

# **Effect of Deanco Healthcare LLC's Acquisition of Mission Community Hospital on the Availability or Accessibility of Healthcare Services**

Prepared for:

*Office of the California Attorney General*

Prepared by:

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## **Introduction and Purpose**

San Fernando Community Hospital, Inc. d/b/a Mission Community Hospital (“MCH”), a California nonprofit public benefit corporation owns and operates Mission Community Hospital-Panorama Campus (“the Hospital”). MCH owns and operates a general acute care hospital licensed for 145 beds (including 60 beds licensed for acute psychiatric services and an Emergency Department with nine beds or “treatment bays”) located in Panorama City, California. MCH also operates the San Fernando Community Campus for Health and Education, a community center located in San Fernando, California.

MCH has requested the California Attorney General’s consent for the transfer of substantially all of its assets to Deanco Healthcare LLC (“Deanco”), a for-profit California limited liability company. MCH’s assets include the Hospital, a Medical Office Building, real property and personal property associated with its buildings (including equipment), tenant rights associated with the community health education center, cash and cash equivalents, and other associated tangible and intangible assets.

This report, prepared for the Office of the California Attorney General, describes the possible effects that the proposed transaction may have on the accessibility and availability of healthcare services in the areas served by the Hospital.

Verité Healthcare Consulting, LLC, (“Verité”) was retained to prepare this healthcare impact report. Verité prepared this report based on the following:

- A review of the Notice filed with the Attorney General on June 23, 2010 by MCH in its request for the Attorney General’s consent to the transaction and supplemental information and documents provided by MCH to the Attorney General’s Office;
- Interviews with MCH’s management, MCH’s board members, representatives of Deanco, community members and public officials from areas served by MCH, representatives of other area hospitals, representatives from the Los Angeles County Department of Mental Health and the Los Angeles County Emergency Medical Services Agency, and others;
- An analysis of financial, utilization, and program information provided by MCH;
- Publicly available information obtained from the California Office of Statewide Health Planning and Development (“OSHPD”);
- A review of contracts that currently are in effect between MCH and Los Angeles County for mental health, emergency, and other services;
- A review of MCH’s charity care policies; and,

- An analysis of data and reports regarding the Hospital's service area from various sources, including Los Angeles County, OSHPD, and the Valley Care Community Consortium ("VCCC"), such as:
  - Demographic characteristics and trends,
  - Payer mix,
  - Hospital utilization rates,
  - Health status and access indicators,
  - Hospital market share, and
  - General availability of health care services and professionals.

## **Background and Description of the Transaction**

### ***History of the Hospital***

San Fernando Community Hospital, Inc. d/b/a MCH was formed as a California nonprofit public benefit corporation in 1974. MCH is comprised of two, formerly independent entities that combined into a single corporation in 1991. MCH currently operates facilities at two locations.

- MCH operates the San Fernando Community Campus for Health and Education (“San Fernando Campus”). MCH leases it from the City of San Fernando. This facility was built in 1923 as the original San Fernando Community Hospital and operated as a general acute care hospital until 1986. In 1986 and due primarily to the cost of renovations needed to continue providing a full spectrum of acute care services, it was converted to an inpatient psychiatric facility. As described further below, the inpatient psychiatric program was subsequently relocated to the Panorama City Facility. MCH currently provides an array of community benefit programs at the San Fernando Campus.
- The Hospital (originally Panorama City Hospital) was completed in 1964 and offered a broad range of acute care services. It closed in 1991 due to financial difficulties.<sup>1</sup> MCH subsequently purchased and reopened it in 1992 as a general acute care hospital. All of the general acute care services including the emergency services and psychiatric services currently operated by MCH are provided at the Hospital.

The 1994 Northridge earthquake damaged both facilities. In 1995, as a result of costs largely attributable to the reopening of the Hospital and earthquake damage, MCH filed for bankruptcy. MCH exited bankruptcy in 1997.<sup>2</sup>

MCH subsequently initiated a facilities replacement and construction project. The goal was to relocate all acute medical, surgical, and psychiatric services to a new, seismically-compliant facility, renovate the Hospital, acquire information systems, and provide for upgrades to the exterior of the San Fernando Campus. The project’s total cost was approximately \$65 million. Project costs were financed from three sources:

- \$17.5 million in earthquake-related grant funds provided by the Federal Emergency Management Agency (“FEMA”),
- Bond proceeds of approximately \$35.7 million, and
- MCH funds of \$12.0 million.

As part of the FEMA funding process, the Office of Emergency Services of the State of California (“OES”) obtained a lien on the Hospital. The lien provides that if the new facility is not operated as an acute care inpatient facility, or if prior to September 30, 2010, MCH transfers

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<sup>1</sup> Prospectus for Series 2001 California Statewide Communities Development Authority Insured Hospital Revenue Bonds.

<sup>2</sup> *Ibid.*

a material amount of its assets (or transfers control over the assets) to a for-profit entity, then MCH is required to reimburse OES the unamortized value of the FEMA grant.<sup>3</sup>

Construction of the Hospital was completed in 2002. As a result, virtually all of the Hospital's acute care services, including the inpatient psychiatric services, but excluding the Emergency Department, now operate in space that complies with SB 1953 seismic requirements (Alquist Act). The Hospital also includes the "North Tower", an Ancillary Building, a Medical Office Building, and other structures that are not seismically compliant. The North Tower is currently vacant. In the Medical Office Building, MCH operates a psychiatric day treatment program and leases office space to physicians.

### ***Reasons for the Transfer of Assets***

Due to its deteriorating financial condition and capital needs, MCH has indicated that a sale or merger is necessary to avoid reducing or eliminating healthcare services to the community. Without a sale or merger, MCH projects that its cash balances will be depleted within the next twelve months.

In its application to the Attorney General, MCH states that the transaction will:

- Ensure continued provision of healthcare services at the Hospital that are needed by the community, including:
  - Services provided by the Behavioral Health Unit ("BHU"), including in-patient psychiatric services (including substance abuse treatment and group, recreational, and psychopharmacological therapies) and outpatient psychiatric services (including group therapy, individual therapy, case management, crisis intervention, and transportation),
  - The nine-bed Emergency Department that is licensed by the State as a Level III facility is part of the Los Angeles County Emergency Medical Systems Network, and receives paramedic runs, and
  - Other inpatient and outpatient services, including acute medical detoxification, cardiology, and a variety of diagnostic and other ancillary services.
- Protect healthcare delivery to the many medically indigent consumers who reside in the San Fernando Valley, including patients who rely on Medicare, Medi-Cal, and the Hospital's charity care programs. MCH has been designated as a Disproportionate Share Hospital ("DSH") both by Medicare and the State of California.
- Allow the implementation of growth opportunities and new services that will be beneficial to the community and that depend on capital investment that MCH is unable to make without the transaction.

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<sup>3</sup> This unamortized balance is valued at approximately \$14 million.

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

In 2007, the MCH Board of Directors began to consider strategic alternatives for the Hospital. During its January 2008 meeting, the Board's Finance Committee passed a resolution recommending that the Hospital seek a change of control.

Upon the full Board's approval, the Hospital retained the services of an investment banking firm to administer a competitive bid process. That firm identified and communicated with potentially interested organizations. Those that expressed interest received a "Confidential Information Memorandum" in June 2008. Six organizations, including the planned Transferee (Deanco Healthcare LLC), subsequently transmitted Letters of Intent ("LOI") to purchase the Hospital (Table 1).

**Table 1: Letters of Intent Received by MCH**

| Potential Buyer                | Date LOI Received  | Proposed Purchase |                     |
|--------------------------------|--------------------|-------------------|---------------------|
|                                |                    | Price             | Funds               |
| Psychiatric Solutions, Inc.    | August 1, 2008     | \$32,000,000      | Cash                |
| Envision Hospital Corporation  | September 6, 2008  | \$30,000,000      | Cash                |
| Valley Presbyterian Hospital   | September 10, 2008 | \$32,000,000      | Assumed Liabilities |
| Accounts Receivable Unlimited  | September 26, 2008 | \$30,000,000      | Applicant-financed  |
| Skilled Healthcare Group       | April 30, 2009     | \$30,000,000      | Assumed Liabilities |
| Transferee (DeanCo Healthcare) | December 31, 2009  | \$28,000,000      | Assumed Liabilities |

Source: MCH.

The MCH Board considered numerous factors as it deliberated regarding the various offers received. These factors include:

- The level of commitment by prospective buyers to continue providing the core services currently offered by MCH;
- The level of commitment by prospective buyers to continue serving the Hospital's target populations;
- Each prospective buyer's long-term vision, expertise, and financial strength;
- The acceptability of the transaction to Cal-Mortgage who insured the MCH Bond Issue, and FEMA; and
- The inclusion of medical staff in governance.

The MCH Board considered each LOI and conducted due diligence. On May 26, 2010, the MCH Board approved the sale of substantially all of MCH's assets to Deanco Healthcare LLC for a purchase price of assumed liabilities valued at that time to be \$37.8 million.



## ***Summary of the Transaction Agreements***

The proposed transaction is structured into five agreements, all of which (with the exception of the Loan and Security Agreement) were signed by the parties on June 10, 2010:

- Consulting Services Agreement;
- Hospital Management Services Agreement;
- Asset Purchase Agreement;
- Staff Leasing Agreement; and,
- Loan and Security Agreement.

Major provisions of each of the agreements are summarized below:

### **Consulting Services Agreement**

- As of June 2010, Deanco and Deanco subcontractors began providing an array of consulting services to MCH as specified in the Consulting Services Agreement. The services focus on financial management, quality assurance and utilization review, and business development/strategic planning.
- MCH is compensating Deanco based on a fixed fee of \$50,000 per month. Deanco also is eligible for certain bonus payments if the Hospital's financial performance improves by specified amounts during the term of the Consulting Services Agreement.
- The Consulting Services Agreement terminates upon the Commencement Date of the Management Services Agreement. The commencement of the Management Services Agreement is contingent on MCH achieving specified operational improvements and financial performance benchmarks.

### **Management Services Agreement**

- Under the Management Services Agreement ("MSA"), MCH would assume responsibility for supervision and performance of MCH's administrative and business management services.
- The MSA has a commencement date of no earlier than October 1, 2010 (the day after the expiration of the FEMA lien), and is conditioned on the following:
  - Prior approval of the MSA by the California Department of Public Health, Licensing and Certification Program.
  - The achievement of the operational and financial performance benchmarks specified in the Consulting Services Agreement.

- Prior to the commencement date (but no later than 120 days from the date that the Attorney General approves the transaction), Deanco is to arrange for a \$6 million line of credit. This would replace the Hospital's existing line of credit (provided by Marquette Healthcare Finance).
- The MSA continues until September 30, 2013 or until the transaction date for the Asset Purchase Agreement, whichever comes first.
- As Manager, Deanco is to do the following:
  - Oversee, supervise, and direct Hospital employees and contractors "so as to cause such personnel to comply with [MCH] policies and procedures as well as all Legal Obligations." Legal Obligations include laws and regulations, as well as standards of The Joint Commission.
  - Pursue and negotiate contracts with HMOs and other third-party payers.
  - Supervise MCH financial transactions, tax filings, and financial reporting. MCH's financial audit is to be approved by MCH's Board.
- Deanco will "employ or lease" Management Employees. The parties intend that Deanco would lease the Management Employees pursuant to the Staff Leasing Agreement.
- Deanco will provide and arrange capital and working capital financing of MCH operations. Such financing is to be provided or arranged in a manner solely determined by Deanco.
- Once the Hospital generates greater than \$7,500,000 in EBITDA<sup>4</sup> during any trailing, 12-month period, within six months, Deanco is to independently fund or finance the renovation of the North Tower by providing up to \$5,000,000. In the MSA, Deanco commits to accelerate the funding or financing of all or a portion of the \$5 million to renovate the North Tower, as necessary to satisfy the requirements of California OSHPD (set for September 30, 2011).
- MCH is to pay Deanco a fixed fee of \$130,000 per month. Additionally, MCH may pay Deanco a variable fee of up to \$130,000 per month, based on the Hospital's net collected revenues.
- The MSA specifies 17 causes that allow MCH to terminate the agreement, including the following examples:
  - If 12-month EBITDA is less than \$3,800,000 for any consecutive four-month period.

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<sup>4</sup> EBITDA is defined in the Asset Purchase agreement as "net earnings adjusted for to exclude provision for income taxes, interest and other related expenses, depreciation of long-term assets, and amortization of goodwill and other intangible assets." Further, "net earnings" is defined to "mean total net revenue of the Hospital minus usual and customary operating expenses that may be incurred during the operation of the Hospital."

- If MCH fails to satisfy financial debt covenants related to its Revenue Bonds “at any time on and after the first anniversary of the Commencement Date, and fails to rectify the failure within 90 days thereof.”
- If there is termination of the Staff Leasing Agreement, the Line of Credit, or the Asset Purchase Agreement.
- If Deanco refuses to advance funds pursuant to the terms of the Line of Credit.
- If there is “disagreement between [MCH] and [Deanco] concerning a material operational, financial, or legal issue which is not amenable to resolution following good faith negotiations between Owner and Manager within sixty (60) days following written demand by a party for mediation by a mediator ...”
- MCH also delegates to Deanco the exclusive right to appoint up to three members (not to exceed 20 percent) to MCH’s Board.

### **Asset Purchase Agreement**

- Under the Asset Purchase Agreement, MCH would transfer a material amount of its assets to Deanco.
- To the extent transferable, the assets to be purchased are (a) real property; (b) tangible personal property, including furniture, fixtures, and machinery; (c) inventories of useable supplies, drugs, and food; (d) accounts receivable, marketable securities, and investment assets; (e) all intangible property, including the name “Mission Community Hospital,” logos, software, telephone numbers, licenses, permits; goodwill, Cost Report settlements; (f) proceeds from sale of assets after June 10, 2010; (g) tenants rights associated with the San Fernando campus; and (h) all cash and cash equivalents.
- The assets that are to be excluded from the transfer are (a) Hospital records that MCH is required to retain and any corporate records, marketing materials, attorney-client privileged communications and confidential records or correspondence; (b) any restricted gifts or grants that cannot be assigned to the buyer; and (c) any assets excluded by mutual written agreement.
- The closing date of the transfer is the later of (a) 6 months after the Hospital generates at least \$10,500,000 in EBITDA or (b) the 10<sup>th</sup> Business Day following final regulatory approval. Closing is not to occur before September 30, 2010 or later than September 30, 2013.
- MCH indicates that Deanco (or a Deanco affiliate) will, as the purchase price for the assets to be transferred, assume all liabilities related to the “Transferred Assets,” including liabilities that may arise prior to closing. The estimated purchase price for the Transferred Assets is \$37,805,873, based on the value of MCH liabilities on April 30, 2010. This amount does not include capital dollars that Deanco is to provide pursuant to the Management Services Agreement.

