.

PAYER MIX COMPARISON						
	SAMC (2012)		Fresno County (2011)		California (2011)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Managed Care	4,085	16.4%	10,971	12.8%	259,715	8.5%
Medi-Cal Traditional	2,545	10.2%	16,254	18.9%	563,693	18.4%
<b>Medi-Cal Total</b>	<b>6,630</b>	<b>26.6%</b>	<b>27,225</b>	<b>31.7%</b>	<b>823,408</b>	<b>27.0%</b>
<b>Medicare Total*</b>	<b>11,960</b>	<b>47.9%</b>	<b>27,270</b>	<b>31.7%</b>	<b>1,149,559</b>	<b>37.6%</b>
Third-Party Managed Care	5,649	22.6%	22,084	25.7%	697,936	22.8%
<b>Third-Party Managed Care Total</b>	<b>5,649</b>	<b>22.6%</b>	<b>22,084</b>	<b>25.7%</b>	<b>697,936</b>	<b>22.8%</b>
Third-Party Traditional	156	0.6%	3,284	3.8%	150,185	4.9%
Other Payers	126	0.5%	1,923	2.2%	88,883	2.9%
Other Indigent	425	1.7%	1,329	1.5%	55,946	1.8%
County Indigent	0	0.0%	2,902	3.4%	89,385	2.9%
<b>Other Total</b>	<b>707</b>	<b>2.8%</b>	<b>9,438</b>	<b>11.0%</b>	<b>384,399</b>	<b>12.6%</b>
<b>Total</b>	<b>24,946</b>	<b>100%</b>	<b>86,017</b>	<b>100%</b>	<b>3,055,302</b>	<b>100%</b>

Source: OSHPD Disclosure Reports, 2011 & 2012

\*Includes both Traditional and Managed Care

## Medical Staff

There are approximately 800 physicians on the medical staff, with a large number of specialties represented.

SAMC STAFF PROFILE 2011-2012		
Specialty	Board Certified	
	2011*	2012*
Allergy and Immunology	6	6
Anesthesiology	33	29
Cardiovascular Disease	35	32
Colon and Rectal Surgery	5	5
Dermatology	5	8
Diagnostic Radiology	51	56
Gastroenterology	22	22
General/Family Practice	40	37
General Surgery	26	32
Internal Medical	103	102
Neurological Surgery	6	6
Neurology	32	30
Nuclear Medicine	5	6
Obstetrics and Gynecology	46	42
Occupational Medicine	1	1
Oncology	20	20
Ophthalmology	35	35
Oral Surgery	11	11
Orthopaedic Surgery	28	28
Otolaryngology	11	9
Pathology	6	6
Pediatric- Allergy	1	1
Pediatric- Cardiology	4	4
Pediatrics	61	57
Physical Medicine/Rehabilitation	9	10
Plastic Surgery	9	8
Podiatry	12	12
Psychiatry	4	3
Pulmonary Disease	4	4
Therapeutic Radiology	8	8
Thoracic Surgery	13	12
Urology	12	12
Vascular Surgery	3	4
Other	25	25
<b>Total</b>	<b>692</b>	<b>683</b>

Source: OSHPD Disclosure Reports, 2011-2012

\*Unaudited

## Financial Profile

Over the last five years, SAMC's reported net income has fluctuated from a net loss of nearly \$52.4 million in 2009 to a net gain of \$24.5 million in 2011. Some of this fluctuation can be attributed to variations in net non-operating revenue, which is revenue that is not directly related to the provision of healthcare services. This revenue includes unrestricted contributions, income and gains from investments, and various government assessments, taxes, and appropriations.

SAMC's current ratio has decreased from 4.12 in 2008 to 2.91 in 2012. The average statewide current ratio is 1.47. SAMC's average percentage of bad debt is approximately 1.6% and is slightly lower than the statewide average of 1.8%. In FY 2011, SAMC received a QAF<sup>6</sup> distribution of \$46.9 million (after making an initial \$44.9 million QAF payment), resulting in a net gain of approximately \$2 million.

SAMC FINANCIAL AND RATIO ANALYSIS: FY 2008-2012					
	FY 2008	FY 2009	FY 2010	FY 2011*	FY 2012*
Patient Days	113,084	110,705	105,799	104,869	101,562
Discharges	24,615	23,720	24,680	25,454	24,946
ALOS	4.6	4.7	4.3	4.1	4.1
<b>California Average</b>					
Net Operating Revenue	\$397,021,631	\$394,947,143	\$404,427,600	\$446,525,872	\$398,995,876
Operating Expense	\$391,821,117	\$401,191,236	\$412,087,448	\$464,241,359	\$399,704,289
Net from Operations	\$16,614,790	\$1,125,550	(\$1,452,996)	(\$10,365,429)	\$7,721,420
Net Non-Operating Rev.	(\$12,895,451)	(\$53,325,406)	\$24,870,579	\$35,106,403	(\$2,092,219)
Net Income	\$3,572,112	(\$52,384,964)	\$23,127,309	\$24,481,682	\$5,254,813
<b>California Average</b>					
Current Ratio	1.47	4.12	3.19	3.34	2.91
Days in A/R	61.3	53.5	57.2	51.9	49.5
Bad Debt Rate	1.8%	0.81%	0.81%	1.22%	1.56%
Operating Margin	0.38%	4.07%	0.28%	-0.35%	1.90%

Source: OSHPD Disclosure Reports, 2008-2012

\*Unaudited

<sup>6</sup> The Quality Assurance Fees (QAF) program (Welfare & Institutions Code Sections 14169.1- 14169.19) provides funds to hospitals to additionally compensate them for the amount of care they provided to Medi-Cal beneficiaries during a specific period.

## Cost of Hospital Services

SAMC's operating cost of services includes both inpatient and outpatient care. In 2012, approximately 48% of SAMC's total costs were associated with Medicare patients, 27% with third-party payers, and 23% with Medi-Cal patients. The remaining 2% is attributed to indigent and other payers.

SAMC COST OF SERVICES BY PAYER CATEGORY 2008-2012					
	FY 2008	FY 2009	FY 2010	FY 2011*	FY 2012*
Operating Expenses	\$391,821,117	\$401,191,236	\$412,087,448	\$464,241,359	\$399,704,289
<b>Cost of Services By Payer:</b>					
Medicare	\$208,935,095	\$210,389,284	\$217,981,956	\$235,390,339	\$192,132,135
Medi-Cal	\$52,942,489	\$61,293,604	\$60,868,971	\$79,803,431	\$91,345,645
Other Indigent	\$4,481,928	\$5,913,079	\$6,498,267	\$6,857,859	\$5,639,457
Third-Party	\$119,980,368	\$117,375,217	\$119,001,637	\$128,587,888	\$107,241,064
Other Payers	\$5,481,237	\$6,220,052	\$7,736,619	\$13,601,843	\$3,345,987

Source: OSHPD Disclosure Reports, 2008-2012

\*Unaudited

## Charity Care

The following table compares charity care and bad debt at SAMC with all general acute care hospitals in the State of California. The five-year (2008-2012) average of charity care and bad debt for SAMC, as a percentage of gross patient revenue, was 4.3%. This is higher than the statewide average of 3.6%. 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										
SAMC CHARITY CARE - FY 2008 to FY 2012										
(Millions)										
	2008		2009		2010		2011*		2012*	
	SAMC	CA	SAMC	CA	SAMC	CA	SAMC	CA	SAMC	CA
Gross Patient Revenue	\$1,422.1	\$230,007.7	\$1,491.8	\$252,204.3	\$1,646.9	\$270,511.0	\$1,684.8	\$287,438.8	\$1,717.2	n/a
Charity	\$16.3	\$4,116.5	\$22.2	\$4,603.4	\$26.0	\$5,587.1	\$24.9	\$5,859.4	\$46.5	n/a
Bad Debt	\$11.5	\$3,761.9	\$12.1	\$4,293.4	\$20.1	\$4,510.8	\$19.5	\$4,938.8	\$26.8	n/a
<b>Total</b>	<b>\$27.8</b>	<b>\$7,878.4</b>	<b>\$34.3</b>	<b>\$8,896.7</b>	<b>\$46.0</b>	<b>\$10,097.9</b>	<b>\$44.4</b>	<b>\$10,798.1</b>	<b>\$73.3</b>	<b>n/a</b>
Charity as a % of Gross Rev.	1.1%	1.8%	1.5%	1.8%	1.6%	2.1%	1.5%	2.0%	2.7%	n/a
Bad Debt as a % of Gross Rev.	0.8%	1.6%	0.8%	1.7%	1.2%	1.7%	1.2%	1.7%	1.6%	n/a
Total as a % of Gross Rev.	2.0%	3.4%	2.3%	3.5%	2.8%	3.7%	2.6%	3.8%	4.3%	n/a
<b>Uncompensated Care</b>										
Cost to Charge Ratio	26.7%	26.0%	26.4%	25.1%	24.6%	25.0%	27.1%	24.6%	22.8%	n/a
Cost of Charity	\$4.4	\$1,069.4	\$5.9	\$1,153.4	\$6.4	\$1,396.2	\$6.7	\$1,441.4	\$10.6	n/a
Cost of Bad Debt	\$3.1	\$977.2	\$3.2	\$1,075.7	\$4.9	\$1,127.3	\$5.3	\$1,214.9	\$6.1	n/a
<b>Total</b>	<b>\$7.4</b>	<b>\$2,046.6</b>	<b>\$9.0</b>	<b>\$2,229.2</b>	<b>\$11.3</b>	<b>\$2,523.5</b>	<b>\$12.0</b>	<b>\$2,656.3</b>	<b>\$16.7</b>	<b>n/a</b>

Source: OSHPD Disclosure Reports, 2008-2012

\*Unaudited

The table below shows SAMC’S historical costs for charity care as reported by OSHPD. SAMC’S charity care costs increased from \$4.4 million in 2008 to \$10.6 million in 2012. The average cost of charity care for the last five-year period was approximately \$6.8 million.

SAMC COST OF CHARITY CARE				
Year	SAMC Charity Care Charges (1)	Cost to Charge Ratio	Cost of Charity Care to SAMC	Percent of Total Costs Represented by Charity Care
FY 2012*	\$46,479,540	22.7%	\$10,550,856	2.7%
FY 2011*	\$24,888,606	27.1%	\$6,744,812	1.7%
FY 2010	\$25,978,678	24.6%	\$6,402,584	1.6%
FY 2009	\$22,203,489	26.4%	\$5,861,441	1.3%
FY 2008	\$16,308,996	26.7%	\$4,362,606	1.1%
<b>5-Year Average</b>	<b>\$27,171,862</b>		<b>\$6,784,460</b>	

Source: OSHPD Disclosure Reports, 2008-2012

(1) Charity Care charges are based on final OSHPD figures.