- The actual purchase price will depend on the value of the liabilities on the date the transfer occurs, and may be greater or lower than \$37.8 million. For example, the MCH Bond Issue requires annual principal payments of approximately \$1.1 million. If the transaction occurs in 2013, the principal amount of the long-term-debt (and thus the purchase price) could be \$3 million less. Liabilities also include a “revolving line of credit” which at April 30, 2010 was \$1.9 million. If the Hospital’s ability to generate cash flow improves prior to the date the assets are transferred, the liabilities will be less, and thus, the purchase price would be less.
- A summary of certain other provisions and covenants in the Asset Purchase Agreement follows:
  - Following the closing, Deanco will be solely responsible for all capital costs of the Hospital and provide all funds necessary for the Hospital’s operation.
  - Deanco commits to retain all current members of the MCH medical staff as of closing.
  - Prior to the closing of the transaction, Deanco will offer employment to all Hospital employees. Employment with Deanco will become effective as of the closing date. After the closing of the transaction, all Hospital employees will cease to be employed by MCH and active participation in MCH employee benefit plans will cease.
  - Deanco will appoint a Board of Trustees (“Hospital Community Board”) for the Hospital. This new Board will be responsible for medical staff credentialing, quality assurance, and accreditation of the Hospital.
  - Deanco agrees to treat indigent patients and to provide charity care in the service area of the Hospital “and will comply with all applicable Legal Requirements governing such matters.” Deanco commits to maintain policies for the treatment of indigent patients at the Hospital “similar to those currently in effect” and to provide charity care for at least five years after the Closing in an amount equal to the average aggregate amount of charity and indigent care provided at the Hospital during each of the three (3) fiscal years immediately preceding the Closing. This amount would be increased by the rate of inflation as measured by the Consumer Price Index for Los Angeles County and such charity care costs would be measured based on definitions and methodologies established by the California OSHPD.
  - Deanco agrees to operate the Hospital as a general acute care Hospital under California Health and Safety Code 1250 for five years and to continue to offer an open emergency room and inpatient psychiatric services, subject to the availability of physicians on the Hospital’s medical staff qualified to support such services and subject further to such changes as may be necessary or appropriate based on community needs, market demand and the financial viability of such services.

## **Staff Leasing Agreement**

- During the term of the Management Services Agreement, MCH will lease specific employees to Deanco. These employees are the current Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Chief Nursing Officer.
- Deanco will have the authority to designate tasks to be performed and will have the authority to instruct and oversee leased employees in the manner, means, and methods of accomplishing such tasks. Deanco will approve all salary and benefit increases in the ordinary course of business to leased employees.
- MCH will not have the authority to, and will not act as an employer with respect to the leased employees. Such authority includes, but is not limited to discipline, termination, assignment of work, direction in day-to-day work, and ability to affect the terms and conditions of their employment. MCH's authority regarding these employees is "the mere payment of wages and reimbursement of benefits."
- MCH will pay the leased employees in accordance with wages in effect at the commencement of the MSA. Deanco will wire transfer immediately available funds in the full amount of all payments required to be made by MCH for all wages, benefit costs, claim costs, premium costs, and employer contributions.
- Any person proposed to replace the CEO shall be subject to the prior consent of the MCH Board of Directors.
- The Staff Leasing Agreement automatically terminates with the termination of the Management Services Agreement ("MSA").

## **Loan and Security Agreement**

- The Loan and Security Agreement describes the terms under which Deanco (through an affiliate, Deanco Healthcare Financial LLC) would advance funds to MCH under the proposed Line of Credit. It includes terms regarding collateral, interest rates, repayment, and MCH performance requirements required by this lender.
- The Loan and Security Agreement specifies the rights of the parties in the event of default.

## ***Use of Net Sale Proceeds***

MCH has stated that there are no net proceeds as a result of the proposed sale. The only assets remaining after the sale will be unexpended restricted use and restricted access charitable funds. MCH will transfer these restricted funds as directed by the Attorney General.

## **Profile of Mission Community Hospital**

### ***General Information***

MCH operates facilities at two locations: a general acute care hospital in Panorama City and a community health and education center in the City of San Fernando. The Hospital is situated on approximately six acres, located at 14850-14860 Roscoe Boulevard, Panorama City, CA 91402. MCH leases the San Fernando Campus, located at 700 Chatsworth Drive, San Fernando, CA 91340, from the City of San Fernando. **Table 2** shows the individual facilities and land parcels for the Panorama City location.

**Table 2: Panorama City Facilities**

| Panorama City Facilities |                 |                |         |
|--------------------------|-----------------|----------------|---------|
| Name                     | Use             | Square Footage | Acreage |
| Main Hospital            | Hospital        | 145,500        | 4.58    |
| Medical Office Building  | Medical Offices | 35,000         | 0.65    |
| Parking Structure        | Parking         | 476 spaces     | -       |

Source: MCH.

- MCH originally was constructed in 1964 as a 96-bed general acute care hospital.
- Subsequent to the Northridge Earthquake in 1994, MCH renovated and developed new facilities at the Panorama City location, and occupied the new facilities in 2002. The acute psychiatric beds operated by MCH at the San Fernando Campus then were relocated to Panorama City.
- The 145,500 square foot Hospital structure consists of four sections: a 90,000 square foot patient tower, the 35,000 square foot “North Tower,” a 17,800 square foot section that houses various ancillary services, and a 2,750 square foot Emergency Department.
- The new patient tower completed in 2002 holds 120 licensed beds. The North Tower houses an additional 25 licensed beds that do not currently comply with SB 1953 seismic requirements.
- The space occupied by the Emergency Department also does not comply with SB 1953 seismic standards.

MCH operates a range of community benefit services at the San Fernando Campus. MCH pays \$50,000 per year under the lease, which is scheduled to terminate on July 31, 2018. The lease may be extended to 2027 if the parties agree to a new “fair market rental rate” and other conditions are met. The consent of the City of San Fernando is needed to assign the lease to another party.

## ***Hospital Beds by Type***

The Hospital has a total of 145 licensed beds, 120 of which are in operation (**Table 3**).

**Table 3: Mission Community Hospital's Licensed Beds**

| Mission Community Hospital |               |                |
|----------------------------|---------------|----------------|
| Unit                       | Licensed Beds | Beds Available |
| Medical / Surgical         | 75            | 50             |
| Critical Care (ICU/CCU)    | 10            | 10             |
| Acute Psychiatric          | 60            | 60             |
| Total                      | 145           | 120            |

Source: OSHPD ALIRTS Annual Utilization Report, 2008; MCH.

- The non-operational beds are the twenty-five medical/surgical beds in the Hospital's North Tower.
- It provides inpatient medical detoxification services in the medical/surgical beds.
- It does not provide perinatal (obstetrics) care.
- The acute inpatient psychiatric services are part of the Hospital's Behavioral Health Unit that serves as a major provider for Los Angeles County's Department of Mental Health ("DMH"). MCH maintains an "LPS" designation (for Lanterman-Petris-Short Act) that allows the Hospital to admit patients with acute psychiatric needs on an involuntary basis. The majority of the 60 licensed beds are locked. Virtually all of the psychiatric patients at the Hospital are clients of the Los Angeles DMH.
- The Hospital's Emergency Department operates nine beds and is licensed by the State as a Level III facility. It is part of the Los Angeles County Emergency Medical Systems Network, and receives paramedic runs. The Emergency Department also serves as a receiving point for acute psychiatric admissions under Welfare and Institutions Code section 5150.

## ***Key Statistics***

**Table 4** shows that for the fiscal year ended June 30, 2009, the Hospital had a total of 6,976 discharges and 35,231 patient days. The average daily census of inpatients during the year was 96.5 (67 percent of licensed beds).



**Table 4: Mission Community Hospital Key Statistics, 2009.**

| Mission Community Hospital's<br>Fiscal Year 2009 Key Statistics |        |
|---|--------|
| Total Licensed Beds   |        |
| Medical/Surgical  | 75     |
| Acute Psychiatric   | 60     |
| Chemical Dependency   | 10     |
| Total   | 145    |
| Total Available Beds  |        |
| Medical/Surgical  | 50     |
| Acute Psychiatric   | 60     |
| Chemical Dependency   | 10     |
| Total   | 120    |
| Inpatient Discharges  |        |
| Medical/Surgical  | 3,658  |
| Acute Psychiatric   | 3,113  |
| Chemical Dependency   | 205    |
| Total   | 6,976  |
| Average Daily Census  |        |
| Medical/Surgical  | 42.8   |
| Acute Psychiatric   | 50.9   |
| Chemical Dependency   | 2.8    |
| Total   | 96.5   |
| Emergency Department Visits                                     | 16,436 |
| Admissions from ED to Inpatient                                 |        |
| Medical/Surgical  | 2,809  |
| Acute Psychiatric   | 1,538  |
| Total   | 4,347  |
| Number of Hospital FTEs   | 451    |

Source: OSHPD ALIRTS Annual Utilization Report, Fiscal Year 2009; MCH.

- In fiscal year 2009, approximately 45 percent of admissions and 53 percent of patient days were for the Hospital's acute psychiatric services.
- The Hospital's medical detoxification unit (chemical dependency) averaged about 2.8 inpatients each day.
- The Hospital had 16,436 visits to the Emergency Department ("ED"). About 75 percent of the medical/surgical and chemical dependency admissions first arrived at the ED.
- The Hospital has 451 full-time equivalent employees.

### ***Programs and Services***

The Hospital offers medical and surgical healthcare services common to most general acute care hospitals. The Hospital's most distinctive services are provided by its Behavioral Health Unit, including inpatient and outpatient psychiatric services. The ED serves as a primary entry point



for hospital services and provides access to care for many low-income persons who live in the Hospital's service area. Services include the following:

- Inpatient Psychiatric Services – a 60 bed locked inpatient adult psychiatric unit located on the east side of the Hospital that participates actively in the Los Angeles County Department of Mental Health system of care and that receives overflow patients from Olive View – UCLA Medical Center
- Outpatient Psychiatric Services – Ambulatory day treatment programs including group therapy, individual therapy, case management, crisis intervention, and transportation; and a 24-hour psychiatric mobile response and evaluation team
- Emergency Department – 24-hour basic emergency services with 9 beds; unlike other emergency departments in the area, the ED maintains no special designations or certifications such as “EDAP” (Emergency Department Approved for Pediatrics), “SRC” (STEMI Receiving Center) for patients with heart attacks, or “SART” (Sexual Assault Response Team)
- Cardio-Pulmonary Services – Basic and advanced therapeutic/diagnostic respiratory services and non-invasive cardiologic testing
- Perioperative Services – Four operating suites and a dedicated gastroenterology lab
- Diagnostic Imaging Services – Radiological and nuclear medicine imaging services including open MRI, ultrasound, CT 16, mammography, and bone density
- Acute Medical Detoxification Services (operated as the “First Step” program)
- Other Medical Services – critical care, hemodialysis, infection control, laboratory and pathology, telemetry, and nutrition
- Therapy Services – Rehabilitation and respiratory
- Social Services

### ***Behavioral Health Unit***

The Behavioral Health Unit includes 60 licensed acute psychiatric inpatient beds, and day treatment and other outpatient mental health services. The inpatient unit is locked and is compliant with the Lanterman-Petris-Short (“LPS”) Act. All of the 60 beds can be used for patients admitted for 72-hour involuntary custody under Welfare and Institutions Code section 5150.

- The inpatient unit consists of two wings that share a courtyard, a dining area, and an outdoor recreation area. The entire unit is video-monitored.

- The County of Los Angeles Department of Mental Health (“DMH”) contracts with MCH to provide acute inpatient (including administrative day) services and to accept patients when the psychiatric services at one or more Los Angeles County-operated hospitals reach full capacity (e.g., Olive View). Overflow and other patients are brought to the Hospital by the Los Angeles County Psychiatric Mobile Response Team (“PMRT”).
- The Hospital’s inpatient acute psychiatric unit is the largest at any private (non-County) hospital in Los Angeles County and is largest (of any kind) in an area designed by DMH as “Service Area 2.” According to DMH, the population of Service Area 2 exceeds two million persons. BHU referrals and patients come from across Los Angeles County.
- The behavioral health program also includes a Psychiatric Evaluation Team (“PET”) that assesses patients who may need psychiatric services in the ED and off campus.
- The BHU also provides “Turning Point,” an outpatient psychiatric day treatment program that serves adults, seniors, and the developmentally disabled. It provides group therapy, individual therapy, case management, crisis intervention, and transportation.
- Both the inpatient and outpatient psychiatric programs at the Hospital are certified as Medicare providers.

### ***Medical Detox Unit***

The Inpatient Acute Medical Detoxification Services provide supervised substance dependence detoxification for adults experiencing acute withdrawal symptoms. These services are provided for young adult/adult patient populations, ages 18 to 55. Treatment for acute withdrawal from substance dependencies includes, but is not limited to, alcohol, barbiturates, cocaine, or opiates. Patients are discharged to community resources such as residential treatment centers, sober living, and transitional housing services.

### ***Accreditations and Recognitions***

The Hospital is fully accredited by The Joint Commission and licensed by the California Department of Public Health. The Hospital’s ED is licensed by the State of California Department of Health Services as a Level III facility. The Hospital last received full accreditation from The Joint Commission in August 2009. It participates in the Medicare and Medi-Cal (Medicaid) programs.

### ***Seismic Compliance***

MCH is pursuing HAZUS 2010 Waivers from OSHPD for the North Tower, the Emergency Department, and an Ancillary Building. If granted, the Hospital can provide medical services in those structures until 2030 without retrofitting the facility. If a waiver is not granted, the seismic retrofit costs that are required to be made by 2013 have been estimated to be approximately \$700,000 to \$3.6 million to comply with SB 1953 (Alquist Act) requirements. Once the retrofits were made, the medical services could continue until 2030.

## Patient Volume

Table 5 shows patient volume trends at the Hospital for calendar years 2004 through 2008.

**Table 5: Mission Community Hospital's Service Volumes, Calendar Years 2004-2008**

| Mission Community Hospital Service Volumes |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
| Service                                    | 2004          | 2005          | 2006          | 2007          | 2008          |
| <b>Patient Days</b>                        |               |               |               |               |               |
| Medical/surgical                           | 16,676        | 17,103        | 14,966        | 14,365        | 14,779        |
| Intensive Care                             | 1,821         | 1,809         | 1,630         | 1,831         | 1,917         |
| Coronary Care                              | 275           | 1,004         | 408           | 458           | 479           |
| Acute Psychiatric                          | 17,978        | 18,015        | 18,386        | 17,850        | 18,795        |
| <b>Total</b>                               | <b>36,750</b> | <b>37,931</b> | <b>35,390</b> | <b>34,504</b> | <b>35,970</b> |
| <b>Discharges</b>                          |               |               |               |               |               |
| Medical/surgical                           | 3,558         | 3,778         | 3,313         | 3,546         | 3,731         |
| Intensive Care                             | 188           | 167           | 110           | 135           | 153           |
| Coronary Care                              | 8             | 40            | 28            | 35            | 38            |
| Acute Psychiatric                          | 2,993         | 3,027         | 2,844         | 2,954         | 3,114         |
| <b>Total</b>                               | <b>6,747</b>  | <b>7,012</b>  | <b>6,295</b>  | <b>6,670</b>  | <b>7,036</b>  |
| <b>Average Length of Stay</b>              |               |               |               |               |               |
| Medical/surgical                           | 4.69          | 4.53          | 4.52          | 4.05          | 3.96          |
| Intensive Care                             | 9.69          | 10.83         | 14.82         | 13.56         | 12.53         |
| Coronary Care                              | 34.38         | 25.10         | 14.57         | 13.09         | 12.61         |
| Acute Psychiatric                          | 6.01          | 5.95          | 6.46          | 6.04          | 6.04          |
| <b>Total</b>                               | <b>5.45</b>   | <b>5.41</b>   | <b>5.62</b>   | <b>5.17</b>   | <b>5.11</b>   |
| <b>Average Daily Census</b>                |               |               |               |               |               |
| Medical/surgical                           | 45.69         | 46.86         | 41.00         | 39.36         | 40.49         |
| Intensive Care                             | 4.99          | 4.96          | 4.47          | 5.02          | 5.25          |
| Coronary Care                              | 0.75          | 2.75          | 1.12          | 1.25          | 1.31          |
| Acute Psychiatric                          | 49.25         | 49.36         | 50.37         | 48.90         | 51.49         |
| <b>Total</b>                               | <b>100.68</b> | <b>103.92</b> | <b>96.96</b>  | <b>94.53</b>  | <b>98.55</b>  |
| <b>Other Services</b>                      |               |               |               |               |               |
| Inpatient Surgeries                        | 746           | 890           | 784           | 869           | 803           |
| Outpatient Surgeries                       | 1,055         | 1,541         | 1,218         | 1,210         | 1,363         |
| Emergency Visits                           | 12,992        | 15,840        | 15,249        | 15,247        | 15,931        |

Source: OSHPD ALIRTS Annual Utilization Reports (2004-2008).

- Between 2004 and 2008, the Hospital's average daily census of acute and behavioral health patients remained relatively constant.
- Average lengths of stay for medical/surgical patients remained at approximately 4.5 days until 2007 when the average fell to 4.0 days.
- Visits to the ED averaged 15,567 during fiscal years 2005 through 2008.

**Table 6** portrays more recent inpatient volume statistics for fiscal years ended June 30, 2009 and 2010.

**Table 6: Mission Community Hospital's Inpatient Service Volumes,  
Fiscal Years 2009 and 2010**

| Mission Community Hospital |        |        |
|----------------------------|--------|--------|
| Service                    | 2009   | 2010   |
| Patient Days               |        |        |
| Acute                      |        |        |
| Intensive Care Unit        | 2,303  | 2,131  |
| Medical/Surgical Unit      | 14,347 | 12,936 |
| Subtotal                   | 16,650 | 15,067 |
| Behavioral Health Unit     | 18,591 | 18,361 |
| Total                      | 35,241 | 33,428 |
| Average Daily Census       |        |        |
| Acute                      |        |        |
| Intensive Care Unit        | 6.3    | 5.8    |
| Medical/Surgical Unit      | 39.3   | 35.4   |
| Subtotal                   | 45.6   | 41.3   |
| Behavioral Health Unit     | 50.9   | 50.3   |
| Total                      | 96.6   | 91.6   |
| Discharges                 |        |        |
| Acute                      | 3,814  | 3,625  |
| Behavioral Health Unit     | 3,135  | 3,223  |
| Total                      | 6,949  | 6,848  |
| Average Length of Stay     |        |        |
| Acute                      | 4.37   | 4.16   |
| Behavioral Health Unit     | 5.93   | 5.70   |
| Hospital Average           | 5.07   | 4.88   |

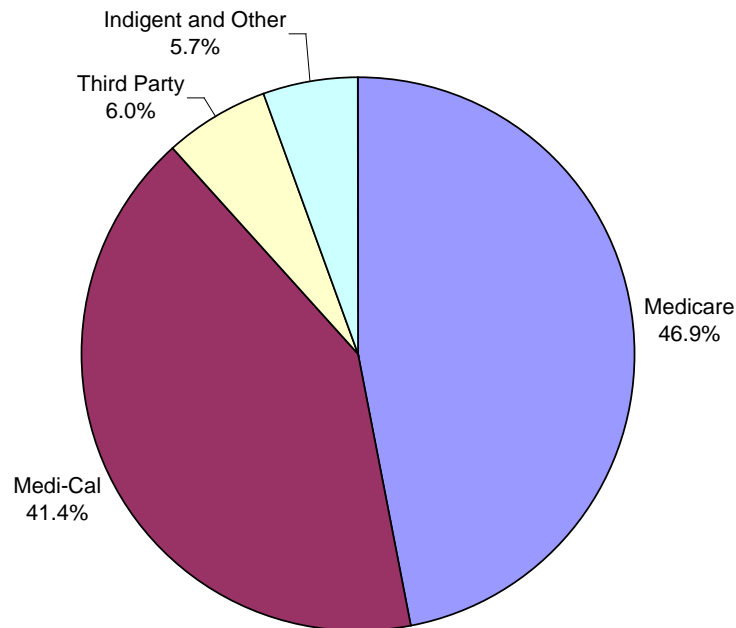
Source: MCH.

- Between 2009 and 2010, the average daily census of acute medical/surgical inpatients declined from 45.6 to 41.3, or 9.5 percent. Fewer discharges and shorter average lengths of stay contributed to the census reduction.
- The census of the Hospital's inpatient psychiatric program (Behavioral Health Unit) remained at about 50 patients, consistent with historical trends.

### ***Payer Mix of Discharges***

The Hospital has a comparatively high proportion of discharges reimbursed by Medicare and Medi-Cal. According to OSHPD data, in fiscal year 2008, Medicare discharges comprised 46.9 percent of the Hospital's total discharges; Medi-Cal accounted for another 41.4 percent. All other payers combined were approximately 11.7 percent of the Hospital's discharges (**Figure 1**).

**Figure 1: Distribution of MCH Discharges by Payer, 2008**



Source: OSPHD Financial Disclosure Report, FY 2008.

### ***Comparative Payer Mix of Discharges***

**Table 7** illustrates the distribution of the Hospital's discharges by payer compared to that of hospitals located in Los Angeles County and the State of California.

**Table 7: Mission Community Hospital's Payer Mix Comparison, 2008**

| Distribution of 2008 Discharges by Payer |        |                       |                      |
|--|--------|-----------------------|----------------------|
| Payer                                    | MCH    | Los Angeles Hospitals | California Hospitals |
| Medicare                                 | 46.9%  | 35.1%                 | 36.3%                |
| Medi-Cal                                 | 41.4%  | 31.9%                 | 26.8%                |
| Third Party                              | 6.0%   | 24.6%                 | 29.5%                |
| Indigent and Other                       | 5.7%   | 8.4%                  | 7.3%                 |
| Total                                    | 100.0% | 100.0%                | 100.0%               |

Source: OSPHD Financial Disclosure Reports, FY 2008.

In 2008, the Hospital's Medicare and Medi-Cal discharges accounted for a higher proportion of discharges compared to hospitals in Los Angeles County and the State. Only six percent of patients discharged from the Hospital were covered by a non-governmental third-party payer, compared to 24.6 percent for hospitals located in Los Angeles County and 29.5 percent in the State.

### **Recent Payer Mix: Medical/Surgical and BHU**

The Hospital provided more recent data regarding discharges by payer (**Table 8**). The data allowed analyzing the BHU and medical/surgical services separately and included a category for “self-pay” or uninsured patients rather than “indigent and other” as reported to OSHPD.

**Table 8: Mission Community Hospital’s Discharges by Payer,  
Years Ended June 30, 2009 and 2010**

| Distribution of Discharges by Payer |             |        |
|-------------------------------------|-------------|--------|
| Payer                               | Fiscal Year |        |
|                                     | 2009        | 2010   |
| Medical/Surgical                    |             |        |
| Medicare                            | 43.9%       | 43.3%  |
| Medi-Cal                            | 30.5%       | 30.0%  |
| Third Party                         | 16.5%       | 17.9%  |
| Self-Pay                            | 9.0%        | 8.8%   |
| Total                               | 100.0%      | 100.0% |
| Behavioral Health Unit              |             |        |
| Medicare                            | 29.7%       | 29.7%  |
| Medi-Cal                            | 57.3%       | 55.4%  |
| Third Party                         | 6.3%        | 8.6%   |
| Self-Pay                            | 6.7%        | 6.3%   |
| Total                               | 100.0%      | 100.0% |

Source: MCH.

In the last two fiscal years, Medicare was the most frequent payer source for inpatient acute medical/surgical services and Medi-Cal was the most frequent payer source Behavioral Health Unit inpatients. About eight percent of all inpatients at the Hospital were uninsured.

### **Medical Staff**

According to MCH, the Hospital has approximately 225 physicians on medical staff with most physician specialties represented. In 2008, approximately 53 were active staff physicians, 133 physicians had courtesy privileges, and 39 physicians were on the staff with provisional privileges (**Table 9**). Two-thirds of current active physicians are Board Certified.

**Table 9: Mission Community Hospital's Total and Active Medical Staff, 2008**

| Specialty                  | Active Staff Physicians | Courtesy   | Provisional | Total Staff Physicians |
|----------------------------|-------------------------|------------|-------------|------------------------|
| Anesthesia                 | 3                       | 2          | 1           | 6                      |
| Assist in Surgery          | -                       | 1          | -           | 1                      |
| Cardio/Thoracic Surgery    | 1                       | 1          | -           | 2                      |
| Cardiology                 | 4                       | -          | 6           | 10                     |
| Emergency Medicine         | 5                       | 6          | 5           | 16                     |
| Family Practice            | 3                       | 10         | 1           | 14                     |
| Gastroenterology           | 3                       | 4          | -           | 7                      |
| General Practice           | 8                       | 4          | -           | 12                     |
| General Surgery            | 1                       | 3          | 1           | 5                      |
| Gynecology                 | -                       | 3          | -           | 3                      |
| Hematology/Oncology        | 1                       | 2          | -           | 3                      |
| Infectious Diseases        | 1                       | 2          | 1           | 4                      |
| Internal Medicine          | 3                       | 18         | 8           | 29                     |
| Nephrology                 | 4                       | 9          | 2           | 15                     |
| Neurology                  | -                       | 4          | -           | 4                      |
| OB/GYN                     | 1                       | 3          | 1           | 5                      |
| Ophthalmology              | -                       | 1          | -           | 1                      |
| Oral/Maxillofacial Surgery | -                       | 1          | -           | 1                      |
| Orthopedic Surgery         | -                       | 4          | 2           | 6                      |
| Otolaryngology             | 1                       | 1          | -           | 2                      |
| Pathology                  | 1                       | 3          | -           | 4                      |
| Pediatrics                 | -                       | 1          | -           | 1                      |
| Plastic Surgery            | 1                       | -          | -           | 1                      |
| Podiatry                   | 1                       | 5          | -           | 6                      |
| Psychiatry                 | 5                       | 6          | 1           | 12                     |
| Psychology                 | -                       | 5          | -           | 5                      |
| Pulmonary Medicine         | 3                       | 8          | 2           | 13                     |
| Radiation/Oncology         | -                       | 1          | 1           | 2                      |
| Radiology                  | 1                       | 13         | 2           | 16                     |
| Radiology/Teleradiology    | -                       | 6          | 5           | 11                     |
| Rheumatology               | -                       | 1          | -           | 1                      |
| Urology                    | 1                       | 4          | -           | 5                      |
| Vascular Surgery           | 1                       | 1          | -           | 2                      |
| <b>Total</b>               | <b>53</b>               | <b>133</b> | <b>39</b>   | <b>225</b>             |

Source: MCH.

### **Financial Profile**

In the last five fiscal years, MCH has reported close to break-even levels of net income with one exception. In fiscal year 2007, the Hospital lost approximately \$6.1 million (**Table 10**).

**Table 10: Mission Community Hospital's Financial and Ratio Analysis, 2006-2010**

| Mission Community Hospital Financial and Ratio Analysis |                      |                |               |               |               |
|---|----------------------|----------------|---------------|---------------|---------------|
| Indicator   | Years Ended June 30, |                |               |               |               |
|   | 2006                 | 2007           | 2008          | 2009          | 2010          |
| Patient Days  | 37,292               | 34,501         | 35,538        | 35,241        | 33,428        |
| Discharges  | 6,752                | 6,404          | 6,923         | 6,949         | 6,848         |
| Average Length of Stay                                  | 5.52                 | 5.39           | 5.13          | 5.07          | 4.88          |
| Total Operating Revenue                                 | \$ 48,654,690        | \$ 43,309,712  | \$ 51,014,576 | \$ 52,984,142 | \$ 52,383,070 |
| Total Operating Expenses                                | 49,307,561           | 49,442,204     | 50,950,842    | 52,595,139    | 52,592,825    |
| Operating Income (Loss)                                 | (652,871)            | (6,132,492)    | 63,734        | 389,003       | (209,755)     |
| Non-Operating / Extraordinary Items                     | -                    | -              | 216,013       | 168,633       | 759,362       |
| Net Income  | (652,871)            | (6,132,492)    | 279,747       | 557,636       | 549,607       |
| Interest  | 1,732,560            | 1,776,240      | 1,784,896     | 1,778,061     | 1,694,396     |
| Depreciation and Amortization                           | 2,318,642            | 2,348,459      | 2,545,516     | 2,501,001     | 2,383,675     |
| EBITDA  | \$ 3,398,331         | \$ (2,007,793) | \$ 4,610,159  | \$ 4,836,698  | \$ 4,627,678  |
| Net Property and Equipment                              | 58,844,370           | 57,303,198     | 55,187,060    | 54,064,460    | 53,388,923    |
| Total Liabilities                                       | 37,511,906           | 38,490,996     | 37,671,631    | 42,574,892    | 39,033,536    |
| Cash Balance  | 1,843,350            | 763,798        | 1,737,384     | 7,998,093     | 3,531,493     |
| Short-Term Borrowing                                    | -                    | -              | -             | 3,787,955     | 1,838,536     |
| Current Assets  | 11,273,178           | 8,552,245      | 10,743,734    | 17,500,192    | 13,663,772    |
| Current Liabilities                                     | 5,625,088            | 7,532,878      | 7,699,023     | 13,741,167    | 11,189,238    |
| Net Working Capital                                     | \$ 5,648,090         | \$ 1,019,367   | \$ 3,044,711  | \$ 3,759,025  | \$ 2,474,534  |
| Current Ratio   | 2.00                 | 1.14           | 1.40          | 1.27          | 1.22          |
| Days in Accounts Receivable                             | 33.4                 | 40.3           | 41.0          | 44.4          | 42.9          |

Sources: MCH Statistics, OSHPD, MCH Audited Financial Statements.