\*Unaudited

SAMC reports the following distribution of charity care by inpatient, outpatient, and emergency room charges.

<b>CHARITY CARE BY SERVICE FY 2008 2012</b>				
	<b>Inpatient</b>	<b>Outpatient</b>	<b>Emergency Room</b>	<b>Total Charges</b>
<b>2012:</b>				
Cost of Charity	\$5,316,530	\$487,059	\$4,764,012	\$10,567,602
Cases/Visits	726	5,372	3,287	9,385
<b>2011</b>				
Cost of Charity	\$3,605,030	\$330,464	\$2,110,729	\$6,046,223
Cases/Visits	827	2,187	2,724	5,738
<b>2010:</b>				
Cost of Charity	\$4,060,719	\$392,241	\$1,875,922	\$6,328,882
Cases/Visits	823	2,952	2,744	6,519
<b>2009:</b>				
Cost of Charity	\$3,751,791	\$353,468	\$1,690,488	\$5,795,746
Cases/Visits	826	1,622	2,750	5,198
<b>2008:</b>				
Cost of Charity	\$2,884,947	\$248,100	\$1,186,556	\$4,319,603
Cases/Visits	773	1,315	2,438	4,526

Source: SAMC

## Community Benefit Services

SAMC has consistently provided a contribution to community benefit services. As shown in the table below, the average annual cost of community benefit services over five years has been approximately \$2.9 million per year.

SAMC COMMUNITY BENEFIT SERVICES								
Community Events	Health Events	2008	2009	2010	2011	2012	5 Year Average	Total
Ministry for the Poor and Underserved		\$1,613,205	\$2,231,094	\$2,410,818	\$1,569,877	\$1,638,679	\$1,892,735	\$9,463,673
Ministry for the Broader Community		\$1,538,960	\$1,443,393	\$1,383,474	\$482,297	\$250,058	\$1,019,636	\$5,098,182
<b>Total</b>		<b>\$3,152,165</b>	<b>\$3,674,487</b>	<b>\$3,794,292</b>	<b>\$2,052,174</b>	<b>\$1,888,737</b>	<b>\$2,912,371</b>	<b>\$14,561,855</b>

Source: SAMC

- Over the last five years, SAMC's ministry for the poor and underserved has fluctuated from a high of \$2.4 million in 2010 to a low of \$1.5 million in 2011, resulting in a five-year average of approximately \$1.9 million per year. SAMC's ministry for the poor and underserved represents the financial commitment to serve the poor, the uninsured, and the indigent; and
- SAMC's ministry for the broader community has consistently decreased from \$1.5 million in 2008 to \$250,000 in 2012, resulting in a five-year average of approximately \$1.0 million per year. As set forth below, the programs and services that have experienced the biggest reduction are the Center for Spiritual Care and Clinical Research.

SAMC's annual cost of community benefit services over the past five fiscal years included the following program expenditures:

SAMC Community Benefit Services: \$10,000+ In Cost					
Programs and Services	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Center for Spiritual Care	\$697,021	\$713,493	\$700,860	\$0	\$0
Clinical Research	\$252,099	\$254,256	\$245,952	\$0	\$0
Community Health Updates	\$51,538	\$0	\$0	\$0	\$0
Direct Financial Assistance to Poor Patients	\$0	\$16,008	\$72,789	\$72,722	\$58,444
Donations	\$475,908	\$941,168	\$866,911	\$361,215	\$127,646
Education	\$0	\$0	\$33,243	\$0	\$0
Faith Community Nurse Program	\$93,940	\$0	\$0	\$0	\$0
First Source / Health Advocates	\$214,249	\$448,155	\$555,755	\$510,810	\$466,755
Footsteps Program	\$10,658	\$38,639	\$0	\$0	\$0
Health Resource Education Program	\$84,019	\$28,247	\$14,314	\$12,013	\$29,469
Holy Cross Center for Women	\$364,791	\$531,609	\$567,177	\$513,754	\$516,024
Holy Cross Medical Clinic at Poverello	\$410,635	\$453,939	\$463,899	\$454,092	\$408,055
Holy Cross Medical Clinic at Poverello Lab Procedures	\$0	\$0	\$0	\$0	\$144,400
Humor & Music / Music Therapy Lab	\$0	\$0	\$30,386	\$0	\$0
IT Costs for Clinics	\$17,100	\$0	\$0	\$0	\$0
Lactation Education	\$235,595	\$223,815	\$60,359	\$77,618	\$86,065
Mission Services	\$0	\$0	\$153,471	\$25,614	\$29,332
Sickle Cell Program	\$0	\$27,658	\$29,176	\$24,337	\$22,546
<b>Total of Services \$10,000+</b>	<b>\$2,907,553</b>	<b>\$3,676,987</b>	<b>\$3,794,292</b>	<b>\$2,052,175</b>	<b>\$1,888,736</b>

Source: SAMC

SAMC's community benefit services have supported many programs in the community, including:

- Holy Cross Center for Women: The center, sponsored by SAMC and the Sisters of the Holy Cross, has served as a refuge for homeless and underserved women and children in Fresno since 1984. The center provides daytime shelter, counseling, referral services, educational and skills training, social activities, and parenting classes. The services are free to all women and children who come to the center, which sees a daily average of 130 women and 20 children;
- Holy Cross Clinic at Poverello House: The clinic was established in 1982 by the Sisters of the Holy Cross and SAMC. SAMC staff and medical professionals, including specialists, dentists, and nurses, provide free basic medical, dental, and laboratory services to the uninsured and underinsured. In 2012, the clinic received more than 7,500 medical, and 870 dental visits;
- First Source/Health Advocates: The below-listed agencies work as advocates for SAMC to assist patients in the process of applying for the State of California Medi-Cal Program, Medical Indigent Services Program, County Medical Services Program, Medicare Program, or other governmental medical assistance programs. This can be done prior to or after services are rendered. Medi-Cal advocacy and governmental programs assistance agencies include: First Source, Hospital Reimbursement Services, and Health Advocates; and
- Adult Sickle Cell Program: The program, created in 1994 at SAMC, is one of four designated sickle cell programs in California. The program provides patients with physicians specializing in sickle cell disease, as well as nursing and social services. SAMC's program works closely with the pediatric sickle cell program at Children's Hospital Central California when providing transitional assistance to patients between the pediatric and adult programs.

## ANALYSIS OF SAINT AGNES MEDICAL CENTER'S SERVICE AREA

### *Service Area Definition*

SAMC's service area is composed of 41 ZIP Codes, from which approximately 88% of SAMC's discharges originated in 2011. Nearly 50% of the discharges were from the top nine ZIP Codes, located in Fresno and Clovis. SAMC's market share in the service area was nearly 24%.

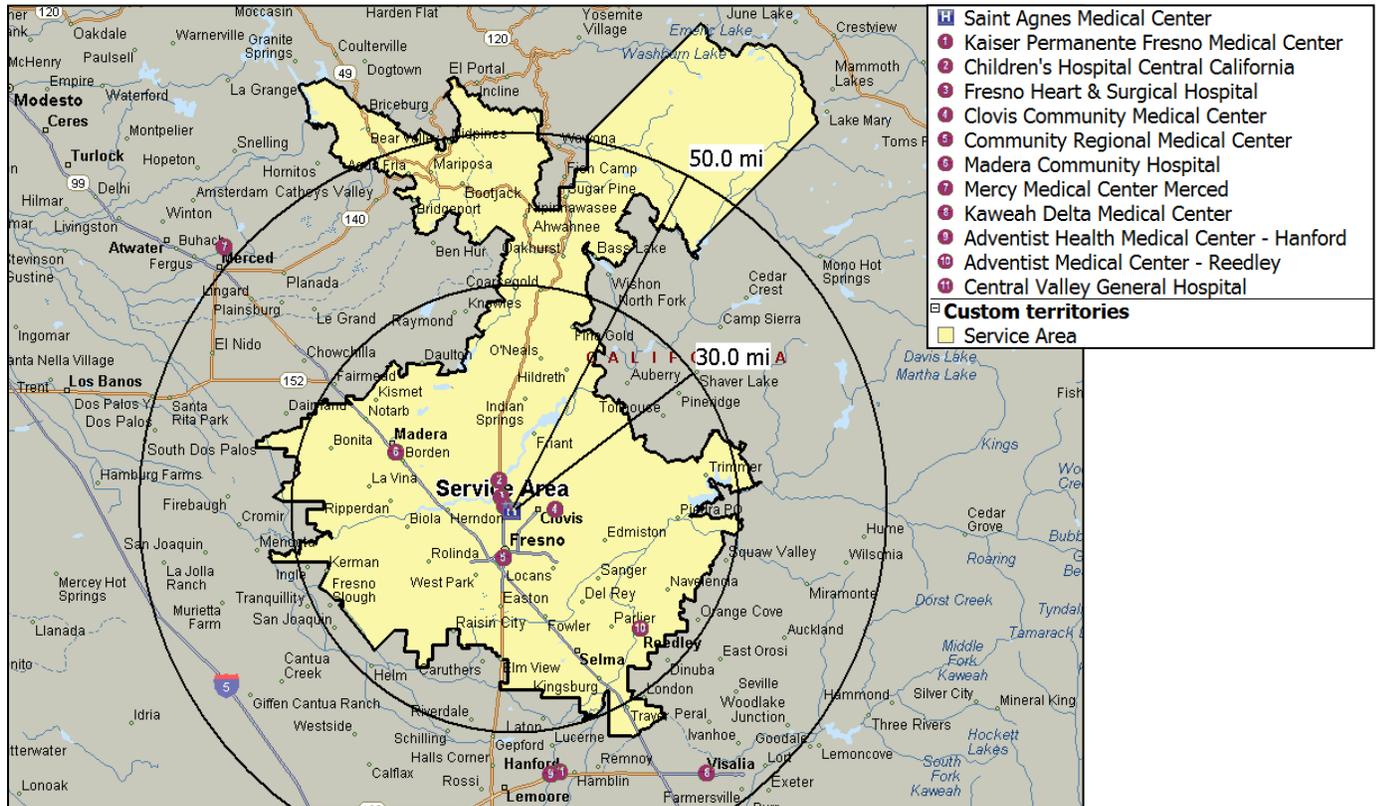
SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2011						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
93722	Fresno	2,072	7.9%	7.9%	7,369	28.1%
93720	Fresno	1,658	6.4%	14.3%	3,943	42.0%
93727	Fresno	1,605	6.1%	20.4%	7,133	22.5%
93726	Fresno	1,497	5.7%	26.2%	4,695	31.9%
93711	Fresno	1,456	5.6%	31.7%	3,453	42.2%
93710	Fresno	1,341	5.1%	36.9%	3,169	42.3%
93705	Fresno	1,237	4.7%	41.6%	4,350	28.4%
93612	Clovis	1,129	4.3%	45.9%	3,725	30.3%
93611	Clovis	1,016	3.9%	49.8%	3,786	26.8%
93704	Fresno	961	3.7%	53.5%	3,056	31.4%
93703	Fresno	863	3.3%	56.8%	3,806	22.7%
93702	Fresno	862	3.3%	60.1%	5,531	15.6%
93706	Fresno	859	3.3%	63.4%	5,220	16.5%
93619	Clovis	549	2.1%	65.5%	2,109	26.0%
93728	Fresno	461	1.8%	67.3%	2,065	22.3%
93725	Fresno	451	1.7%	69.0%	2,667	16.9%
93637	Madera	446	1.7%	70.7%	3,321	13.4%
93657	Sanger	421	1.6%	72.3%	3,128	13.5%
93638	Madera	416	1.6%	73.9%	4,535	9.2%
93614	Coarsegold	353	1.4%	75.3%	1,095	32.2%
93636	Madera	298	1.1%	76.4%	875	34.1%
93730	Fresno	279	1.1%	77.5%	704	39.6%
93650	Fresno	252	1.0%	78.5%	581	43.4%
93723	Fresno	182	0.7%	79.1%	718	25.3%
93701	Fresno	145	0.6%	79.7%	1,616	9.0%
93721	Fresno	129	0.5%	80.2%	870	14.8%
93626	Friant	63	0.2%	80.4%	171	36.8%
93613	Clovis	62	0.2%	80.7%	150	41.3%
93737	Fresno	42	0.2%	80.8%	243	17.3%
93651	Prather	40	0.2%	81.0%	135	29.6%
93645	O'Neals	3	0.0%	81.0%	26	11.5%
93630	Kerman	344	1.3%	82.3%	1,613	21.3%
93644	Oakhurst	341	1.3%	83.6%	929	36.7%
93654	Reedley	336	1.3%	84.9%	2,712	12.4%
93662	Selma	293	1.1%	86.0%	3,343	8.8%
93631	Kingsburg	168	0.6%	86.7%	1,527	11.0%
95338	Mariposa	151	0.6%	87.3%	1,090	13.9%
93625	Fowler	117	0.4%	87.7%	749	15.6%
93648	Parlier	104	0.4%	88.1%	1,459	7.1%
93601	Ahwahnee	68	0.3%	88.4%	183	37.2%
93616	Del Rey	21	0.1%	88.4%	245	8.6%
<b>Sub-Total</b>		<b>23,091</b>	<b>88.4%</b>	<b>88.4%</b>	<b>98,095</b>	<b>23.5%</b>
All Other		3,017	11.6%	100%		
<b>Total</b>		<b>26,108</b>	<b>100%</b>			