Notes: Fiscal Year 2010 financial results are unaudited. Bad debt expense has been removed from operating revenue and from operating expense. "Net working capital" is the difference between current assets and current liabilities.

- During the last five fiscal years, the Hospital has operated with relatively low cash balances (less than 30 days of non-cash operating expense). The cash balances at fiscal year end 2009 and 2010 were derived in part from short-term borrowing.
- The Hospital's "net working capital" declined during the five-year period to \$2.5 million at June 30, 2010. The Hospital's "current ratio"<sup>5</sup> at June 30, 2010 was 1.22. The Hospital's average annual EBITDA was \$4.6 to \$4.8 million in fiscal years 2008 through 2010.
- Total liabilities were relatively constant at an average of approximately \$39.1 million at the end of each of the last five fiscal years.

<sup>5</sup> "Current ratio" is current assets divided by current liabilities.



- The Hospital's bond covenants require MCH to report a "debt service coverage ratio" of 1.25 or greater, a "current ratio" of 1.40 or greater, and days of cash on hand of 31 or greater. According to MCH records, over the last 24 months, the Hospital has achieved the "debt service coverage ratio" requirement in four of the months, the "current ratio" requirement in one month, and the "days of cash on hand" requirement in three of the months. MCH was out of compliance with at least one of the three bond covenants during each of the last 24 months.
- Over the years, MCH has received a declining amount of Medi-Cal Disproportionate Share Hospital funding as follows: \$6.8 million in 2006, \$4.2 million in 2007, \$3.0 million in 2008, \$2.9 million in 2009, and \$2.8 million in 2010.
- MCH attributes its financial challenges to a number of factors, including:
  - The economic recession and the increased the amount of uncompensated care at the Hospital have made it more challenging to obtain access to capital;
  - The implementation of State-mandated nurse-staffing ratios without commensurate increases in Medi-Cal or other third-party reimbursement;
  - Reductions in Medi-Cal Disproportionate Share Hospital funding over the last several years that may continue in upcoming years;
  - Difficulty recruiting new physicians to the Hospital, because it does not offer a full array of medical/surgical services (e.g., cardiac catheterization);
  - Inability to invest capital in new programs that could increase the Hospital's volume; and,
  - High dependency on government payers, namely Medicare and Medi-Cal that have been providing limited increases in reimbursement rates over time.

### **Charity Care**

MCH has provided charity care pursuant to charity care policies that were updated in 2003, 2008, and most recently in April 2010. Due to the recently enacted Federal Health Care and Education Reconciliation Act of 2010 (signed into law March 23, 2010), MCH will be amending its current charity care and collections policies to comply with the new federal requirements.

The current MCH policy indicates the following:

- The necessity of medical treatment of any patient will be based upon clinical judgment without regard to the financial status of the patient.
- MCH's financial counselors should interview each patient who lacks adequate insurance coverage. The interview will gather certain demographic data, information regarding third-party coverage, and indications regarding the ability to pay.

- Patients appearing unable to meet their financial obligations are offered the opportunity to apply for charity care.
- The application obtains information on family size and income.
- Patients who apply and are approved for charity care obtain the following discounts based on family income. **Table 11** applies to a patient living with a family of four.

**Table 11: Mission Community Hospital's Charity Care Discount by Household Income, 2006-2010**

| Household Income | Household Income % of FPG (Family of Four) | Income at 200 % of FPG | MCH Charity Discount |
|------------------|--|------------------------|----------------------|
| \$ 18,400        | 100%                                       | \$ 36,800              | 100%                 |
| 27,600           | 150%                                       | 36,800                 | 100%                 |
| 36,800           | 200%                                       | 36,800                 | 100%                 |
| 46,000           | 250%                                       | 36,800                 | 75%                  |
| 55,200           | 300%                                       | 36,800                 | 50%                  |
| 64,400           | 350%                                       | 36,800                 | 25%                  |
| 73,600           | 400%                                       | 36,800                 | 0%                   |

Source: MCH Charity Care Policy.

- MCH's policy provides for "free care" for patients in households up to 200 percent of Federal Poverty Guidelines ("FPG"). Patients in households at 350 percent of FPG qualify for a 25 percent discount.
- The April 2010 amendment provides that patients that have attempted to qualify for Medi-Cal coverage but have been denied "are deemed to be qualified for charity care for 100 percent of the services they received." MCH indicates that this change in policy has greatly increased the amount of charity care reported from prior years.
- MCH's policies include FPG levels based on schedules for 2003. Those schedules are updated annually by the U.S. Department of Health and Human Services. The income level at 200 percent of FPG for a family of four in 2009 was \$44,100 – an increase from the \$36,800 level included in the MCH policies.

### **MCH's "Low-Income Discount"**

Discussions with MCH's management indicate that the Hospital has been granting discounts to certain uninsured patients who are determined to be "low-income" and that these discounts have been written-off as "courtesy discounts" rather than as charity care. Discounts provided to patients based on their household means should be considered charity. MCH's management has indicated that the annual amount of the low-income discounts has been approximately \$580,000. These amounts were added to reported charity care charges as shown below in Table 12.

## Charity Care Charges and Costs

MCH reported the following charity care charges to the Attorney General (**Table 12**).

**Table 12: Mission Community Hospital's Charity Care Charges, Fiscal Years 2005-2009**

| MCH Charity Care Charges, 2005-2009 |                    |                        |                                    |
|-------------------------------------|--------------------|------------------------|------------------------------------|
| Year Ended<br>June 30,              | MCH<br>Application | Low Income<br>Discount | Revised<br>Charity Care<br>Charges |
| 2009                                | \$ 5,527,006       | \$ 594,418             | \$ 6,121,424                       |
| 2008                                | 4,023,444          | 627,485                | 4,650,928                          |
| 2007                                | 5,411,990          | 497,453                | 5,909,443                          |
| 2006                                | 13,641,583         | 600,562                | 14,242,145                         |
| 2005                                | 7,775,190          | 600,562                | 8,375,752                          |

Sources: MCH.

The charity care charges included in Table 12 are greater than amounts reported in footnotes to MCH's audited financial statements. After the end of each fiscal year, MCH's management analyzes patient records and identifies additional patient charges that should be written-off to charity care. The majority of these additional charges are associated with Medi-Cal denials.

The table below shows MCH's historical costs for charity care as reported by MCH for this transaction. The average annual cost of charity care for the five years ended June 30, 2009 was \$2,819,594 (**Table 13**).

**Table 13: Mission Community Hospital's Charity Care Charges and Costs, 2005-2009**

| MCH Charity Care Charges and Costs, 2005 - 2009 |                                    |                             |              |
|---|------------------------------------|-----------------------------|--------------|
| Year Ended<br>June 30,                          | Revised<br>Charity Care<br>Charges | Ratio of Cost to<br>Charges | Costs        |
| 2009  | \$ 6,121,424                       | 0.30                        | \$ 1,841,243 |
| 2008  | 4,650,928                          | 0.36                        | 1,673,866    |
| 2007  | 5,909,443                          | 0.40                        | 2,351,992    |
| 2006  | 14,242,145                         | 0.36                        | 5,150,858    |
| 2005  | 8,375,752                          | 0.37                        | 3,080,009    |
| Average   | \$ 7,859,938                       |                             | \$ 2,819,594 |

Source: MCH.

For Fiscal Year 2008, the \$1.8 million in charity care cost represented approximately 3.2 percent of total operating expense. In 2008, charity care cost for other Hospitals located within 10 miles of it averaged 1.9 percent of total operating expense. In 2008, the average for other tax-exempt hospitals in California was 1.6 percent.

## **Community Benefit Services**

### **San Fernando Campus**

MCH's community benefit services are concentrated at the San Fernando Community Campus for Health and Education. The San Fernando campus was established in 2004. The services include a dental teaching clinic that operates together with UCLA, several programs designed to prevent and reduce health problems associated with diabetes, and new programs focused on safe and healthy environments and veterans' wellness.

- Project ALTO focuses on diabetes education, screening and prevention. In addition to offering communication and support for those at risk for diabetes, the program serves as a source of information on available resources, provides cholesterol testing in the community, and offers eight-week diabetes self-management classes free of charge. In 2009, 14 classes and 10 events were held.
- The Southern California College of Optometry Eye Care Clinic provides vision and eye-screening examinations. Vision loss and eye disease are common complications of diabetes.
- The Diabetes Teaching Kitchen aims to prevent Type-2 diabetes by offering classes that focus on healthy diet and food preparation.
- The UCLA Dental Health Clinic improves oral health by increasing access to high-quality, low-cost preventive and routine dental care in the San Fernando Valley. Patients are treated by UCLA faculty and advanced dental students. The clinic currently operates three chairs, with a fourth to be added within the next several months. In 2009, the clinic reported 2,084 visits.
- The San Fernando Campus accepts Denti-Cal, Medi-Cal, Medicare, and most other health and dental insurance plans, and attempts to cover part of the cost for those without insurance or the ability to pay.

The community benefit services located at the San Fernando Campus generated approximately \$812,000 in expense during fiscal year 2009. This amount includes building and overhead-related expenses such as the \$50,000 annual lease payment to the City of San Fernando (**Table 14**).

**Table 14: San Fernando Campus' Revenues and Expenses, 2009-2012**

| Revenues and Expenses for San Fernando Campus<br>Community Benefit Services |  | Actual         | Budget         | Projected        |                  |
|---|--|----------------|----------------|------------------|------------------|
|   |  | 2009           | 2010           | 2011             | 2012             |
| <b>Expenses</b>   |  |                |                |                  |                  |
| Administrative  |  | \$ 168,000     | \$ 168,000     | \$ 168,000       | \$ 168,000       |
| MCH-UCLA Dental Teaching Clinic   |  | 286,980        | 320,000        | 400,228          | 419,277          |
| Project ALTO  |  | 58,716         | 55,000         | 57,439           | 60,031           |
| Safe/Healthy Neighborhood Environments                                      |  | 41,189         | 40,000         | 41,606           | 43,220           |
| Veterans Neighborhood Education & Wellness Center                           |  | -              | 25,000         | 50,000           | 50,000           |
| Diabetes Teaching Kitchen   |  | -              | 58,000         | 81,200           | 103,000          |
| Building & Overhead   |  | 256,751        | 261,889        | 267,232          | 272,789          |
| <b>Total Revenues</b>   |  | <b>811,636</b> | <b>927,889</b> | <b>1,065,705</b> | <b>1,116,317</b> |
| <b>Revenues</b>   |  |                |                |                  |                  |
| Patient revenues (Dental Clinic)  |  | 286,805        | 281,000        | 265,000          | 290,000          |
| Grants and other (Dental Clinic)  |  | 66,000         | 62,333         | 88,667           |                  |
| Grants (Veterans Center)  |  | 54,000         | 99,000         | 98,000           | 75,000           |
| Grants (Project ALTO)   |  | 50,000         |                |                  |                  |
| Foundations and Vendor (Diabetes Kitchen)                                   |  |                | 58,000         | 81,200           | 103,000          |
| Other Foundations   |  |                | 42,000         | 42,000           |                  |
| <b>Total Revenues Before MCH Support</b>                                    |  | <b>456,805</b> | <b>542,333</b> | <b>574,867</b>   | <b>468,000</b>   |
| <b>MCH and Other Support</b>  |  |                |                |                  |                  |
| In-kind and overhead contributions  |  | 298,731        | 300,000        | 310,000          | 280,000          |
| Unidentified funds / deficit  |  | 56,100         | 85,556         | 180,838          | 368,317          |
| <b>Total</b>  |  | <b>354,831</b> | <b>385,556</b> | <b>490,838</b>   | <b>648,317</b>   |

Source: MCH.

The programs are primarily supported by patient fees (including Denti-Cal) and grants. In 2009, grants and patient fees totaled \$456,805. MCH provided approximately \$300,000 of support in the form of in-kind and overhead contributions. The Hospital provided another \$56,100 of financial support in the form of an operating deficit for the San Fernando Campus.

MCH has projected that these programs and the support required to fund them will continue to grow in upcoming years, reaching over \$600,000 in fiscal year 2012.

### Academic Affiliations

Providing health professions education is another type of hospital community benefit. MCH is party to a number of academic affiliations involving health professions education. These arrangements allow nursing students (from West Coast University, Pierce College, the Annenberg School of Nursing, and others) to train at the Hospital in the medical/surgical and behavioral health units, and also allow students training for careers as respiratory therapists, ultrasound technicians, radiology technicians, and surgical scrub technicians. At any one time, 80-84 nursing students and 12-13 other students are participating in clinical rotations at the Hospital.

## **Mission Community Hospital Service Area Analysis**

### ***Definition of the Hospital's Service Areas***

In 2008, the Hospital's service area for inpatient medical/surgical services was comprised of 25 ZIP codes. Based on inpatient origin data, Verité designated 12 of these ZIP codes as the Hospital's Primary Service Area (PSA), and 13 as the Secondary Service Area (SSA). Each PSA ZIP code accounted for at least 50 inpatient medical/surgical discharges in 2008 (**Table 15**).