Source: OSHPD Patient Discharge Database, 2011

## Service Area Map

SAMC's service area includes approximately 996,000 residents, from the following communities: Fresno, Clovis, Madera, Sanger, Coarsegold, Friant, Prather, O'Neals, Kerman, Oakhurst, Reedley, Selma, Kingsburg, Mariposa, Fowler, Parlier, Ahwahnee, and Del Rey.

There are seven other hospitals located within SAMC's service area.



## Demographic Profile

The population in SAMC's service area is projected to grow by approximately 3.7% over the next four years. This is comparable to the expected growth rate for Fresno County (3.4%) and the statewide growth rate (3.5%);

SAMC SERVICE AREA POPULATION STATISTICS: 2012-2017			
	2012	2017	
	Estimate	Projection	% Change
Total Population	995,655	1,032,297	3.7%
Households	316,192	332,118	5.0%
Percentage Female	50.4%	50.4%	

Source: Applied Geographic Solutions

The average age of the population in SAMC's service area is 31.0 years. The statewide average is higher (37.0 years). The percentage of adults over the age of 65 is expected to grow by approximately 4.7% between 2012 and 2017. The population of children between the ages 0-14 and adults between the ages 15-44 is expected to increase by 3.6% and 5.1%, respectively.

SAMC SERVICE AREA POPULATION AGE DISTRIBUTION: 2012-2017				
	2012 Estimate		2017 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	241,753	24.5%	250,358	24.3%
Age 15-44	415,848	42.1%	437,100	42.3%
Age 45-64	221,995	22.5%	231,179	22.4%
Age 65+	108,552	11.0%	113,661	11.0%
<b>Total</b>	<b>988,148</b>	<b>100%</b>	<b>1,032,298</b>	<b>100%</b>
Female 15-44	208,759	21.1%	215,744	20.9%
Median Age	31.0		32.0	

Source: Applied Geographic Solutions

Approximately 51% of the population in the service area is of Non-Hispanic ethnicity. This is similar to Fresno County’s Non-Hispanic ethnic population (50%), and lower than California’s Non-Hispanic ethnic population (66%).

SAMC SERVICE AREA POPULATION RACE/ETHNICITY: 2012-2017		
	2012	2017
White	56.4%	56.5%
Black	5.2%	5.2%
American Indian or Alaska Native	1.8%	1.8%
Asian or Pacific Islander	9.6%	9.8%
Some Other Race	22.4%	22.1%
Two or More Races	4.6%	4.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>
Hispanic Ethnicity	49.0%	48.7%
Non-Hispanic or Latino	51.0%	51.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Applied Geographic Solutions

The average household income in the service area is \$69,367. This is just above the Fresno County average of \$68,405, but 22% below the statewide average of \$89,159. Projections anticipate that the percentage of higher income households (\$150,000+) in SAMC’s service area will grow at slower rate than those statewide.

SAMC SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2012-2017												
	2012 Estimate						2017 Projection					
	SAMC Service Area		Fresno County		California		SAMC Service Area		Fresno County		California	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
\$0 - \$15,000	41,819	13.2%	40,350	13.5%	1,328,619	10.5%	37,010	11.1%	35,821	11.4%	1,122,497	8.6%
\$15,000 - \$24,999	36,305	11.5%	36,070	12.1%	1,194,662	9.4%	34,460	10.4%	34,216	10.9%	1,091,840	8.3%
\$25,000 - \$34,999	32,436	10.3%	30,973	10.4%	1,127,499	8.9%	30,932	9.3%	29,722	9.5%	1,036,807	7.9%
\$35,000 - \$49,999	44,957	14.2%	42,177	14.1%	1,572,562	12.4%	43,135	13.0%	40,563	13.0%	1,452,863	11.1%
\$50,000 - \$74,999	62,392	19.7%	57,838	19.4%	2,238,762	17.7%	65,808	19.8%	60,924	19.5%	2,065,876	15.8%
\$75,000 - \$99,999	38,995	12.3%	36,384	12.2%	1,623,847	12.8%	45,052	13.6%	41,920	13.4%	1,765,922	13.5%
\$100,000 - \$149,999	38,116	12.1%	35,240	11.8%	2,008,744	15.9%	48,724	14.7%	45,048	14.4%	2,550,031	19.5%
\$150,000 +	21,171	6.7%	19,483	6.5%	1,553,159	12.3%	26,997	8.1%	24,813	7.9%	2,006,510	15.3%
<b>Total</b>	<b>316,192</b>	<b>100%</b>	<b>298,515</b>	<b>100%</b>	<b>12,647,854</b>	<b>100%</b>	<b>332,117</b>	<b>100%</b>	<b>313,027</b>	<b>100%</b>	<b>13,092,346</b>	<b>100%</b>
<b>Average Household Income</b>	<b>\$69,367</b>		<b>\$68,405</b>		<b>\$89,159</b>		<b>\$77,234</b>		<b>\$76,135</b>		<b>\$102,639</b>	

Source: Applied Geographic Solutions

## *Payer/Insurance Mix in the Service Area*

Approximately 33% of the population in SAMC's service area is eligible for Medi-Cal, compared to Fresno County (32%) and statewide (20%). The percentage of persons eligible for Medi-Cal for ZIP codes within SAMC's service area ranges from 4% to over 68%. The number and percentage of the population that is eligible for Medi-Cal is expected to grow as a result of the 2010 Federal Patient Protection and Affordable Care Act.

SERVICE AREA MEDI-CAL ELIGIBLES 2012				
ZIP Codes	City	Eligibles	Population	Percentage
93601	Ahwanhnee	275	2,032	13.5%
93611	Clovis	4,998	44,911	11.1%
93612	Clovis	10,167	36,612	27.8%
93613	Clovis		P.O. Box	
93614	Coarsegold	1,399	12,269	11.4%
93616	Del Rey	1,235	2,543	48.6%
93619	Clovis	1,910	30,701	6.2%
93625	Fowler	2,146	7,406	29.0%
93626	Friant	129	1,370	9.4%
93630	Kerman	7,249	20,532	35.3%
93631	Kingsburg	3,286	17,517	18.8%
93636	Madera	1,283	12,169	10.5%
93637	Madera	11,916	38,029	31.3%
93638	Madera	23,828	50,324	47.3%
93644	Oakhurst	1,442	9,011	16.0%
93645	O'Neals	44	156	28.2%
93648	Parlier	8,085	15,784	51.2%
93650	Fresno	2,052	4,128	49.7%
93651	Prather	157	1,526	10.3%
93654	Reedley	11,387	30,413	37.4%
93657	Sanger	11,306	35,958	31.4%
93662	Selma	11,603	30,838	37.6%
93701	Fresno	8,573	12,472	68.7%
93702	Fresno	29,856	48,220	61.9%
93703	Fresno	16,849	33,339	50.5%
93704	Fresno	7,505	27,479	27.3%
93705	Fresno	16,823	39,306	42.8%
93706	Fresno	23,561	41,424	56.9%
93710	Fresno	7,337	30,171	24.3%
93711	Fresno	3,723	36,805	10.1%
93720	Fresno	4,451	45,850	9.7%
93721	Fresno	2,416	7,368	32.8%
93722	Fresno	23,663	78,847	30.0%
93723	Fresno	1,667	10,087	16.5%
93725	Fresno	12,419	26,539	46.8%
93726	Fresno	16,888	40,792	41.4%
93727	Fresno	25,667	70,987	36.2%
93728	Fresno	6,937	16,282	42.6%
93730	Fresno	444	10,707	4.1%
93737	Fresno	405	4,295	9.4%
95338	Mariposa	1,967	10,455	18.8%
<b>Total</b>		<b>327,048</b>	<b>995,654</b>	<b>32.8%</b>

Source: California Department of Health Care Services, AGS

## ***Medi-Cal Managed Care***

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care, with an emphasis on primary and preventive care. Today, approximately 4.5 million Medi-Cal beneficiaries in 30 counties in California receive their healthcare through three models of managed care: County Organized Health Systems, Two-Plan Model, or Geographic Managed Care. Currently, Fresno County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a “Local Initiative” and a “commercial plan”.

CalViva Health is the Local Initiative Plan for Fresno, Kings, and Madera Counties and has partnered with Health Net to serve Medi-Cal beneficiaries in these counties. CalViva selected Health Net as its contractor to provide administrative and network services under the Two-Plan model in the three-county region. Health Net continues to hold all provider network contracts in Fresno County. SAMC has a Medi-Cal contract with Health Net.

The second health plan in Fresno County is a private commercial plan provided by Anthem Blue Cross. SAMC also has a contract with Anthem Blue Cross.

## ***Selected Health Indicators***

A review of health indicators<sup>7</sup> for Fresno County (deaths, diseases, and births) supports the following conclusions:

- The percentage of low birth weight infants was higher than that of California and the national goal;
- When compared to the state rate, measures on late or no prenatal care were better in Fresno County, but were just above the national goal; and
- Measures on low birth weight infants, late or no prenatal care, and the infant mortality rate are all above the national goal.

<b>NATALITY STATISTICS: 2012</b>			
<b>Health Status Indicator</b>	<b>Fresno County</b>	<b>California</b>	<b>National Goal</b>
Low birth weight infants	7.6%	6.8%	5.0%
Late or no pre-natal care	11.5%	17.1%	10.0%
Infant mortality rate (per 1,000 births)	6.3	5.2	4.5

Source: California Department of Health Care Services

<sup>7</sup> Source: California Department of Health Services' County Health Status Profiles 2012

- The overall age-adjusted mortality rate for Fresno County is higher than the statewide and the national rates. Fresno County's rates for almost all causes are higher than the statewide rate. The four exceptions are colorectal cancer, female breast cancer, prostate cancer, and suicide. Fresno County achieved five out of the fourteen reported national goals based on underlying and contributing cause of death.

MORTALITY STATISTICS: 2012 RATE PER 100,000 POPULATION					
Selected cause	Fresno County		(Age Adjusted)		National Goal
	Crude Death Rate	Age Adjusted Death Rate	California	National	
All Causes	625.5	763.8	632.7	741.1	—
- All Cancers	126.1	156.4	151.7	173.2	158.6
- Colorectal Cancer	11.3	14.0	14.1	15.9	13.7
- Lung Cancer	30.4	38.8	36.1	48.5	43.3
- Female Breast Cancer	17.2	18.7	20.7	22.3	21.3
- Prostate Cancer	12.2	19.5	21.2	22.0	28.2
- Diabetes	22.8	28.6	19.5	20.9	n/a
- Alzheimer's Disease	26.1	33.4	28.2	23.5	n/a
- Coronary Heart Disease	110.3	138.3	121.6	126.0	162.0
- Cerebrovascular Disease (Stroke)	38.6	48.9	37.4	38.9	50.0
- Influenza/Pneumonia	19.7	24.4	17.2	16.2	n/a
- Chronic Lower Respiratory Disease	30.7	39.2	36.7	42.3	n/a
- Chronic Liver Disease And Cirrhosis	11.7	13.4	10.8	9.2	3.2
- Accidents (Unintentional Injuries)	35.7	38.6	27.1	37.3	17.1
- Motor Vehicle Traffic Crashes	13.1	13.3	7.9	11.7	8.0
- Suicide	6.7	7.2	9.7	11.8	4.8
- Homicide	7.3	6.8	5.3	5.5	2.8
- Firearm-Related Deaths	8.5	8.4	7.8	10.1	3.6
- Drug-Induced Deaths	11.1	11.9	10.5	12.6	1.2

Source: California Department of Public Health, Center for Health Statistics, 2012

- Fresno County has higher morbidity rates than California overall. The rate of incidence of AIDS for Fresno County is higher than both the statewide rate and the national goal.

MORBIDITY STATISTICS: 2012 RATE PER 100,000 POPULATION			
Health Status Indicator	Fresno County	California	National Goal
AIDS	9.8	9.4	1.00
Chlamydia	586.1	389.6	n/a
Gonorrhea	75.3	65.8	19.00
Tuberculosis	6.7	6.5	1.00

Source: California Department of Health Care Services

## *2012 Community Health Needs Assessment*

In 2012, a community health needs assessment was prepared for four counties located in northern and central California. Led by the Hospital Council of Northern and Central California, the community health needs assessment was jointly funded by 16 hospitals, including SAMC.

The assessment focused on the needs in the communities within Fresno, Madera, Kings, and Tulare Counties.

The study analyzed quantitative and qualitative data, including online surveys and community interviews.

- The assessment focused on the following health issues taken from the Key Health Indicators in “Healthy People 2020”:
  - Access to Health Services;
  - Clinical Preventive Services;
  - Environmental Quality;
  - Injury and Violence;
  - Maternal, Infant and Child Health;
  - Mental Health;
  - Nutrition, Physical Activity and Obesity;
  - Oral Health;
  - Reproductive/Sexual Health;
  - Social Determinants;
  - Substance Abuse; and
  - Tobacco Use.
- Fresno County had higher rates<sup>8</sup> of poverty and residents who are uninsured when compared to the statewide rates. In Fresno County, approximately 22.5% of the population is living in poverty, whereas the statewide poverty rate is 13.7%. Approximately 19.5% of the residents in Fresno County are uninsured; the statewide rate

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<sup>8</sup> Based upon 100% of the Federal Poverty Level.

is 17.9% of the population.

- Fresno County had a higher unemployment rate (14.7%) when compared to the statewide unemployment rate (10.9%);
- Fresno County reported that 42.7% of children are overweight and obese; the statewide rate is 38%. The percentage of the adult population in Fresno County classified as obese is 29.2%, which is higher than the statewide rate of 23.3%; and
- Approximately 12% of adults in Fresno County reported having poor mental health, compared to 14% statewide.

## Hospital Supply, Demand, and Market Share

Within SAMC's service area, there are seven other general acute care hospitals that, together with SAMC, have a combined total of 2,062 licensed beds with an aggregate occupancy rate of 67.6%. SAMC's 436 licensed beds represent 21% of the area's beds, and SAMC's inpatient volume accounts for 24% of discharges and 20% of patient days. Hospitals in SAMC's service area run at occupancy rates that range between 28.4% at Adventist Medical Center-Reedley, to nearly 80% at Community Regional Medical Center.

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

AREA HOSPITAL DATA: 2012									
Hospital	Ownership/Affiliation	City	Within		Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from St. Agnes
			Service Area	Licensed Beds					
St. Agnes Medical Center*	Trinity Health	Fresno	X	436	24,946	101,562	277.5	63.6%	-
Kaiser Foundation Hospital - Fresno <sup>1</sup>	Kaiser Foundation Hospitals	Fresno	X	169	7,586	27,168	74.4	44.0%	1.6
Children's Hospital Central California <sup>1</sup>	Children's Hospital Central California	Madera	X	348	13,270	84,321	231.0	66.4%	2.0
Fresno Heart and Surgical Hospital <sup>1</sup>	Community Medical Centers	Fresno	X	57	3,423	10,278	28.2	49.4%	3.4
Clovis Community Medical Center <sup>1</sup>	Community Medical Centers	Clovis	X	109	9,586	29,630	81.2	74.5%	6.4
Community Regional Medical Center <sup>1</sup>	Community Medical Centers	Fresno	X	793	37,453	229,336	628.3	79.2%	8.6
Madera Community Hospital*	Madera Community Hospital	Madera	X	106	4,919	21,780	59.5	56.1%	20.2
Adventist Medical Center - Reedley <sup>1</sup>	Adventist Health Systems	Reedley	X	44	2,057	4,564	12.5	28.4%	33.2
<b>SUB-TOTAL</b>				<b>2,062</b>	<b>103,240</b>	<b>508,639</b>	<b>1,393</b>	<b>67.6%</b>	
Central Valley General Hospital <sup>1</sup>	Adventist Health Systems	Hanford		36	2,077	4,106	11.2	31.2%	40.5
Adventist Medical Center - Hanford <sup>1</sup>	Adventist Health Systems	Hanford		199	11,765	47,893	131.2	65.9%	42.4
Kaweah Delta Medical Center*	Kaweah Delta Health Care District	Visalia		581	22,661	131,818	360.2	62.0%	51.6
Mercy Medical Center Merced*	Catholic Healthcare West	Merced		186	11,083	44,505	121.6	65.4%	56.6
Coalinga Regional Medical Center*	Coalinga Hospital District	Coalinga		123	534	27,553	75.3	61.2%	68.7
Sierra View District Hospital*	Sierra View District Hospital	Porterville		163	7,236	40,778	111.4	68.4%	78.3
<b>TOTAL</b>				<b>3,350</b>	<b>158,596</b>	<b>805,292</b>	<b>2,204</b>	<b>65.9%</b>	

Source: OSHPD Disclosure Reports, 2012

\*Unaudited

<sup>1</sup>2011 Disclosure Report

## Hospital Market Share

The table below illustrates market share discharges by individual hospital within SAMC's service area over the past four years.

SERVICE AREA HOSPITAL MARKET SHARE 2008-2011				
Hospitals	2008	2009	2010	2011
Community Regional Medical Center	32.4%	32.9%	32.5%	32.5%
<b>St. Agnes Medical Center</b>	<b>23.6%</b>	<b>22.9%</b>	<b>23.2%</b>	<b>23.5%</b>
Clovis Community Medical Center	9.3%	9.3%	8.9%	9.1%
Kaiser - All	7.8%	7.6%	7.2%	7.1%
Children's Hospital Central California	7.2%	7.0%	6.9%	7.0%
Madera Community Hospital	4.4%	4.2%	4.6%	4.3%
Adventist Medical Center-Hanford	3.5%	3.9%	3.7%	3.9%
Fresno Heart Hospital	2.5%	2.5%	2.3%	2.2%
Fresno Surgery Center	1.5%	1.8%	1.7%	1.5%
Adventist Medical Center-Reedley	1.7%	1.5%	1.3%	1.3%
San Joaquin Valley Rehabilitation Hospital	1.2%	1.3%	1.3%	1.3%
Fresno County Psychiatric Health Facility	0.7%	0.7%	0.7%	0.9%
Kaweah Delta District Hospital	0.3%	0.4%	1.0%	1.1%
UCSF Medical Center	0.7%	0.8%	0.6%	0.7%
Stanford Hospital	0.4%	0.5%	0.4%	0.4%
Good Samaritan Hospital-Bakersfield	0.0%	0.3%	0.8%	0.4%
Doctors Medical Center	0.1%	0.1%	0.4%	0.6%
<b>Sub-Total</b>	<b>97.4%</b>	<b>97.7%</b>	<b>97.6%</b>	<b>97.9%</b>
All Other	2.6%	2.3%	2.4%	2.1%
<b>Total Percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total Discharges</b>	<b>92,420</b>	<b>94,119</b>	<b>97,960</b>	<b>98,095</b>

Source: OSHPD Inpatient Discharge Database, 2008-2011

- The number of discharges in the service area has increased by 6% over the four years;
- Over the last four years, Community Regional Medical Center has consistently ranked first in overall market share for the service area based on discharges (approximately 33% in FY 2011);
- SAMC has consistently ranked second in overall market share for its service area over the last four years (approximately 24% in FY 2011); and
- Kaiser has approximately 7% market share of service area discharges.