**Table 15: Mission Community Hospital's Inpatient Origin,  
Medical/Surgical Services, 2008**

| <b>ZIP Code</b>                     | <b>City</b>     | <b>Discharges</b> | <b>% of Total Discharges</b> | <b>Cumulative % of Total Discharges</b> |
|-------------------------------------|-----------------|-------------------|------------------------------|---|
| <b>Primary Service Area (PSA)</b>   |                 |                   |                              |   |
| 91402                               | Panorama City   | 943               | 26.7%                        | 26.7%                                   |
| 91343                               | North Hills     | 360               | 10.2%                        | 36.9%                                   |
| 91331                               | Pacoima         | 226               | 6.4%                         | 43.3%                                   |
| 91342                               | Sylmar          | 202               | 5.7%                         | 49.0%                                   |
| 91344                               | Granada Hills   | 154               | 4.4%                         | 53.4%                                   |
| 91606                               | North Hollywood | 154               | 4.4%                         | 57.7%                                   |
| 91605                               | North Hollywood | 154               | 4.4%                         | 62.1%                                   |
| 91405                               | Van Nuys        | 148               | 4.2%                         | 66.3%                                   |
| 91411                               | Van Nuys        | 88                | 2.5%                         | 68.8%                                   |
| 91406                               | Van Nuys        | 87                | 2.5%                         | 71.2%                                   |
| 91325                               | Northridge      | 85                | 2.4%                         | 73.6%                                   |
| 91345                               | Mission Hills   | 68                | 1.9%                         | 75.6%                                   |
| <b>Subtotal</b>                     |                 | <b>2,582</b>      | <b>75.6%</b>                 | <b>75.6%</b>                            |
| <b>Secondary Service Area (SSA)</b> |                 |                   |                              |   |
| 91352                               | Sun Valley      | 48                | 1.4%                         | 76.9%                                   |
| 91335                               | Reseda          | 46                | 1.3%                         | 78.2%                                   |
| 91340                               | San Fernando    | 41                | 1.2%                         | 79.4%                                   |
| 91401                               | Van Nuys        | 40                | 1.1%                         | 80.5%                                   |
| 91324                               | Northridge      | 36                | 1.0%                         | 81.5%                                   |
| 91311                               | Chatsworth      | 31                | 0.9%                         | 82.4%                                   |
| 91304                               | Canoga Park     | 30                | 0.8%                         | 83.3%                                   |
| 91306                               | Winnetka        | 29                | 0.8%                         | 84.1%                                   |
| 91020                               | Montrose        | 24                | 0.7%                         | 84.8%                                   |
| 91326                               | Porter Ranch    | 23                | 0.7%                         | 85.4%                                   |
| 91604                               | Studio City     | 21                | 0.6%                         | 86.0%                                   |
| 91042                               | Tujunga         | 17                | 0.5%                         | 86.5%                                   |
| 91601                               | North Hollywood | 15                | 0.4%                         | 86.9%                                   |
| <b>Subtotal</b>                     |                 | <b>488</b>        | <b>13.8%</b>                 | <b>86.9%</b>                            |
| Other ZIP Codes                     |                 | 432               | 12.2%                        | 99.2%                                   |
| Homeless                            |                 | 30                | 0.8%                         | 100.0%                                  |
| <b>Total</b>                        |                 | <b>3,532</b>      | <b>100.0%</b>                | <b>100.0%</b>                           |

Source: OSHPD Patient Discharge Database, 2008.

Approximately 76 percent of Mission Community Hospital's medical/surgical inpatient discharges<sup>6</sup> originated from the PSA. The Hospital's inpatient psychiatric program draws from a much broader service area than the Hospital's acute medical/surgical services (**Table 16**).

**Table 16: Mission Community Hospital's Inpatient Origin,  
Inpatient Psychiatric Services, 2008**

| ZIP Code        | City            | Discharges   | % of Total Discharges | Cumulative % of Total Discharges |
|-----------------|-----------------|--------------|-----------------------|----------------------------------|
| 91402           | Panorama City   | 151          | 4.3%                  | 4.3%                             |
| 91342           | Sylmar          | 119          | 3.4%                  | 7.7%                             |
| 91331           | Pacoima         | 115          | 3.3%                  | 11.0%                            |
| 91343           | North Hills     | 95           | 2.7%                  | 13.8%                            |
| 91335           | Reseda          | 89           | 2.6%                  | 16.3%                            |
| 91406           | Van Nuys        | 86           | 2.5%                  | 18.8%                            |
| 91605           | North Hollywood | 75           | 2.1%                  | 20.9%                            |
| 91405           | Van Nuys        | 75           | 2.1%                  | 23.1%                            |
| 91606           | North Hollywood | 73           | 2.1%                  | 25.2%                            |
| 91306           | Winetka         | 72           | 2.1%                  | 27.2%                            |
| 91344           | Granada Hills   | 64           | 1.8%                  | 29.1%                            |
| 91411           | Van Nuys        | 57           | 1.6%                  | 30.7%                            |
| 91401           | Van Nuys        | 50           | 1.4%                  | 32.1%                            |
| 91601           | North Hollywood | 48           | 1.4%                  | 33.5%                            |
| 91352           | Sun Valley      | 48           | 1.4%                  | 34.9%                            |
| 91345           | Mission Hills   | 47           | 1.3%                  | 36.2%                            |
| 93550           | Palmdale        | 45           | 1.3%                  | 37.5%                            |
| 91325           | Northridge      | 44           | 1.3%                  | 38.8%                            |
| 91205           | Glendale        | 42           | 1.2%                  | 40.0%                            |
| 91324           | Northridge      | 32           | 0.9%                  | 40.9%                            |
| 93063           | Simi Valley     | 30           | 0.9%                  | 41.8%                            |
| 93535           | Lancaster       | 27           | 0.8%                  | 42.5%                            |
| 91311           | Chatsworth      | 27           | 0.8%                  | 43.3%                            |
| 91304           | Canoga Park     | 27           | 0.8%                  | 44.1%                            |
| 91042           | Tujunga         | 27           | 0.8%                  | 44.9%                            |
| 93534           | Lancaster       | 26           | 0.7%                  | 45.6%                            |
| 91436           | Encino          | 25           | 0.7%                  | 46.3%                            |
| 91356           | Tarzana         | 25           | 0.7%                  | 47.0%                            |
| 91351           | Canyon Country  | 24           | 0.7%                  | 47.7%                            |
| 90057           | Los Angeles     | 24           | 0.7%                  | 48.4%                            |
| 91367           | Woodland Hills  | 23           | 0.7%                  | 49.1%                            |
| 91340           | San Fernando    | 23           | 0.7%                  | 49.7%                            |
| 91040           | Sunland         | 22           | 0.6%                  | 50.4%                            |
| <b>Subtotal</b> |                 | <b>1,757</b> | <b>50.4%</b>          | <b>50.4%</b>                     |
| Other ZIP Codes |                 | 1,200        | 34.4%                 | 84.8%                            |
| Homeless        |                 | 532          | 15.2%                 | 100.0%                           |
| <b>Total</b>    |                 | <b>3,489</b> | <b>100.0%</b>         | <b>100.0%</b>                    |

Source: OSHPD Patient Discharge Database, 2008.

<sup>6</sup> Medical/surgical refers to all discharges except for Acute Psychiatric cases in Major Diagnostic Categories 19 and 20.

Panorama City (ZIP code 91402) accounted for 26.7 percent of the Hospital's medical/surgical discharges but only 4.3 percent of psychiatric discharges. More than 50 percent of all medical/surgical discharges originated in five ZIP codes versus 33 ZIP codes for inpatient psychiatry.

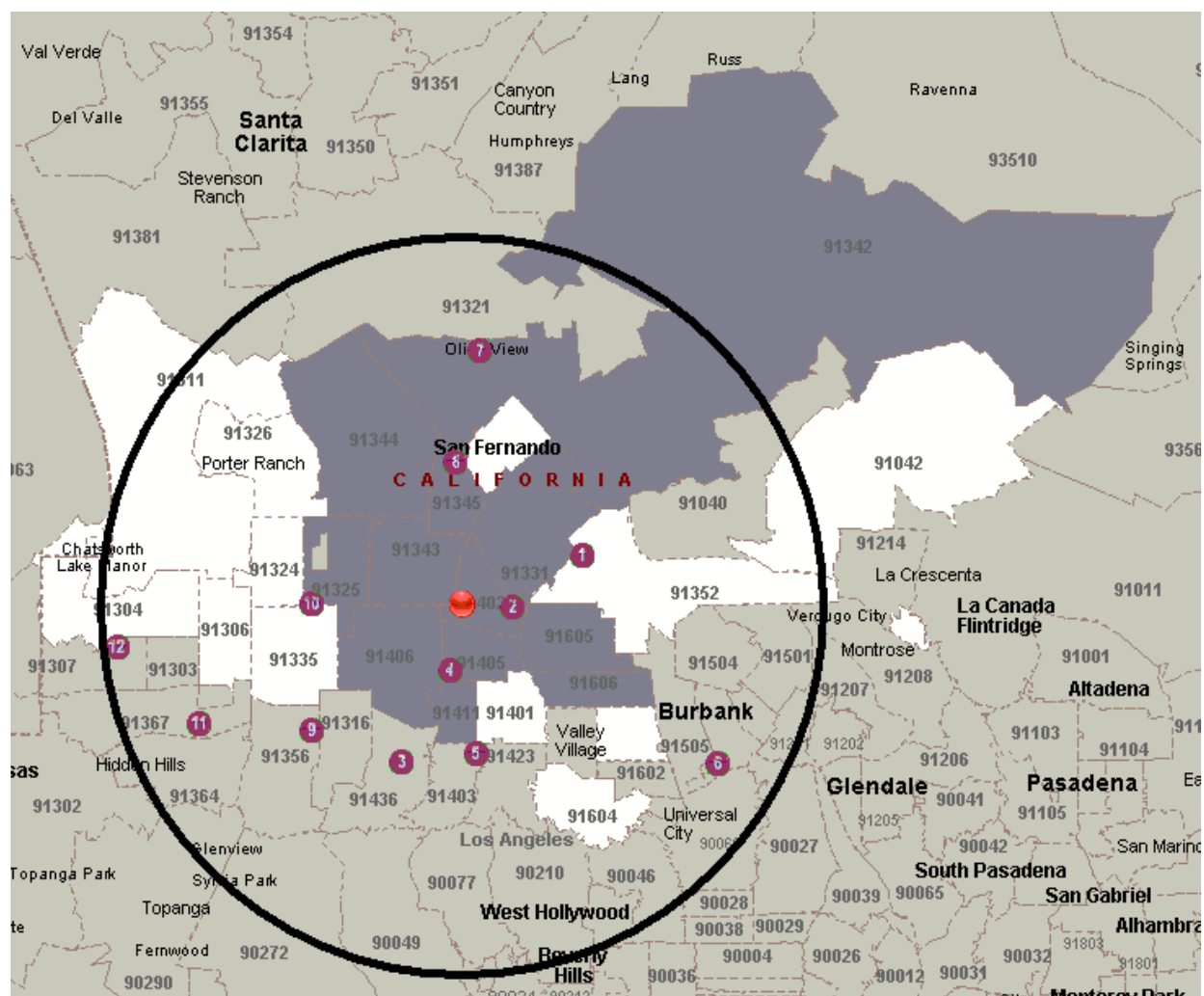
Approximately 15 percent of psychiatric discharges were associated with patients reported as homeless.

### ***Service Area Map***

The Hospital's inpatient medical/surgical service area and the locations of all other competitor hospitals with inpatient medical/surgical services within a 10 mile radius of the Hospital are shown in **Figure 2**. The Hospital's inpatient medical/surgical PSA is highlighted in the darker color, while the SSA is highlighted in white.



**Figure 2: Mission Community Hospital's Inpatient Medical/Surgical Service Area, 2008**



-  Mission Community Hospital
-  1 Pacifica Hospital of the Valley
-  2 Kaiser Foundation Hospital Panorama Campus
-  3 Encino Hospital Medical Center
-  4 Valley Presbyterian Hospital
-  5 Sherman Oaks Hospital
-  6 Providence Saint Joseph Medical Center
-  7 LAC/Olive View-UCLA Medical Center
-  8 Providence Holy Cross Medical Center
-  9 Providence Tarzana Medical Center
-  10 Northridge Hospital Medical Center
-  11 Kaiser Foundation Hospital Woodland Hills
-  12 West Hills Hospital & Medical Center

## Demographic Profile

In 2009, the Hospital's inpatient medical/surgical service areas had a total population of approximately 1,167,000 persons with approximately 814,000 persons living in the PSA, and 353,000 persons living in the SSA (**Table 17**).

**Table 17: Mission Community Hospital's Service Area Population, 2009**

| Service Area         | PSA     | SSA     | Total     |
|----------------------|---------|---------|-----------|
| Total Population     | 814,128 | 352,549 | 1,166,677 |
| % Female             | 49.8%   | 50.2%   | 49.9%     |
| Number of Households | 242,497 | 102,798 | 369,231   |

Source: 2010 Valley Care Community Consortium- Needs Assessment.

In 2009, approximately 30 percent of this service area's population was aged 25 to 44 years, with a slightly younger population residing in the PSA than the SSA. Ten percent of the service area population was 65 years of age or older (**Table 18**), a proportion comparable to that of Los Angeles County and the State of California.<sup>7</sup>

**Table 18: Mission Community Hospital's Service Area Population by Age Cohort, 2009**

| Age Cohort   | % of PSA Population | % of SSA Population | % of Total Population |
|--------------|---------------------|---------------------|-----------------------|
| <13          | 21.3%               | 19.1%               | 20.6%                 |
| 14-24        | 16.7%               | 15.3%               | 16.3%                 |
| 25-44        | 30.4%               | 29.2%               | 30.0%                 |
| 45-64        | 22.4%               | 24.3%               | 23.0%                 |
| 65-84        | 7.9%                | 10.4%               | 8.6%                  |
| 85+          | 1.3%                | 1.8%                | 1.4%                  |
| <b>Total</b> | <b>100.0%</b>       | <b>100.0%</b>       | <b>100.0%</b>         |

Source: 2010 Valley Care Community Consortium- Needs Assessment.

Fifty-four percent of the 2009 inpatient medical/surgical service area population was reported to be "Hispanic/Latino," a ratio well above the average for the State of California (37 percent) and the average for Los Angeles County (48 percent).<sup>8</sup>

The inpatient medical/surgical service area included a high proportion of households with incomes between \$15,000 and \$35,000. Nearly 37 percent of households in the service area had annual incomes below \$50,000 (**Table 19**).

<sup>7</sup> US Census Bureau, 2009 Population Estimates.