The following table illustrates hospital market share by payer category as reported by OSHPD for 2011.

MARKET SHARE BY PAYER, 2011											
Hospitals	Total Discharges	Market Share	Medicare		Private Coverage			Medi-Cal		Other	
			FFS	Managed	HMO	PPO	FFS	FFS	Managed	Indigent Programs	Other
Community Regional Medical Center	31,845	32.5%	27.1%	18.5%	14.5%	17.5%	2.7%	41.8%	43.1%	71.6%	60.1%
St. Agnes Medical Center	23,091	23.5%	40.7%	8.8%	3.6%	32.2%	66.7%	12.6%	24.5%	0.0%	11.3%
Clovis Community Medical Center	8,886	9.1%	6.4%	8.5%	17.4%	22.6%	1.0%	3.3%	7.5%	1.2%	6.9%
Kaiser - All	6,976	7.1%	0.5%	55.7%	35.9%	0.3%	0.5%	0.1%	0.0%	0.0%	1.6%
Children's Hospital Central California	6,889	7.0%	0.0%	0.0%	11.4%	6.5%	0.0%	16.8%	11.9%	0.0%	1.6%
Madera Community Hospital	4,208	4.3%	4.6%	0.0%	1.0%	3.1%	4.0%	8.3%	4.3%	4.5%	2.5%
Adventist Medical Center-Hanford	3,824	3.9%	4.6%	1.5%	5.6%	1.6%	0.7%	3.9%	4.7%	0.2%	7.8%
Fresno Heart and Surgical Hospital	2,195	2.2%	3.5%	4.4%	3.9%	4.0%	8.6%	0.0%	0.0%	0.0%	0.2%
Fresno Surgical Hospital	1,475	1.5%	2.2%	1.1%	0.0%	5.4%	2.8%	0.0%	0.0%	0.0%	1.7%
Adventist Medical Center-Reedley	1,282	1.3%	0.6%	0.2%	1.2%	0.0%	4.7%	2.6%	2.7%	0.2%	0.6%
San Joaquin Valley Rehabilitation Hospital	1,263	1.3%	4.3%	0.0%	0.3%	0.9%	0.1%	0.1%	0.0%	0.0%	0.4%
All Others	6,161	6.3%	5.5%	1.4%	5.2%	5.9%	8.3%	10.5%	1.3%	22.4%	5.4%
<b>Total</b>	<b>98,095</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Discharges</b>			<b>24,809</b>	<b>6,102</b>	<b>9,151</b>	<b>13,391</b>	<b>1,759</b>	<b>18,403</b>	<b>15,183</b>	<b>3,931</b>	<b>5,366</b>
<b>% of Total Discharges</b>			<b>25.3%</b>	<b>6.2%</b>	<b>9.3%</b>	<b>13.7%</b>	<b>1.8%</b>	<b>18.8%</b>	<b>15.5%</b>	<b>4.0%</b>	<b>5.5%</b>

Note: Excludes normal new borns

Source: OSHPD Patient Discharge Database

- The largest categories of discharges are Medi-Cal patients (over 34%), followed by Medicare patients (over 31%), and Private Coverage (HMO, PPO, and FFS) (almost 25%);
- SAMC is the market share leader in its service area for Medicare FFS (41%), Private Coverage PPO (32%), and Private Coverage FFS (67%);
- Community Regional Medical Center is the market share leader for Medi-Cal FFS (42%) and Medi-Cal Managed Care (43%);
- Community Regional Medical Center has the exclusive contract with the county; it therefore receives a higher percentage of County Indigent patients; and
- Kaiser ranks first in Medicare Managed Care (56%) and Private Coverage HMO (36%).

## Market Share by Service Line

The following table illustrates hospital market share by service line for 2011 in SAMC's service area.

HOSPITAL MARKET SHARE BY SERVICE LINE: 2011											
Service Line	Total Discharges	Community Regional Medical Center	St. Agnes Medical Center	Clovis Community Medical Center	Kaiser - All	Children's Hospital Central California	Madera Community Hospital	Adventist Medical Center-Hanford	Fresno Heart and Surgical Hospital	All Others	Total
General Medicine	27,780	30.6%	27.5%	6.8%	8.2%	11.8%	4.5%	6.0%	0.9%	3.7%	100%
Obstetrics	18,022	35.3%	22.7%	18.6%	5.9%	0.0%	8.7%	3.5%	0.0%	5.3%	100%
Cardiac Services	10,708	31.5%	35.2%	5.2%	7.7%	1.8%	3.5%	5.0%	5.9%	4.1%	100%
General Surgery	7,635	25.9%	19.8%	13.7%	9.5%	8.5%	4.0%	2.6%	10.2%	5.9%	100%
Behavioral Health	6,500	51.0%	1.6%	0.3%	0.6%	0.2%	0.2%	0.4%	0.0%	45.7%	100%
Orthopedics	5,005	23.7%	22.9%	4.4%	11.8%	7.7%	2.2%	2.6%	0.4%	24.4%	100%
Neonatology	4,122	32.2%	16.8%	12.3%	6.7%	15.1%	4.8%	5.2%	0.0%	6.8%	100%
Neurology	3,704	38.3%	28.8%	4.9%	9.2%	8.4%	2.2%	3.8%	0.0%	4.4%	100%
Oncology/Hematology	2,374	29.1%	26.6%	5.0%	7.3%	16.8%	3.9%	3.5%	0.5%	7.3%	100%
Gynecology	2,296	22.9%	23.0%	30.2%	5.1%	1.4%	6.1%	2.7%	0.4%	8.2%	100%
Rehabilitation	1,834	25.3%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	73.0%	100%
Spine	1,789	34.3%	27.9%	0.6%	9.2%	3.9%	0.1%	0.8%	0.1%	23.1%	100%
ENT	1,557	26.7%	18.2%	5.1%	4.7%	35.1%	0.9%	2.2%	3.3%	3.7%	100%
Vascular Services	1,492	24.9%	26.1%	3.6%	7.1%	3.5%	2.7%	2.1%	25.5%	4.6%	100%
Urology	1,318	28.5%	32.2%	7.5%	7.6%	4.8%	0.9%	1.7%	1.0%	15.9%	100%
Other	1,169	56.5%	17.4%	2.7%	5.5%	6.5%	1.7%	1.6%	3.3%	4.8%	100%
Neurosurgery	691	34.7%	15.9%	1.0%	5.1%	19.8%	0.0%	0.0%	1.2%	22.3%	100%
Ophthalmology	99	25.3%	19.2%	5.1%	6.1%	32.3%	2.0%	1.0%	0.0%	9.1%	100%
<b>Grand Total</b>	<b>98,095</b>	<b>32.5%</b>	<b>23.5%</b>	<b>9.1%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>4.3%</b>	<b>3.9%</b>	<b>2.2%</b>	<b>10.4%</b>	<b>100%</b>
		<b>31,845</b>	<b>23,091</b>	<b>8,886</b>	<b>6,976</b>	<b>6,889</b>	<b>4,208</b>	<b>3,824</b>	<b>2,195</b>	<b>10,181</b>	

Note: Excludes normal new births

Source: OSHPD Patient Discharge Database

- SAMC is the service line leader in three out of eighteen services lines: cardiac services (35%), vascular services (26%), and urology (32%);
- SAMC is also notably high in market share in general medicine, obstetrics, cardiac services, orthopedics, neurology, oncology/hematology, gynecology, spine, vascular services, and urology (over 20%).
- Community Regional Medical Center is the service line leader in twelve out of the eighteen service lines; and
- Nearly 46% of behavioral health patients leave the area for inpatient services.

## Market Share by ZIP Code

The following table illustrates hospital market share by ZIP code for 2011 in the service area.