<sup>8</sup> *Ibid.*

**Table 19: Service Area Percentage of Households by Income, 2009**

| Service Area      | \$15,000 - \$35,000 | \$35,000 - \$50,000 | \$50,000 - \$75,000 | \$75,000 - \$100,000 | \$100,000 - \$150,000 | \$150,000+  | Unknown      |
|-------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|-------------|--------------|
| Primary           | 23.4%               | 15.8%               | 18.8%               | 11.5%                | 11.9%                 | 7.4%        | 11.2%        |
| Secondary         | 18.5%               | 13.5%               | 19.3%               | 13.4%                | 15.1%                 | 11.2%       | 9.1%         |
| <b>Total Area</b> | <b>21.9%</b>        | <b>15.0%</b>        | <b>18.9%</b>        | <b>12.1%</b>         | <b>12.9%</b>          | <b>8.6%</b> | <b>10.6%</b> |

Source: 2010 Valley Care Community Consortium -Needs Assessment.

Approximately 22 percent of the 2009 inpatient medical/surgical service area population was reported to be uninsured (**Table 20**); another 20 percent were Medi-Cal recipients. The PSA reported a higher percentage of uninsured and Medi-Cal residents than the SSA.

**Table 20: Service Area Population by Insurance Status, 2009**

| Service Area | Medi Cal     | Medicare    | HMO          | PPO          | Total Insured | Total Uninsured |
|--------------|--------------|-------------|--------------|--------------|---------------|-----------------|
| Primary      | 22.1%        | 8.4%        | 22.0%        | 24.2%        | 76.6%         | 23.4%           |
| Secondary    | 16.7%        | 10.3%       | 26.4%        | 29.0%        | 82.4%         | 17.6%           |
| <b>Total</b> | <b>20.5%</b> | <b>9.0%</b> | <b>23.3%</b> | <b>25.6%</b> | <b>78.3%</b>  | <b>21.7%</b>    |

Source: 2010 Valley Care Community Consortium- Needs Assessment.

## **2010 Community Health Needs Assessment**

In June 2010, the Valley Care Community Consortium (“VCCC”) published its fifth triennial community needs assessment. This assessment focused on needs in “Service Planning Area 2” (“SPA 2”). The Hospital is located in the center of this area. The study analyzed quantitative and qualitative data, including surveys of residents of the Hospital’s service area. The VCCC assessment highlights needs associated with many of the services provided by MCH on both the Hospital and San Fernando Campus.

- Eighty percent of the participants in one survey believed diabetes was the most important health problem facing the community; 17 percent indicated that dental problems presented the most pressing concern. Survey respondents also stated that the most important risk behaviors concerning the community were dominated by substance abuse and obesity.
- Two other surveys indicated that substance abuse, diabetes and dental problems were the most pressing concerns and risk behaviors facing the community. Chronic disease, including diabetes and obesity, was also considered a pressing issue.
- The health needs assessment identified diabetes, mental health, and dental care as important health care needs in the San Fernando Valley. Approximately 6 percent of the population suffers from diabetes; diabetes Mellitus was the 7<sup>th</sup> leading cause of death in SPA 2.

- In 2007, an estimated 13.5 percent of adults residing in SPA 2 were diagnosed with depression; 8.3 percent of SPA 2 residents reported experiencing stress, depression, or emotional problems for 14 or more days per month.
- In 2008, Los Angeles County data indicated that 155,000 people in SPA 2 had Serious Mental Disturbance (SED) or Serious Mental Illness (SMI).<sup>9</sup> Of these people, about one-half were living in households at or below 200 percent of the Federal Poverty Level.<sup>10</sup>

### ***Hospital Supply, Demand and Market Share***

Hospitals located within a 10 mile radius of Mission Community Hospital were analyzed to determine available medical/surgical bed capacity (**Table 21**). Certain other hospitals (Cedars Sinai Medical Center, Hollywood Community Hospital of Hollywood, and Hollywood Community Hospital of Van Nuys) also are located within a 10-mile radius of Mission Community Hospital, but they are not considered direct competitors.

**Table 21: Service Area Hospitals, 2008**

| Facility  | City                 | Driving Distance from MCH | Total Licensed Beds | Total Discharges | Patient Days   | Occupied Beds | Percent Occupied |
|---|----------------------|---------------------------|---------------------|------------------|----------------|---------------|------------------|
| <b>Mission Community Hospital - Panorama Campus</b> | <b>Panorama City</b> | <b>-</b>                  | <b>145</b>          | <b>7,036</b>     | <b>35,970</b>  | <b>98</b>     | <b>68%</b>       |
| Kaiser Foundation Hospital - Panorama City          | Panorama City        | 1.9                       | 218                 | 13,446           | 44,703         | 118           | 54%              |
| Valley Presbyterian Hospital                        | Van Nuys             | 2.8                       | 350                 | 16,761           | 69,515         | 190           | 54%              |
| Pacifica Hospital of the Valley                     | Sun Valley           | 4.5                       | 231                 | 5,455            | 53,483         | 146           | 63%              |
| Northridge Hospital Medical Center                  | Northridge           | 4.7                       | 411                 | 17,320           | 91,533         | 250           | 61%              |
| Sherman Oaks Hospital & Health Center               | Sherman Oaks         | 4.9                       | 153                 | 5,121            | 21,582         | 59            | 39%              |
| Providence Holy Cross Medical Center                | Mission Hills        | 5.6                       | 254                 | 15,177           | 87,510         | 239           | 94%              |
| Encino Hospital Medical Center                      | Encino               | 7.3                       | 150                 | 3,301            | 22,981         | 63            | 42%              |
| Providence Tarzana Medical Center                   | Tarzana              | 9.6                       | 245                 | 13,349           | 64,226         | 175           | 72%              |
| LAC/Olive View - UCLA Medical Center                | Sylmar               | 10.8                      | 377                 | 14,187           | 71,163         | 194           | 52%              |
| Providence Saint Joseph Medical Center              | Burbank              | 11.3                      | 431                 | 18,256           | 106,794        | 292           | 68%              |
| West Hills Hospital & Medical Center                | West Hills           | 11.5                      | 212                 | 8,194            | 41,271         | 111           | 52%              |
| Kaiser Foundation Hospital - Woodland Hills         | Woodland Hills       | 12.5                      | 262                 | 12,549           | 52,127         | 156           | 59%              |
| <b>Total (All Hospitals)</b>                        |                      |                           | <b>3,294</b>        | <b>143,116</b>   | <b>726,888</b> | <b>1,993</b>  | <b>61%</b>       |

Source: OSHPD ALIRTS Annual Utilization Reports, 2008; Google Maps.

The 13 hospitals in Table 21 have a combined total of 3,294 licensed beds with an aggregate occupancy of 61 percent, ranging from 39 percent at Sherman Oaks Hospital and Health Center to 94 percent at Providence Holy Cross Medical Center.

<sup>9</sup> Los Angeles County Department of Public Health, Office of Health Assessment and Epidemiology. Key Indicators of Health by Service Planning Area, 2009.

<sup>10</sup> Los Angeles County Department of Mental Health, 2009.

**Table 22** shows the hospitals that were reviewed to examine available bed capacity and market share for acute psychiatric care.

**Table 22: Service Area Hospitals with Acute Psychiatric Beds, 2008**

| Facility  | Driving Distance from MCH | Acute Psychiatric Beds | Total Discharges | Patient Days   | Occupied Beds | Percent Occupied |
|---|---------------------------|------------------------|------------------|----------------|---------------|------------------|
| <b>Mission Community Hospital - Panorama Campus</b> | -                         | <b>60</b>              | <b>3,114</b>     | <b>18,795</b>  | <b>51</b>     | <b>86%</b>       |
| Hollywood Community Hospital of Van Nuys            | 3.7                       | 59                     | 2,995            | 16,556         | 45            | 77%              |
| Pacifica Hospital of the Valley                     | 4.5                       | 38                     | 1,715            | 12,559         | 34            | 90%              |
| Northridge Hospital Medical Center                  | 4.7                       | 40                     | 1,892            | 11,089         | 30            | 76%              |
| Sherman Oaks Hospital & Health Center               | 4.9                       | 19                     | 0                | 0              | 0             | 0%               |
| Joyce Eisenberg Keefer Medical Center               | 6.9                       | 10                     | 37               | 350            | 1             | 10%              |
| Encino Hospital Medical Center                      | 7.3                       | 13                     | 313              | 4,194          | 11            | 85%              |
| Tarzana Treatment Center                            | 7.9                       | 60                     | 2,418            | 18,225         | 50            | 83%              |
| LAC/Olive View - UCLA Medical Center                | 10.8                      | 80                     | 886              | 11,358         | 31            | 39%              |
| Henry Mayo Newhall Memorial Hospital                | 16.8                      | 23                     | 1,049            | 6,110          | 17            | 73%              |
| Glendale Adventist Medical Center                   | 17.3                      | 60                     | 1,642            | 18,584         | 51            | 85%              |
| Kaiser Foundation- Mental Health Center             | 19.4                      | 68                     | 2,195            | 18,047         | 49            | 73%              |
| Los Angeles Metropolitan Medical Center             | 22.6                      | 98                     | 3,331            | 31,733         | 87            | 88%              |
| Aurora Las Encinas Hospital, LLC                    | 26.7                      | 118                    | 2,462            | 21,897         | 60            | 51%              |
| BHC Alhambra Hospital                               | 30.4                      | 85                     | 3,383            | 24,149         | 66            | 78%              |
| Del Amo Hospital                                    | 32.7                      | 166                    | 4,024            | 38,083         | 104           | 63%              |
| Antelope Valley Hospital                            | 52.9                      | 30                     | 687              | 2,721          | 7             | 25%              |
| <b>Total</b>  |                           | <b>1,027</b>           | <b>32,143</b>    | <b>254,450</b> | <b>695</b>    | <b>68%</b>       |

Source: OSHPD ALIRTS Annual Utilization Reports, 2008; Google Maps.

The hospitals in **Table 22** have a combined total of 1,027 acute psychiatric beds with an aggregate occupancy of 68 percent. According to DMH, Olive View now is operating 36 inpatient psychiatric beds rather than the 80 beds reported in Table 22.

## Hospital Market Share

**Table 23** illustrates historical market shares for inpatient medical/surgical services by individual hospitals within the Hospital's inpatient medical/surgical service area.

**Table 23: Service Area Market Share for Inpatient Medical/Surgical Services, 2006-2008<sup>11</sup>**

| Facility                                    | 2006           |               | 2007           |               | 2008           |               |
|---|----------------|---------------|----------------|---------------|----------------|---------------|
|   | Discharges     | Market Share  | Discharges     | Market Share  | Discharges     | Market Share  |
| Valley Presbyterian Hospital                | 15,383         | 13.8%         | 16,702         | 14.8%         | 17,138         | 14.9%         |
| Providence Holy Cross Medical Center        | 13,022         | 11.7%         | 12,697         | 11.2%         | 13,337         | 11.6%         |
| Northridge Hospital Medical Center          | 12,593         | 11.3%         | 12,664         | 11.2%         | 13,184         | 11.5%         |
| LAC/Olive View - UCLA Medical Center        | 8,216          | 7.4%          | 8,719          | 7.7%          | 8,763          | 7.6%          |
| Kaiser Foundation Hospital - Panorama City  | 8,184          | 7.3%          | 7,941          | 7.0%          | 8,645          | 7.5%          |
| Providence Saint Joseph Medical Center      | 7,952          | 7.1%          | 7,857          | 6.9%          | 7,798          | 6.8%          |
| Kaiser Foundation Hospital - Woodland Hills | 5,431          | 4.9%          | 5,610          | 5.0%          | 5,302          | 4.6%          |
| Providence Tarzana Medical Center*          | 5,047          | 4.5%          | 4,976          | 4.4%          | 5,160          | 4.5%          |
| Pacifica Hospital of the Valley             | 4,359          | 3.9%          | 4,210          | 3.7%          | 3,862          | 3.4%          |
| West Hills Hospital & Medical Center        | 3,459          | 3.1%          | 3,539          | 3.1%          | 3,434          | 3.0%          |
| <b>Mission Community Hospital</b>           | <b>2,686</b>   | <b>2.4%</b>   | <b>3,046</b>   | <b>2.7%</b>   | <b>3,049</b>   | <b>2.7%</b>   |
| Cedars Sinai Medical Center                 | 2,369          | 2.1%          | 2,437          | 2.2%          | 2,441          | 2.1%          |
| Glendale Adventist Medical Center           | 1,926          | 1.7%          | 1,959          | 1.7%          | 2,196          | 1.9%          |
| Sherman Oaks Hospital & Health Center       | 2,080          | 1.9%          | 2,095          | 1.9%          | 1,986          | 1.7%          |
| Ronald Reagan UCLA Medical Center           | 2,035          | 1.8%          | 1,997          | 1.8%          | 1,830          | 1.6%          |
| Other Hospitals                             | 16,737         | 15.0%         | 16,631         | 14.7%         | 16,574         | 14.4%         |
| <b>Total</b>                                | <b>111,479</b> | <b>100.0%</b> | <b>113,080</b> | <b>100.0%</b> | <b>114,699</b> | <b>100.0%</b> |

\*Providence Tarzana Medical Center and Encino Hospital Medical Center were separated into two hospitals in July, 2008.

Source: OSHPD Patient Discharge Database, 2006-2008.

- With approximately 3 percent of discharges in the service area, the Hospital ranked 11<sup>th</sup> in terms of market share for inpatient medical/surgical services.
- Valley Presbyterian Hospital is the market share leader with 15 percent of discharges, followed by Providence Holy Cross Medical Center (12 percent), and Northridge Hospital Medical Center (11 percent).

**Table 24** illustrates market share for acute psychiatric care by individual hospital within the 33 ZIP codes that comprise the Hospital's service area for inpatient psychiatric services.

<sup>11</sup> Providence Tarzana Medical Center and Encino Hospital Medical Center were separated into two hospitals in July, 2008. Before 2007, they were known as "Encino-Tarzana Regional Medical Center".