HOSPITAL MARKET SHARE BY ZIP CODE, 2011													
ZIP Code	Community	Total Discharges	Community Regional Medical Center	St. Agnes Medical Center	Clovis Community Medical Center	Kaiser - All	Children's Hospital Central California	Madera Community Hospital	Adventist Medical Center-Hanford	Fresno Heart and Surgical Hospital	All Others	Total	
93722	Fresno	7,369	35.5%	28.1%	9.3%	8.2%	8.4%	0.5%	0.4%	2.3%	7.3%	100%	
93727	Fresno	7,133	40.0%	22.5%	11.7%	7.8%	8.1%	0.0%	0.6%	2.1%	7.2%	100%	
93702	Fresno	5,531	63.2%	15.6%	3.8%	2.6%	7.6%	0.0%	0.3%	0.9%	6.1%	100%	
93706	Fresno	5,220	59.7%	16.5%	2.6%	4.2%	7.1%	0.4%	1.7%	0.8%	7.0%	100%	
93726	Fresno	4,695	35.9%	31.9%	8.5%	5.9%	6.5%	0.1%	0.2%	2.4%	8.6%	100%	
93638	Madera	4,535	10.6%	9.2%	2.0%	5.7%	12.1%	53.1%	0.2%	0.9%	6.2%	100%	
93705	Fresno	4,350	41.8%	28.4%	5.8%	5.7%	7.0%	0.1%	0.4%	1.6%	9.1%	100%	
93720	Fresno	3,943	13.1%	42.0%	11.9%	11.5%	5.5%	0.1%	0.3%	3.2%	12.4%	100%	
93703	Fresno	3,806	49.8%	22.7%	5.5%	4.8%	7.9%	0.2%	0.3%	1.6%	7.3%	100%	
93611	Clovis	3,786	15.2%	26.8%	25.4%	11.5%	5.9%	0.0%	0.3%	3.3%	11.5%	100%	
93612	Clovis	3,725	23.4%	30.3%	20.8%	9.4%	6.0%	0.1%	0.2%	2.6%	7.3%	100%	
93711	Fresno	3,453	16.6%	42.2%	10.0%	9.4%	4.5%	0.2%	0.1%	3.4%	13.6%	100%	
93662	Selma	3,343	19.4%	8.8%	4.6%	5.0%	5.2%	0.0%	45.5%	2.7%	8.8%	100%	
93637	Madera	3,321	9.5%	13.4%	3.5%	8.6%	9.4%	45.6%	0.2%	2.0%	7.7%	100%	
93710	Fresno	3,169	21.5%	42.3%	8.6%	8.8%	4.4%	0.2%	0.3%	2.5%	11.3%	100%	
93657	Sanger	3,128	32.9%	13.5%	17.9%	6.9%	6.6%	0.0%	9.5%	3.4%	9.3%	100%	
93704	Fresno	3,056	31.7%	31.4%	8.2%	7.9%	6.0%	0.2%	0.4%	2.5%	11.7%	100%	
93654	Reedley	2,712	17.1%	12.4%	6.9%	5.6%	6.4%	0.0%	12.5%	2.4%	36.8%	100%	
93725	Fresno	2,667	50.5%	16.9%	5.7%	6.0%	7.4%	0.1%	5.5%	1.6%	6.3%	100%	
93619	Clovis	2,109	12.8%	26.0%	28.0%	9.9%	8.0%	0.0%	0.0%	4.4%	10.9%	100%	
93728	Fresno	2,065	53.0%	22.3%	5.2%	4.7%	5.3%	0.1%	0.5%	1.3%	7.5%	100%	
93701	Fresno	1,616	70.1%	9.0%	2.0%	1.7%	8.2%	0.0%	0.4%	0.3%	8.3%	100%	
93630	Kerman	1,613	47.9%	21.3%	6.1%	5.0%	9.0%	2.8%	0.9%	2.1%	4.8%	100%	
93631	Kingsburg	1,527	14.3%	11.0%	6.4%	7.5%	4.6%	0.1%	34.7%	2.9%	18.5%	100%	
93648	Parlier	1,459	22.4%	7.1%	3.1%	1.9%	9.9%	0.0%	26.7%	2.0%	26.8%	100%	
93614	Coarsegold	1,095	12.4%	32.2%	10.4%	19.5%	5.8%	1.7%	0.5%	4.2%	13.2%	100%	
95338	Mariposa	1,090	12.4%	13.9%	3.5%	2.3%	3.0%	0.6%	0.0%	3.3%	61.1%	100%	
93644	Oakhurst	929	13.5%	36.7%	12.6%	15.8%	3.4%	2.7%	0.3%	4.3%	10.7%	100%	
93636	Madera	875	12.2%	34.1%	11.1%	14.2%	7.8%	8.0%	0.0%	3.9%	8.8%	100%	
93721	Fresno	870	71.0%	14.8%	1.6%	2.5%	1.6%	0.0%	0.3%	1.3%	6.8%	100%	
93625	Fowler	749	31.0%	15.6%	8.0%	4.5%	6.5%	0.0%	25.5%	0.5%	8.3%	100%	
93723	Fresno	718	33.8%	25.3%	12.5%	7.0%	6.4%	0.6%	0.0%	4.6%	9.7%	100%	
93730	Fresno	704	10.7%	39.6%	15.3%	9.4%	8.8%	0.0%	0.0%	4.1%	12.1%	100%	
93650	Fresno	581	27.5%	43.4%	4.6%	8.6%	6.9%	0.3%	0.0%	1.9%	6.7%	100%	
93616	Del Rey	245	32.2%	8.6%	9.0%	4.9%	6.9%	0.0%	25.3%	2.9%	10.2%	100%	
93737	Fresno	243	28.0%	17.3%	31.3%	9.9%	4.9%	0.0%	0.0%	2.9%	5.8%	100%	
93601	Ahwahnee	183	13.1%	37.2%	6.6%	25.1%	1.6%	1.6%	0.0%	3.3%	11.5%	100%	
93626	Friant	171	17.5%	36.8%	12.3%	11.7%	6.4%	1.2%	1.8%	4.1%	8.2%	100%	
93613	Clovis	150	14.0%	41.3%	17.3%	10.7%	3.3%	0.0%	0.0%	3.3%	10.0%	100%	
93651	Prather	135	15.6%	29.6%	23.7%	9.6%	7.4%	0.0%	3.0%	3.0%	8.1%	100%	
93645	O Neals	26	30.8%	11.5%	11.5%	11.5%	7.7%	0.0%	7.7%	11.5%	7.7%	100%	
<b>Grand Total</b>		<b>98,095</b>	<b>31,845</b>	<b>23,091</b>	<b>8,886</b>	<b>6,976</b>	<b>6,889</b>	<b>4,208</b>	<b>3,824</b>	<b>2,195</b>	<b>10,181</b>	<b>100%</b>	

Note: Excludes normal new births

Source: OSHPD Patient Discharge Database

- SAMC is the market share leader in 15 of the 41 ZIP codes within its service area. In five of these ZIP codes, SAMC had over 40% of the market share in 2011. The communities represented by these ZIP codes include Fresno, Clovis, Coarsegold, Mariposa, Oakhurst, Madera, Ahwahnee, Friant, and Prather.

## Service Availability by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, critical care, obstetrics, pediatrics, and emergency services (FY 2011/2012 data).

### Medical/Surgical Beds

There are 1,021 licensed medical/surgical beds within SAMC's service area that run at an occupancy rate of 69.3%.

MEDICAL/SURGICAL BEDS 2012							
Hospital	Miles from SAMC	Within Service Area	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
St. Agnes Medical Center*	-	X	343	20,071	81,102	221.6	64.6%
Kaiser Foundation Hospital - Fresno <sup>1</sup>	1.6	X	119	6,026	21,950	60.1	50.5%
Children's Hospital Central California <sup>1</sup>	2.0	X	-	-	-	-	-
Fresno Heart and Surgical Hospital <sup>1</sup>	3.4	X	48	3,383	8,881	24.3	50.7%
Clovis Community Medical Center <sup>1</sup>	6.4	X	66	5,925	20,744	56.8	86.1%
Community Regional Medical Center <sup>1</sup>	8.6	X	343	24,243	107,265	293.9	85.7%
Madera Community Hospital*	20.2	X	70	2,207	15,731	43.0	61.4%
Adventist Medical Center - Reedley <sup>1</sup>	33.2	X	32	739	2,444	6.7	20.9%
<b>SUB-TOTAL</b>			<b>1,021</b>	<b>62,594</b>	<b>258,117</b>	<b>706.4</b>	<b>69.3%</b>
Central Valley General Hospital <sup>1</sup>	40.5		-	-	-	-	-
Adventist Medical Center - Hanford <sup>1</sup>	42.4		153	8,775	41,336	113.2	74.0%
Kaweah Delta Medical Center*	51.6		207	11,783	63,893	174.6	84.3%
Mercy Medical Center Merced*	56.6		128	7,747	33,293	91.0	71.1%
Coalinga Regional Medical Center*	68.7		22	461	1,602	4.4	19.9%
Sierra View District Hospital*	78.3		102	4,191	21,753	59.4	58.3%
<b>TOTAL</b>			<b>1,633</b>	<b>95,551</b>	<b>419,994</b>	<b>1,149</b>	<b>68.6%</b>

Source: OSHPD Disclosure Reports, 2012

\*Unaudited

<sup>1</sup>2011 Disclosure Reports

\*\*Adventist Medical Center-Selma operates under the same license as Adventist Medical Center-Hanford.

- SAMC's 343 licensed medical/surgical beds represented approximately 34% of the beds in this category for the service area overall. SAMC has designated 80 of these beds for definitive observation;
- SAMC had approximately 20,000 inpatient hospital discharges and 81,000 patient days resulting in an occupancy rate of 65%;
- Two hospitals in the service area, Community Regional Medical Center and Clovis Community Medical Center, representing 40% of medical/surgical beds, are running at occupancy rates of over 85%; and

- Clovis Community Medical Center is in the process of expanding its number of medical/surgical beds from 66 to 116.

### ***Critical Care Beds (ICU/CCU)***

There are 219 critical care beds within SAMC’s service area, with an overall occupancy rate of approximately 52%. SAMC has 61 licensed critical care beds that were 43% occupied on average in 2012 (average daily census of 26.4).

<b>ICU/CCU BEDS 2012</b>							
<b>Hospital</b>	<b>Miles from SAMC</b>	<b>Within Service Area</b>	<b>Licensed Beds</b>	<b>Discharges</b>	<b>Pt. Days</b>	<b>Average Daily Census</b>	<b>Occupancy</b>
<b>St. Agnes Medical Center*</b>	-	<b>X</b>	<b>61</b>	<b>579</b>	<b>9,663</b>	<b>26.4</b>	<b>43.3%</b>
Kaiser Foundation Hospital - Fresno <sup>1</sup>	1.6	X	12	144	2,194	6.0	50.1%
Children's Hospital Central California <sup>1</sup>	2.0	X	42	218	8,935	24.5	58.3%
Fresno Heart and Surgical Hospital <sup>1</sup>	3.4	X	9	40	1,397	3.8	42.5%
Clovis Community Medical Center <sup>1</sup>	6.4	X	7	88	1,863	5.1	72.9%
Community Regional Medical Center <sup>1</sup>	8.6	X	78	460	16,084	44.1	56.5%
Madera Community Hospital*	20.2	X	10	934	1,675	4.6	45.8%
Adventist Medical Center - Reedley <sup>1</sup>	33.2	X	-	-	-	-	-
<b>SUB-TOTAL</b>			<b>219</b>	<b>2,463</b>	<b>41,811</b>	<b>114.5</b>	<b>52.3%</b>
Central Valley General Hospital <sup>1</sup>	40.5		-	-	-	-	-
Adventist Medical Center - Hanford <sup>1</sup>	42.4		22	1,830	4,260	11.7	53.1%
Kaweah Delta Medical Center*	51.6		106	2,570	14,266	39.0	36.8%
Mercy Medical Center Merced*	56.6		20	355	4,139	11.3	56.5%
Coalinga Regional Medical Center*	68.7		-	-	-	-	-
Sierra View District Hospital*	78.3		10	610	2,438	6.7	66.6%
<b>TOTAL</b>			<b>377</b>	<b>7,828</b>	<b>66,914</b>	<b>183</b>	<b>45.0%</b>

Source: OSHPD Disclosure Reports, 2012

\*Unaudited

<sup>1</sup>2011 Disclosure Reports

\*\*Adventist Medical Center-Selma operates under the same license as Adventist Medical Center-Hanford.

- The average daily census for all hospitals in the service area was 114.5 based on nearly 42,000 patient days;
- SAMC provided nearly 28% of the service area’s ICU/CCU beds in 2012; and
- Upon expansion, Clovis Community Medical Center will increase its licensed ICU/CCU beds from 7 to 24.

## Obstetrics Beds

There are 200 obstetrics beds located in the service area with an aggregate occupancy rate of 64%. SAMC reported that its 32 licensed obstetric beds ran at near-capacity, with an occupancy rate of 92%.