**Table 24: Service Area Market Share for Acute Psychiatric Care, 2006-2008**

| Facility                                 | 2006          |               | 2007          |               | 2008          |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Discharges    | Market Share  | Discharges    | Market Share  | Discharges    | Market Share  |
| <b>Mission Community Hospital</b>        | <b>1,550</b>  | <b>14.5%</b>  | <b>1,535</b>  | <b>14.2%</b>  | <b>1,777</b>  | <b>15.3%</b>  |
| Tarzana Treatment Center                 | 790           | 7.4%          | 931           | 8.6%          | 968           | 8.4%          |
| Northridge Hospital Medical Center       | 883           | 8.3%          | 892           | 8.2%          | 929           | 8.0%          |
| Hollywood Community Hospital of Van Nuys | 523           | 4.9%          | 594           | 5.5%          | 811           | 7.0%          |
| Pacifica Hospital of the Valley          | 539           | 5.1%          | 596           | 5.5%          | 643           | 5.6%          |
| LAC/Olive View - UCLA Medical Center     | 559           | 5.2%          | 532           | 4.9%          | 566           | 4.9%          |
| BHC Alhambra Hospital                    | 537           | 5.0%          | 544           | 5.0%          | 468           | 4.0%          |
| Antelope Valley Hospital Medical Center  | 474           | 4.4%          | 409           | 3.8%          | 467           | 4.0%          |
| Glendale Adventist Medical Center        | 435           | 4.1%          | 445           | 4.1%          | 439           | 3.8%          |
| Aurora Las Encinas Hospital, LLC         | 341           | 3.2%          | 344           | 3.2%          | 298           | 2.6%          |
| Kaiser Foundation- Mental Health Center  | 321           | 3.0%          | 314           | 2.9%          | 294           | 2.5%          |
| Henry Mayo Newhall Memorial Hospital     | 240           | 2.3%          | 223           | 2.1%          | 294           | 2.5%          |
| Del Amo Hospital                         | 204           | 1.9%          | 262           | 2.4%          | 276           | 2.4%          |
| Los Angeles Metropolitan Medical Center  | 207           | 1.9%          | 179           | 1.7%          | 220           | 1.9%          |
| Encino Hospital Medical Center           | 104           | 1.0%          | 98            | 0.9%          | 97            | 0.8%          |
| Joyce Eisenberg Keefer Medical Center    | 0             | 0.0%          | 5             | 0.0%          | 39            | 0.3%          |
| Sherman Oaks Hospital & Health Center    | 30            | 0.3%          | 52            | 0.5%          | 24            | 0.2%          |
| Other Hospitals                          | 2,924         | 27.4%         | 2,868         | 26.5%         | 2,972         | 25.7%         |
| <b>Total</b>                             | <b>10,661</b> | <b>100.0%</b> | <b>10,823</b> | <b>100.0%</b> | <b>11,582</b> | <b>100.0%</b> |

Source: OSHPD Patient Discharge Database, 2006-2008.

- The Hospital was the market share leader for acute psychiatric care, with 15 percent of discharges in 2008.

### Market Share by Payer

**Table 25** shows hospital market share for inpatient medical/surgical services by payer category in 2008.



**Table 25: Service Area Market Share by Payer, Inpatient Medical/Surgical Services, 2008**

| Facility  | Total          | Medi Cal      | Medicare      | Private       | Self Pay      | Other         |
|---|----------------|---------------|---------------|---------------|---------------|---------------|
| Valley Presbyterian Hospital                        | 14.9%          | 22.8%         | 8.2%          | 14.9%         | 12.2%         | 3.0%          |
| Providence Holy Cross Medical Center                | 11.6%          | 12.6%         | 14.3%         | 9.6%          | 9.8%          | 2.1%          |
| Northridge Hospital Medical Center                  | 11.5%          | 12.5%         | 11.7%         | 10.4%         | 9.4%          | 12.6%         |
| LAC/Olive View - UCLA Medical Center                | 7.6%           | 14.1%         | 2.1%          | 0.3%          | 24.4%         | 41.6%         |
| Kaiser Foundation Hospital - Panorama City          | 7.5%           | 1.3%          | 8.6%          | 14.0%         | 5.7%          | 0.1%          |
| Providence Saint Joseph Medical Center              | 6.8%           | 7.8%          | 7.3%          | 6.4%          | 2.8%          | 2.0%          |
| Kaiser Foundation Hospital - Woodland Hills         | 4.6%           | 0.3%          | 6.4%          | 8.1%          | 1.7%          | 0.2%          |
| Providence Tarzana Medical Center*                  | 4.5%           | 1.2%          | 6.8%          | 6.3%          | 2.2%          | 1.2%          |
| Pacifica Hospital of the Valley                     | 3.4%           | 5.8%          | 1.5%          | 2.7%          | 6.1%          | 0.3%          |
| West Hills Hospital & Medical Center                | 3.0%           | 0.7%          | 4.3%          | 4.4%          | 2.3%          | 1.2%          |
| <b>Mission Community Hospital - Panorama Campus</b> | <b>2.7%</b>    | <b>2.6%</b>   | <b>5.1%</b>   | <b>0.7%</b>   | <b>1.9%</b>   | <b>1.3%</b>   |
| Sherman Oaks Hospital & Health Center               | 1.7%           | 1.1%          | 3.5%          | 0.7%          | 3.0%          | 0.8%          |
| Encino Hospital Medical Center                      | 0.9%           | 0.2%          | 2.5%          | 0.4%          | 0.4%          | 0.6%          |
| Other Hospitals                                     | 20.1%          | 17.3%         | 20.0%         | 21.5%         | 18.5%         | 33.6%         |
| <b>Total</b>  | <b>100.0%</b>  | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| <b>Total Discharges</b>                             | <b>114,699</b> | <b>36,768</b> | <b>33,189</b> | <b>36,380</b> | <b>4,108</b>  | <b>4,254</b>  |
| <b>% of Total Discharges</b>                        | <b>100.0%</b>  | <b>32.1%</b>  | <b>28.9%</b>  | <b>31.7%</b>  | <b>3.6%</b>   | <b>3.7%</b>   |

Source: OSHPD Patient Discharge Database, 2008.

- In 2008, the Hospital's overall market share for inpatient medical/surgical services was 3 percent, ranging from less than 1 percent for private patients to 5 percent for Medicare patients.

Table 26 shows hospital market shares for acute psychiatric care by payer category in 2008.

**Table 26: Service Area Market Share by Payer, Acute Psychiatric Care, 2008**

| Facility  | Total         | Medi Cal      | Medicare      | Private       | Self Pay      | Other         |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Mission Community Hospital - Panorama Campus</b> | <b>15.3%</b>  | <b>25.6%</b>  | <b>21.5%</b>  | <b>3.2%</b>   | <b>8.6%</b>   | <b>5.5%</b>   |
| Tarzana Treatment Center                            | 8.4%          | 0.0%          | 0.0%          | 10.8%         | 7.2%          | 38.1%         |
| Northridge Hospital Medical Center                  | 8.0%          | 0.7%          | 8.4%          | 19.6%         | 7.5%          | 3.1%          |
| Hollywood Community Hospital of Van Nuys            | 7.0%          | 10.7%         | 14.2%         | 0.0%          | 0.2%          | 0.0%          |
| Pacifica Hospital of the Valley                     | 5.6%          | 12.3%         | 5.3%          | 0.4%          | 7.2%          | 0.1%          |
| LAC/Olive View - UCLA Medical Center                | 4.9%          | 5.2%          | 0.9%          | 0.5%          | 18.0%         | 14.2%         |
| BHC Alhambra Hospital                               | 4.0%          | 4.1%          | 0.8%          | 11.0%         | 0.0%          | 0.0%          |
| Antelope Valley Hospital                            | 4.0%          | 6.1%          | 4.4%          | 3.3%          | 3.2%          | 0.5%          |
| Glendale Adventist Medical Center                   | 3.8%          | 2.4%          | 7.1%          | 3.7%          | 4.7%          | 0.1%          |
| Aurora Las Encinas Hospital, LLC                    | 2.6%          | 2.7%          | 1.8%          | 4.1%          | 5.2%          | 0.1%          |
| Henry Mayo Newhall Memorial Hospital                | 2.5%          | 2.3%          | 2.3%          | 3.8%          | 5.5%          | 0.1%          |
| Kaiser Foundation- Mental Health Center             | 2.5%          | 0.4%          | 1.7%          | 7.6%          | 2.3%          | 0.1%          |
| Del Amo Hospital                                    | 2.4%          | 4.3%          | 0.7%          | 3.8%          | 0.2%          | 0.1%          |
| Los Angeles Metropolitan Medical Center             | 1.9%          | 2.5%          | 4.2%          | 0.0%          | 0.0%          | 0.0%          |
| Encino Hospital Medical Center                      | 0.8%          | 0.1%          | 2.6%          | 0.4%          | 0.0%          | 0.1%          |
| Joyce Eisenberg Keefer Medical Center               | 0.3%          | 0.0%          | 1.1%          | 0.1%          | 0.0%          | 0.1%          |
| Sherman Oaks Hospital & Health Center               | 0.2%          | 0.1%          | 0.2%          | 0.3%          | 0.8%          | 0.0%          |
| Other Hospitals                                     | 25.7%         | 20.5%         | 22.6%         | 27.2%         | 29.5%         | 38.0%         |
| <b>Total</b>  | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| <b>Total Discharges</b>                             | <b>11,582</b> | <b>3,389</b>  | <b>3,146</b>  | <b>2,766</b>  | <b>654</b>    | <b>1,627</b>  |
| <b>% of Total Discharges</b>                        | <b>100.0%</b> | <b>29.3%</b>  | <b>27.2%</b>  | <b>23.9%</b>  | <b>5.6%</b>   | <b>14.0%</b>  |

Source: OSHPD Patient Discharge Database, 2008.



- In 2008, the Hospital's overall market share for inpatient psychiatric care was over 20 percent for Medi-Cal and Medicare patients. These two payer categories represented 56 percent of all acute psychiatric discharges in the Hospital's service area.

### **Market Share by Major Diagnostic Category**

**Table 27** shows hospital market shares by major diagnostic category for 2008. The table analyzes discharges from the combined inpatient medical/surgical PSA and SSA.

- The Hospital's overall market share was 4 percent, ranking 9<sup>th</sup> in the service area for all services.
- At 20 percent, the Hospital was the market share leader for only one (Mental Diseases and Disorders) of the major diagnostic categories.
- At 8 percent, the Hospital ranked 2<sup>nd</sup> for Alcohol/Drug Use or Induced Mental Disorders at 8 percent; LAC/Olive View-UCLA Medical Center was the market share leader in this category.

**Table 27: Service Area Market Share by Major Diagnostic Category, 2008**

| Description  | Total Discharges | Valley Presbyterian Hospital | Providence Holy Cross Medical Center | Northridge Hospital Medical Center | LAC/Olive View Medical Center | Kaiser Foundation Hospital Panorama City | Providence Saint Joseph Medical Center | Kaiser Foundation Hospital Woodland Hills | Providence Tarzana Medical Center | Pacifica Hospital of the Valley | West Hills Hospital & Medical Center | Mission Community Hospital Panorama Campus | Sherman Oaks Hospital & Health Center | Encino Hospital Medical Center | Other Hospitals |
|--|------------------|------------------------------|--------------------------------------|------------------------------------|-------------------------------|--|--|---|-----------------------------------|---------------------------------|--------------------------------------|--|---------------------------------------|--------------------------------|-----------------|
| Pre-MDC  | 450              | 3%                           | 11%                                  | 11%                                | 4%                            | 5%                                       | 4%                                     | 5%  | 4%                                | 2%                              | 3%                                   | 3%   | 2%                                    | 1%                             | 43%             |
| Nervous System   | 5,881            | 7%                           | 13%                                  | 12%                                | 7%                            | 6%                                       | 6%                                     | 6%  | 4%                                | 3%                              | 3%                                   | 3%   | 4%                                    | 1%                             | 25%             |
| Eye  | 222              | 6%                           | 8%                                   | 9%                                 | 23%                           | 10%                                      | 2%                                     | 3%  | 2%                                | 1%                              | 0%                                   | 3%   | 1%                                    | 0%                             | 33%             |
| Ear, Nose, Mouth And Throat                                | 1,243            | 8%                           | 8%                                   | 12%                                | 15%                           | 8%                                       | 5%                                     | 2%  | 4%                                | 3%                              | 2%                                   | 3%   | 2%                                    | 1%                             | 28%             |
| Respiratory System   | 9,364            | 12%                          | 10%                                  | 12%                                | 7%                            | 9%                                       | 5%                                     | 4%  | 6%                                | 4%                              | 4%                                   | 5%   | 3%                                    | 2%                             | 17%             |
| Circulatory System   | 15,214           | 9%                           | 13%                                  | 11%                                | 10%                           | 7%                                       | 7%                                     | 4%  | 5%                                | 2%                              | 3%                                   | 5%   | 2%                                    | 1%                             | 21%             |
| Digestive System   | 9,679            | 10%                          | 12%                                  | 10%                                | 9%                            | 10%                                      | 6%                                     | 6%  | 5%                                | 3%                              | 3%                                   | 3%   | 2%                                    | 1%                             | 18%             |
| Hepatobiliary System And Pancreas                          | 3,908            | 10%                          | 12%                                  | 11%                                | 16%                           | 8%                                       | 6%                                     | 4%  | 3%                                | 3%                              | 3%                                   | 3%   | 2%                                    | 1%                             | 18%             |
| Musculoskeletal System And Connective Tissue               | 7,567            | 8%                           | 10%                                  | 11%                                | 3%                            | 7%                                       | 6%                                     | 6%  | 2%                                | 1%                              | 4%                                   | 2%   | 2%                                    | 2%                             | 35%             |
| Skin, Subcutaneous Tissue And Breast                       | 2,829            | 10%                          | 11%                                  | 11%                                | 14%                           | 6%                                       | 5%                                     | 4%  | 5%                                | 2%                              | 3%                                   | 3%   | 2%                                    | 2%                             | 20%             |
| Endocrine, Nutritional And Metabolic System                | 3,376            | 6%                           | 9%                                   | 10%                                | 13%                           | 9%                                       | 7%                                     | 4%  | 5%                                | 4%                              | 3%                                   | 5%   | 2%                                    | 1%                             | 21%             |
| Kidney And Urinary Tract                                   | 4,809            | 10%                          | 11%                                  | 10%                                | 11%                           | 9%                                       | 5%                                     | 5%  | 5%                                | 2%                              | 4%                                   | 6%   | 2%                                    | 2%                             | 19%             |
| Male Reproductive System                                   | 697              | 4%                           | 13%                                  | 9%                                 | 8%                            | 13%                                      | 5%                                     | 7%  | 6%                                | 1%                              | 2%                                   | 1%   | 0%                                    | 0%                             | 30%             |
| Female Reproductive System                                 | 2,408            | 8%                           | 12%                                  | 11%                                | 13%                           | 10%                                      | 9%                                     | 4%  | 5%                                | 2%                              | 5%                                   | 1%   | 0%                                    | 0%                             | 20%             |
| Pregnancy, Childbirth And Puerperium                       | 19,042           | 28%                          | 12%                                  | 13%                                | 5%                            | 7%                                       | 9%                                     | 4%  | 4%                                | 5%                              | 3%                                   | 0%   | 0%                                    | 0%                             | 12%             |
| Newborn And Other Neonates (Perinatal Period)              | 17,666           | 28%                          | 12%                                  | 13%                                | 4%                            | 7%                                       | 9%                                     | 4%  | 4%                                | 5%                              | 3%                                   | 0%   | 0%                                    | 0%                             | 12%             |
| Blood and Blood Forming Organs and Immunological Disorders | 1,385            | 9%                           | 11%                                  | 7%                                 | 13%                           | 5%                                       | 6%                                     | 5%  | 5%                                | 3%                              | 2%                                   | 6%   | 3%                                    | 2%                             | 24%             |
| Myeloproliferative DDs (Poorly Differentiated Neoplasms)   | 1,082            | 4%                           | 6%                                   | 7%                                 | 17%                           | 4%                                       | 6%                                     | 4%  | 3%                                | 8%                              | 3%                                   | 1%   | 0%                                    | 0%                             | 37%             |
| Infectious and Parasitic DDs                               | 3,899            | 10%                          | 9%                                   | 11%                                | 7%                            | 6%                                       | 3%                                     | 10%                                       | 5%                                | 2%                              | 5%                                   | 6%   | 8%                                    | 3%                             | 15%             |
| Mental Diseases and Disorders                              | 6,779            | 0%                           | 0%                                   | 10%                                | 5%                            | 0%                                       | 0%                                     | 0%  | 0%                                | 8%                              | 0%                                   | 20%  | 0%                                    | 1%                             | 54%             |
| Alcohol/Drug Use or Induced Mental Disorders               | 1,537            | 1%                           | 2%                                   | 7%                                 | 9%                            | 3%                                       | 1%                                     | 2%  | 0%                                | 1%                              | 1%                                   | 8%   | 1%                                    | 0%                             | 64%             |
| Injuries, Poison And Toxic Effect of Drugs                 | 1,282            | 7%                           | 11%                                  | 16%                                | 8%                            | 9%                                       | 4%                                     | 5%  | 4%                                | 4%                              | 3%                                   | 4%   | 3%                                    | 1%                             | 21%             |
| Burns  | 108              | 1%                           | 2%                                   | 2%                                 | 1%                            | 0%                                       | 0%                                     | 1%  | 1%                                | 0%                              | 0%                                   | 1%   | 69%                                   | 0%                             | 22%             |
| Factors Influencing Health Status                          | 1,559            | 6%                           | 14%                                  | 10%                                | 3%                            | 4%                                       | 9%                                     | 3%  | 1%                                | 4%                              | 0%                                   | 2%   | 1%                                    | 2%                             | 41%             |
| Multiple Significant Trauma                                | 224              | 2%                           | 35%                                  | 16%                                | 1%                            | 3%                                       | 2%                                     | 3%  | 0%                                | 0%                              | 0%                                   | 0%   | 0%                                    | 0%                             | 37%             |
| Human Immunodeficiency Virus Infection                     | 257              | 11%                          | 8%                                   | 3%                                 | 28%                           | 5%                                       | 6%                                     | 2%  | 0%                                | 2%                              | 1%                                   | 4%   | 1%                                    | 0%                             | 28%             |
| Other  | 548              | 6%                           | 10%                                  | 10%                                | 9%                            | 7%                                       | 8%                                     | 3%  | 7%                                | 2%                              | 4%                                   | 2%   | 1%                                    | 1%                             | 30%             |
| <b>Total</b>   | <b>123,015</b>   | <b>14%</b>                   | <b>11%</b>                           | <b>11%</b>                         | <b>8%</b>                     | <b>7%</b>                                | <b>6%</b>                              | <b>4%</b>                                 | <b>4%</b>                         | <b>4%</b>                       | <b>3%</b>                            | <b>4%</b>                                  | <b>2%</b>                             | <b>1%</b>                      | <b>22%</b>      |