LICENSED OBSTETRICS BEDS 2012							
Hospital	Miles from SAMC	Within Service Area	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
<b>St. Agnes Medical Center*</b>	-	X	<b>32</b>	<b>4,296</b>	<b>10,797</b>	<b>29.5</b>	<b>92.2%</b>
Kaiser Foundation Hospital - Fresno <sup>1</sup>	1.6	X	26	1,195	1,994	5.5	21.0%
Children's Hospital Central California <sup>1</sup>	2.0	X	-	-	-	-	-
Fresno Heart and Surgical Hospital <sup>1</sup>	3.4	X	-	-	-	-	-
Clovis Community Medical Center <sup>1</sup>	6.4	X	36	3,573	7,023	19.2	53.4%
Community Regional Medical Center <sup>1</sup>	8.6	X	71	6,445	20,982	57.5	81.0%
Madera Community Hospital*	20.2	X	23	1,778	4,104	11.2	48.8%
Adventist Medical Center - Reedley <sup>1</sup>	33.2	X	12	1,318	2,120	5.8	48.4%
<b>SUB-TOTAL</b>			<b>200</b>	<b>18,605</b>	<b>47,020</b>	<b>128.7</b>	<b>64.4%</b>
Central Valley General Hospital <sup>1</sup>	40.5		36	2,077	4,106	11.2	31.2%
Adventist Medical Center - Hanford <sup>1</sup>	42.4		24	1,160	2,297	6.3	26.2%
Kaweah Delta Medical Center*	51.6		63	4,412	7,996	21.8	34.8%
Mercy Medical Center Merced*	56.6		30	2,670	6,372	17.4	58.0%
Coalinga Regional Medical Center*	68.7		-	-	-	-	-
Sierra View District Hospital*	78.3		10	2,053	3,945	10.8	107.8%
<b>TOTAL</b>			<b>363</b>	<b>30,977</b>	<b>71,736</b>	<b>196.3</b>	<b>54.1%</b>

Source: OSHPD Disclosure Reports, 2012

\*Unaudited

<sup>1</sup>2011 Disclosure Reports

\*\*Adventist Medical Center-Selma operates under the same license as Adventist Medical Center-Hanford.

- The two closest non-Kaiser hospitals to SAMC do not offer obstetrics beds, making obstetrics services especially important to the surrounding community;
- SAMC and Community Regional Medical Center provide over 50% of obstetrics beds in the service area, and both are running at occupancy rates of over 80%; and
- As part of its expansion, Clovis Community Medical Center is expanding its obstetrics services by dedicating a Women's and Infants' Pavilion that will include a 16-bed labor and delivery unit, 40 postpartum rooms, and an 8-bed newborn nursery.

## Neonatal Intensive Care Beds

SAMC does not currently have any licensed neonatal intensive care beds, but it does have a partnership with Children’s Hospital Central California that operates a licensed six-bed, Level II Neonatal Intensive Care Unit at SAMC. The Neonatal Intensive Care Unit will transition to Level III in September 2013.

Upon its expansion in 2013, Clovis Community Medical Center will add an eight-bed Level II Neonatal Intensive Care Unit.

## Emergency Department Volume at Hospitals in the SAMC’s Service Area

In 2012, SAMC had 44 Emergency Department (“ED”) stations. In total, there are currently 221 ED stations among all service area hospitals. As shown below, SAMC reported 74,159 visits, totaling 16% of the visits among area hospitals (458,062 total visits).

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2012												
Hospital	Miles from SAMC	Within the Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
St. Agnes Medical Center	-	X	Basic	44	74,159	336	7,781	22,115	22,030	21,897	21.0%	0
Kaiser Foundation Hospital - Fresno	1.6	X	Basic	22	28,933	6,091	4,842	7,391	8,184	2,425	14.9%	0
Children's Hospital Central California	2.0	X	Basic	39	82,476	20,375	36,817	14,174	2,273	8,837	10.1%	0
Fresno Heart and Surgical Hospital	3.4	X	-	-	-	-	-	-	-	-	-	-
Clovis Community Medical Center	6.4	X	Basic	22	38,699	2,241	1,313	19,933	9,686	5,526	9.6%	0
Community Regional Medical Center	8.6	X	Comprehensive	73	112,259	18,669	3,089	31,877	24,822	33,802	18.7%	0
Madera Community Hospital <sup>1</sup>	20.2	X	Basic	16	46,649	234	2,677	15,528	23,938	4,272	7.0%	0
Adventist Medical Center - Selma*	25.5	X	Standby	17	58,984	627	14,495	21,573	16,404	5,885	5.0%	0
Adventist Medical Center - Reedley <sup>1</sup>	33.2	X	Standby	10	15,903	901	4,528	7,208	1,628	1,066	3.6%	0
<b>SUB-TOTAL</b>				<b>221</b>	<b>458,062</b>	<b>49,474</b>	<b>75,542</b>	<b>139,799</b>	<b>108,965</b>	<b>83,710</b>	<b>13.0%</b>	<b>0</b>
Central Valley General Hospital	40.5	-	-	-	-	-	-	-	-	-	-	-
Adventist Medical Center - Hanford	42.4	-	Basic	26	61,904	531	15,013	16,882	14,380	15,098	9.2%	0
Kaweah Delta Medical Center	51.6	-	Basic	34	85,345	2,983	25,008	43,648	12,832	874	18.0%	0
Mercy Medical Center Merced	56.6	-	Basic	26	62,044	1,970	16,417	23,203	16,358	4,096	8.9%	0
Coalinga Regional Medical Center	68.7	-	Standby	9	8,870	66	2,188	2,307	1,674	2,245	4.4%	0
Sierra View District Hospital	78.3	-	Basic	22	42,282	54	3,063	19,322	13,210	6,633	10.6%	0
<b>TOTAL</b>				<b>338</b>	<b>718,507</b>	<b>55,078</b>	<b>137,231</b>	<b>245,161</b>	<b>167,419</b>	<b>112,656</b>	<b>21.0%</b>	<b>0</b>

Source: OSHPD Alerts Annual Utilization Reports, MapPoint

<sup>1</sup>2011

\*Adventist Medical Center-Selma operates under the same license as Adventist Medical Center-Hanford.

- In 2013, SAMC increased its ED services from 44 to 50 ED stations. As a result of its expansion, Clovis Community Medical Center will increase its ED services from 22 to 36 ED stations. Thus, the total ED stations for the service area will be 241.

## Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an ED. Based upon this benchmark, in 2012, SAMC's ED was operating at 84% of its 44-bed capacity. Several of the EDs at nearby hospitals were running over capacity, including Children's Hospital Central California (106%), Madera Community Hospital (146%) and Adventist Medical Center-Selma (173%). Overall, service area hospitals are at approximately 94% of capacity.

EMERGENCY DEPARTMENT CAPACITY 2012							
Hospital	Miles from SAMC	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
<b>St. Agnes Medical Center</b>	-	X	Basic	44	74,159	88,000	13,841
Kaiser Foundation Hospital - Fresno	1.6	X	Basic	22	28,933	44,000	15,067
Children's Hospital Central California	2.0	X	Basic	39	82,476	78,000	(4,476)
Fresno Heart and Surgical Hospital	3.4	X	-	-	-	-	-
Clovis Community Medical Center	6.4	X	Basic	22	38,699	44,000	5,301
Community Regional Medical Center	8.6	X	Comprehensive	73	112,259	146,000	33,741
Madera Community Hospital <sup>1</sup>	20.2	X	Basic	16	46,649	32,000	(14,649)
Adventist Medical Center - Selma*	25.5	X	Standby	17	58,984	34,000	(24,984)
Adventist Medical Center - Reedley <sup>1</sup>	33.2	X	Standby	10	15,903	20,000	4,097
<b>SUB-TOTAL</b>				<b>221</b>	<b>458,062</b>	<b>486,000</b>	<b>27,938</b>
Central Valley General Hospital	40.5		-	-	-	-	-
Adventist Medical Center - Hanford	42.4		Basic	26	61,904	52,000	(9,904)
Kaweah Delta Medical Center	51.6		Basic	34	85,345	68,000	(17,345)
Mercy Medical Center Merced	56.6		Basic	26	62,044	52,000	(10,044)
Coalinga Regional Medical Center	68.7		Standby	9	8,870	18,000	9,130
Sierra View District Hospital	78.3		Basic	22	42,282	44,000	1,718
<b>TOTAL</b>				<b>338</b>	<b>718,507</b>	<b>720,000</b>	<b>1,493</b>

Source: OSHPD Alirts Annual Utilization Reports, MapPoint

<sup>1</sup>2011

\*Adventist Medical Center-Selma operates under the same license as Adventist Medical Center-Hanford.

## SUMMARY OF INTERVIEWS

In February and March of 2013, both in-person and telephone interviews were conducted with representatives of the SAMC Corporation's Board, SAMC's administration and medical staff; the Fresno County Department of Community Health; the County Emergency Medical Services; and the Hospital Council of Northern and Central California. The purpose of the interviews was to gather information regarding the potential impacts on healthcare availability or accessibility as a result of the proposed Consolidation Agreement between Trinity and CHE. The major findings are summarized below.

### *Reasons for the Transaction*

Those interviewed stated that the consolidation of Trinity and CHE would provide a number of benefits as a result of being part of a larger consolidated organization, including:

- Better long-term financial stability;
- Better access to capital;
- Additional system expertise and support, such as:
  - Legal and compliance;
  - Revenue cycle management;
  - Information technology systems and knowledge;
  - Insurance management;
  - Treasury functions/money management;
  - Best clinical processes and practices;
  - Human resources;
  - Real estate management; and
  - Supply chain management and purchasing.
- Savings on overhead through shared services and economies of scale;
- More representational power regarding national healthcare policy; and
- More negotiating leverage with different types of payer, insurance, supplier, and service contracts.

### *Selection of CHE as the Consolidation Partner*

Those interviewed believed that both organizations are large, well respected, multi facility health systems that are compatible in their faith-based orientation, and have very similar mission, vision, and values. Because the organizations are located in different markets, the consolidated organization provides broader geographic coverage without any competitive issues.

## ***Importance of the Hospital to the Community***

According to those who were interviewed, SAMC is a very important provider of healthcare services to both the local community and the greater Fresno and Madera counties. It is the second largest hospital provider of services in the service area and in Fresno County, and the market leader in several service lines. It is essential that SAMC continue to offer its complete array of services to the community including:

- Emergency services (including the heliport);
- Women's services;
- The Neonatal Intensive Care Unit at SAMC, owned and operated by Children's Hospital Central California;
- Cancer, Cardiac, and other medical and surgical services; and
- Community Benefit services, including the Holy Cross Center for Women and the Holy Cross Clinic at Poverello House.

If SAMC did not maintain its current level of healthcare services, severe accessibility and availability problems would be created.

## ***Expectations of the Consolidation***

All those interviewed were supportive and believed that the consolidation of Trinity and CHE would only help to make the commitment to the Mission, Vision, and Values stronger. None of those interviewed believed that there would be any negative effects or consequences from the consolidation and felt that SAMC would only benefit from the transaction.

## ***Impact on Availability or Accessibility***

None of those interviewed believed that the consolidation would have any negative impact on the availability or accessibility of healthcare services. In fact, it was believed that the consolidation could improve the availability and accessibility of healthcare services by assisting SAMC to be more effective in carrying out its mission.

## ***Opposition to the Consolidation***

Although there is little knowledge about the consolidation in the general community, no one interviewed was opposed to the consolidation or was aware of any opposition.

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

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

None of the parties to the transaction expect that there will be any changes or reductions in the availability or accessibility of healthcare services. It is expected that as a result of the transaction SAMC will continue to operate as a nonprofit hospital in the same manner as in the past.

### ***Emergency Services***

With 44 emergency treatment stations, an occupancy rate over 91%, and approximately 73,000 visits in FY 2012, SAMC has the second largest ED volume in Fresno County. Keeping SAMC's ED open is critical to providing adequate emergency services in SAMC's service area and Fresno County generally.

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

With 343 licensed beds and an average daily census of approximately 222 patients, SAMC is an important provider of medical/surgical services.

### ***Intensive Care/Coronary Care Services***

SAMC has an occupancy rate of 43% on its 61 licensed Intensive Care Unit/Coronary Care Unit beds. These services are an important resource for supporting the ED and other surgical and medical services at SAMC.

### ***Obstetrics Services***

SAMC has a very high occupancy rate (92%) on its 32 obstetrical beds. With over 4,200 deliveries, it is the second largest obstetrical service provider in Fresno County.

### ***Neonatal Intensive Care Beds***

SAMC leases space to Children's Hospital Central California that owns and operates a six-bed Level II licensed Neonatal Intensive Care Unit. This unit is expected to be upgraded to a Level III unit in the fall of 2013.

### ***Reproductive Health Services***

SAMC is an important provider of a range of services for women. Some reproductive health services are prohibited by the Ethical and Religious Directives (ERDs) of the Catholic Church. Since SAMC will remain under the sponsorship of Catholic Health Ministries, no changes to

provision of these services are expected.

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

Approximately 33% of the population in SAMC's service area is eligible for Medi-Cal (high compared to the statewide average of 20%). Medi-Cal patients access healthcare through CalViva and Health Net of California that contracts with physicians and hospitals to provide services. SAMC has a contract with CalViva and Health Net of California to treat Medi-Cal patients. SAMC sees approximately 27% of the Health Net of California patients who are admitted to Fresno County hospitals. SAMC's payer mix of Medi-Cal patients is at 26.6%. No changes to this relationship are expected as a result of the consolidation.

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

SAMC has historically provided a significant amount of charity care, averaging approximately \$6.8 million per year, over the last five years.

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

SAMC has historically provided a significant amount of community benefit services, averaging \$2.9 million per year in costs over the last five years.

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

As a result of the consolidation, no changes are expected to SAMC's current staffing levels and policies, employee wages, salaries, benefits, working conditions, or employment protections.

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

Individual hospitals under New Ministry will continue to maintain separate independent medical staffs, and therefore, no changes are anticipated as a result of the consolidation.

### ***Alternatives***

CHE and Trinity believe that the consolidation will help address the changing healthcare environment that will require more focus on population health and the delivery of more coordinated and integrated healthcare and wellness services. The consolidation is not driven by financial or strategic necessity. As such, if this transaction did not close, it is likely that Trinity would continue to operate within its current structure and reevaluate other alternatives for health system development.

## CONCLUSIONS

Under the proposed consolidation, SAMC is most likely to be unaffected, and no negative impacts are expected. It is anticipated that access for Medi-Cal, uninsured patients, and other classes of patients will remain unchanged.

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

The following recommended conditions for approval have been developed as a result of this analysis and the factors that the Attorney General must consider in determining whether to consent to a transaction as set forth in Corporations Code section 5923 and title 11, California Code of Regulations, section 999.5. If the Attorney General approves the proposed transaction, Medical Development Specialists, LLC, recommends that the following conditions be required in order to minimize any potential negative health impact that might result from the proposed transaction:

- 1) For at least five years from the closing date of the transaction, SAMC should continue to operate as a general acute care hospital;
- 2) For at least five years from the closing date of the transaction, SAMC should maintain 24-hour emergency medical services at no less than current licensure (44 treatment stations) with the same types and levels of services;
- 3) For at least five years from the closing date of the transaction, SAMC should maintain the current licensure, and types and levels of services for the following:
  - a. Intensive Care Unit/Coronary Care Unit services, including a minimum of 61 beds; and
  - b. Obstetrical services, including a minimum of 32 beds;
  - c. Women's Health Services, including breast centers;
  - d. The California Eye Institute;
  - e. Cancer Center;
  - f. Home health and hospice services; and
  - g. Wound, Ostomy, and Hyperbaric Center.
- 4) SAMC should maintain its contractual relationship with Children's Hospital Central California to provide at least a six-bed Neonatal Intensive Care Unit at SAMC;

- 5) For at least five years from the closing date of the transaction, SAMC should maintain its charity care and collection policies and should provide an annual amount of charity care equal to or greater than \$6,792,442 (the “Minimum Charity Care Amount”). For purposes hereof, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by SAMC in connection with operations and provision of services.

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 the West Region;

- 6) For at least five years from the closing date of the transaction, SAMC should continue to expend, on average, no less than \$2.9 million annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for the West Region. The following community benefit programs should be maintained:
  - a. The Holy Cross Center for Women;
  - b. The Holy Cross Clinic at Poverello House;
  - c. First Source/Health Advocates; and
  - d. The Adult Sickle Cell Program.
- 7) SAMC should continue to maintain current contracts with the County of Fresno without interruption of services, including those listed below:
  - a. Emergency Medical Technician-Paramedic-supervised clinical training experience, including the use of SAMC clinical facilities and preceptors; and
  - b. Emergency on-site mental health services for Fresno County’s Crisis Psychiatric Response Services program to adults who have been placed on a California Welfare and Institutions Code (W&I) section 5150 psychiatric hold. Services include patient care, discharge orders, patient instructions, patient transportation, and other requirements deemed necessary by federal, state, or local regulations.
- 8) For at least five years from the closing date, SAMC should maintain its Medi-Cal Managed Care contracts with Health Net (partnered with CalViva Health) and Anthem Blue Cross.

### ***Recommended Action***

If the California Attorney General approves the proposed transaction, Medical Development Specialists, LLC recommends that the preceding conditions be required in order to minimize any potential negative health impact that might result from the transaction.

## APPENDICES

Interviews were conducted with the following people:

Last Name	First Name	Position	Affiliation
Andrews, MD	Jim	EMS Medical Director	Merced County
Ashbeck	Lynne	Regional VP	Hospital Council of Northern and Central California
Farr, MD	Charles	Medical Executive Committee Member	SAMC
Ferdinandi, Jr.	A. Thomas	Board Member	SAMC Corporation Board
Hagerty	Agnes	Managing Counsel	Trinity Health Corporation
Hollingsworth	Nancy	President & CEO	SAMC
Martinez	Michael	Chairman	SAMC Corporation Board
McCoy	Cynthia Joy	Director-Emergency Services	SAMC
Moreno, MD	Ed	Director and Health Officer	Fresno County Department of Community Health
Robinson	Phil	Chief Financial Officer	SAMC
Saladino	Craig	Board Member	SAMC Corporation Board
Smith	Marvin	Chair of SAMC Board	SAMC Foundation
Svoboda, MD	James	Medical Executive Committee Member	SAMC
Winters, MD	Richard	President of the Medical Staff	SAMC

A copy of SAMC's hospital license is below:

License: 040000173

Effective: 03/22/2013

Expires: 03/21/2014

Licensed Capacity: 436

## 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*

**Saint Agnes Medical Center**

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

**Saint Agnes Medical Center**

1303 E Herndon Ave  
Fresno, CA 93720-3309

**Bed Classifications/Services**

- 436 General Acute Care
- 35 Intensive Care
- 32 Perinatal Services
- 26 Coronary Care
- 349 Unspecified General Acute Care

**Other Approved Services**

- Basic Emergency
- Charged, Certification Laboratory Services
- Cardiovascular Surgery
- Nuclear Medicine
- Outpatient Services - Bone Density Services at Prolog Discovery / SL Bone Density Unit, 7202 N Millbrook Ave #206, Fresno
- Outpatient Services - Breast Center at 1106 E. Spruce, Ste. 102, Fresno
- Outpatient Services - California Eye Institute at 1350 E. Herndon, Fresno
- Outpatient Services - Cancer Center at 7130 N. Millbrook, Fresno
- Outpatient Services - Cardiac Rehabilitation
- Outpatient Services - Diabetes Trmt. & Resource Ctr. at 111 E. Spruce, Fresno
- Outpatient Services - Diagnostic Studies at PET/CT, 7130 N. Millbrook, Fresno
- Outpatient Services - Endoscopy
- Outpatient Services - Mammography at Outpatient Mammography, 7202 N. Millbrook, Ste. 206, Fresno
- Outpatient Services - Physical Therapy at Occupational Health Center, 1245 E. Herndon, Fresno
- Outpatient Services - Sickle Cell Adult Program at 1111 E. Spruce Avenue, Fresno

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Fresno District Office, 285 West Bullard Avenue, Suite 101, Fresno, CA 93704, (559)437-1500

POST IN A PROMINENT PLACE

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

License: 04000173  
Effective: 03/22/2013  
Expires: 03/21/2014  
Licensed Capacity: 436

**Saint Agnes Medical Center (Continued)**  
1303 E Herndon Ave  
Fresno, CA 93720-3309

**Other Approved Services (cont'd)**

Outpatient Services - Surgery Center at  
Outpatient Surgery North, 1105 E. Spruce,  
Suite 400, Fresno  
Outpatient Services - Transfusion Center  
Outpatient Services - Wound Care at Wound,  
Ostomy & Hyperbaric Program, 7015 N.  
Maple #101, Fresno  
Physical Therapy  
Radiological Services - Gamma Knife  
Respiratory Clinic Services  
Social Services



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:  
None

Ron Chapman, MD, MPH  
Director & State Health Officer

Joan Spence, RN, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Fresno District Office, 285 West Bullard Avenue, Suite 101, Fresno, CA 93704, (559)437-1500

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