Source: OSHPD Patient Discharge Database, 2008.

### ***Comparative Service Matrix***

The 13 hospitals in located within a 10 mile radius of Mission Community Hospital offer a wide range of programs and services. **Table 28** compares the services provided by area hospitals to those services provided at Mission Community Hospital. Comparatively few hospitals in the area provide psychiatric services.

**Table 28: 2008 Hospital Services Comparison**

|  | Mission Community Hospital | Encino Tarzana Regional Medical Center | Kaiser Foundation Hospitals Panorama | Kaiser Foundation Hospitals Woodland Hills | Los Angeles County Olive View UCLA Medical Center | Northridge Hospital Medical Center | Pacifica Hospital of the Valley | Providence Holy Cross Medical Center | Providence Saint Joseph Medical Center | Sherman Oaks Hospital and Healthcare Center | Valley Presbyterian Hospital | West Hills Hospital and Medical Center | Providence Tarzana Medical Center |
|--|----------------------------|--|--------------------------------------|--|---|------------------------------------|---------------------------------|--------------------------------------|--|---|------------------------------|--|-----------------------------------|
| <b>ER</b>                              |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Emergency Observation Service          | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Emergency Room Service                 | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      | ◇   | ◇                            | ◇                                      | ◇                                 |
| Orthopedic Emergency Services          | ◇                          |  | ◇                                    | ◇  |   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      |                                   |
| Psychiatric Emergency Services         | ◇                          |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               |                                      |  |   |                              |  |                                   |
| <b>ICU</b>                             |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Burn                                   |                            |  |                                      |  |   |                                    |                                 |                                      |  | ◇   |                              |  |                                   |
| Coronary                               | ◇                          |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Medical                                | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Neonatal                               |                            |  | ◇                                    | ◇  | ◇   | ◇                                  |                                 |                                      | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Pediatric                              |                            |  | ◇                                    | ◇  |   | ◇                                  | ◇                               |                                      |  |   | ◇                            |  | ◇                                 |
| <b>SURGICAL/THERAPEUTIC</b>            |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Heart Surgery                          |                            |  |                                      |  |   | ◇                                  |                                 | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Open Heart Surgery                     |                            |  |                                      |  |   | ◇                                  |                                 | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Cardiac Catheterization                |                            |  |                                      |  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      |                                   |
| Electrocardiology                      | ◇                          |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      |                                   |
| General Surgery                        | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Geriatric                              | ◇                          |  | ◇                                    | ◇  | ◇   |                                    |                                 | ◇                                    | ◇                                      |   | ◇                            |  |                                   |
| Hemodialysis                           | ◇                          |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               |                                      |  |   |                              | ◇                                      |                                   |
| Medical                                | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Neonatal                               |                            |  | ◇                                    | ◇  | ◇   | ◇                                  |                                 | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Nuclear Medicine                       | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  |                                 | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Oncology                               |                            |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Orthopedic                             | ◇                          | ◇                                      | ◇                                    | ◇  |   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Pediatric                              | ◇                          |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            |  | ◇                                 |
| <b>PSYCHIATRIC SERVICES</b>            |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Psychiatric Acute- Adult               | ◇                          | ◇                                      |                                      |  | ◇   | ◇                                  | ◇                               |                                      |  |   |                              |  |                                   |
| Psychiatric - Adolescent and Child     |                            |  |                                      |  | ◇   | ◇                                  |                                 |                                      |  |   |                              |  |                                   |
| Psychiatric Intensive (Isolation) Care | ◇                          |  |                                      |  | ◇   | ◇                                  |                                 |                                      |  |   |                              |  |                                   |
| Psychiatric Long-Term Care             |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Electroconvulsive Therapy (Shock)      |                            |  |                                      |  |   | ◇                                  |                                 |                                      |  |   |                              |  |                                   |
| Milieu Therapy                         | ◇                          |  |                                      |  |   |                                    | ◇                               |                                      |  |   |                              |  |                                   |
| Night Care                             | ◇                          |  |                                      |  |   | ◇                                  |                                 |                                      |  |   |                              |  |                                   |
| Psychiatric Therapy                    | ◇                          |  |                                      | ◇  | ◇   | ◇                                  | ◇                               |                                      |  |   |                              |  |                                   |
| Psychopharmacological Therapy          | ◇                          |  |                                      | ◇  | ◇   | ◇                                  | ◇                               |                                      |  |   |                              |  |                                   |
| <b>IMAGING</b>                         |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Computed Tomography                    | ◇                          | ◇                                      | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      |   | ◇                            | ◇                                      | ◇                                 |
| Magnetic Resonance Imaging             |                            |  | ◇                                    | ◇  | ◇   | ◇                                  | ◇                               | ◇                                    | ◇                                      | ◇   |                              | ◇                                      |                                   |
| <b>LONG-TERM CARE</b>                  |                            |  |                                      |  |   |                                    |                                 |                                      |  |   |                              |  |                                   |
| Transitional Inpatient Care (SNF Beds) |                            |  |                                      |  |   |                                    |                                 | ◇                                    |  |   |                              |  |                                   |

Source: OSHPD Annual Financial Disclosure Report, 2008.

## Service Availability by Bed Type

The tables on the following pages analyze existing hospital bed capacity, occupancy, and availability for those services provided by the Hospital: medical/surgical, critical care, psychiatric, and emergency services.

### Medical/Surgical Beds

In 2008, the 13 hospitals located within 10 miles of Mission Community Hospital contained 1,844 licensed medical/surgical beds and reported 103,053 inpatient discharges. Sixty-seven percent of the medical/surgical beds in these hospitals were occupied, ranging from 52 percent at West Hills Hospital & Medical Center to 94 percent at Providence Holy Cross Medical Center. MCH reported 54 percent occupancy in 2008 (**Table 29**).

**Table 29: Service Area Medical/Surgical Services, 2008**

| Facility  | Driving Distance from MCH | Licensed Beds | Discharges     | Patient Days   | Average Daily Census | Occupancy  |
|---|---------------------------|---------------|----------------|----------------|----------------------|------------|
| <b>Mission Community Hospital - Panorama Campus</b> | -                         | <b>75</b>     | <b>3,731</b>   | <b>14,779</b>  | <b>40.5</b>          | <b>54%</b> |
| Kaiser Foundation Hospital - Panorama City          | 1.9                       | 128           | 10,764         | 32,830         | 89.9                 | 67%        |
| Valley Presbyterian Hospital                        | 2.8                       | 188           | 8,449          | 37,011         | 101.4                | 54%        |
| Pacifica Hospital of the Valley                     | 4.5                       | 48            | 2,244          | 7,532          | 20.6                 | 43%        |
| Northridge Hospital Medical Center                  | 4.7                       | 218           | 10,530         | 47,167         | 129.2                | 59%        |
| Sherman Oaks Hospital & Health Center               | 4.9                       | 66            | 4,471          | 14,211         | 38.9                 | 59%        |
| Providence Holy Cross Medical Center                | 5.6                       | 150           | 10,456         | 51,648         | 141.5                | 94%        |
| Encino Hospital Medical Center                      | 7.3                       | 62            | 2,758          | 12,070         | 33.1                 | 56%        |
| Providence Tarzana Medical Center                   | 9.6                       | 150           | 9,698          | 49,424         | 135.4                | 90%        |
| LAC/Olive View - UCLA Medical Center                | 10.8                      | 170           | 10,946         | 43,977         | 120.5                | 71%        |
| Providence Saint Joseph Medical Center              | 11.3                      | 237           | 12,386         | 66,771         | 182.9                | 77%        |
| West Hills Hospital & Medical Center                | 11.5                      | 161           | 6,501          | 30,539         | 83.7                 | 52%        |
| Kaiser Foundation Hospital - Woodland Hills         | 12.5                      | 191           | 10,119         | 40,841         | 111.9                | 66%        |
| <b>Total</b>  |                           | <b>1,844</b>  | <b>103,053</b> | <b>448,800</b> | <b>1,229.6</b>       | <b>67%</b> |

Source: OSHPD ALIRTS Annual Utilization Reports, 2008; Google Maps.

### Critical Care Beds (Intensive Care Unit/Coronary Care Unit)

The 13 hospitals contained 340 licensed critical care beds and reported 6,647 inpatient discharges. On average in 2008, 51 percent of the critical care beds in these 13 hospitals were occupied, ranging from 14 percent at Encino Hospital Medical Center to 92 percent at Providence Holy Cross Medical Center. Mission Community Hospital reported 65 percent occupancy of its critical care beds in 2008 (**Table 30**).

**Table 30: Service Area Critical Care Services, 2008**

| Facility  | Driving Distance from MCH | Licensed Beds | Discharges   | Patient Days  | Average Daily Census | Occupancy  |
|---|---------------------------|---------------|--------------|---------------|----------------------|------------|
| <b>Mission Community Hospital - Panorama Campus</b> | -                         | <b>10</b>     | <b>191</b>   | <b>2,396</b>  | <b>6.6</b>           | <b>65%</b> |
| Kaiser Foundation Hospital - Panorama City          | 1.9                       | 24            | 298          | 3,265         | 8.9                  | 36%        |
| Valley Presbyterian Hospital                        | 2.8                       | 30            | 594          | 5,466         | 15.0                 | 50%        |
| Pacifica Hospital of the Valley                     | 4.5                       | 7             | 162          | 1,654         | 4.5                  | 65%        |
| Northridge Hospital Medical Center                  | 4.7                       | 46            | 596          | 8,873         | 24.3                 | 53%        |
| Sherman Oaks Hospital & Health Center               | 4.9                       | 16            | 266          | 3,514         | 9.6                  | 60%        |
| Providence Holy Cross Medical Center                | 5.6                       | 24            | 1,953        | 8,098         | 22.2                 | 92%        |
| Encino Hospital Medical Center                      | 7.3                       | 22            | 55           | 1,261         | 3.5                  | 14%        |
| Providence Tarzana Medical Center                   | 9.6                       | 27            | 778          | 4,028         | 11.0                 | 41%        |
| LAC/Olive View - UCLA Medical Center                | 10.8                      | 42            | 319          | 4,778         | 13.1                 | 31%        |
| Providence Saint Joseph Medical Center              | 11.3                      | 54            | 693          | 10,269        | 28.1                 | 52%        |
| West Hills Hospital & Medical Center                | 11.5                      | 16            | 276          | 4,819         | 13.2                 | 82%        |
| Kaiser Foundation Hospital - Woodland Hills         | 12.5                      | 22            | 466          | 5,117         | 14.0                 | 64%        |
| <b>Total</b>  |                           | <b>340</b>    | <b>6,647</b> | <b>63,538</b> | <b>174.1</b>         | <b>51%</b> |

Source: OSHPD ALIRTS Annual Utilization Reports, 2008; Google Maps.

## Acute Psychiatric Beds

There are 17 hospitals that are either located in the 33 ZIP code service area for inpatient psychiatric services or that are drawing a material number of inpatients from that area. These 17 hospitals contained 1,027 licensed acute psychiatric beds and reported 32,143 inpatient discharges and 68 percent occupancy (**Table 31**).

**Table 31: Service Area Hospitals with Acute Psychiatric Services, 2008**

| Facility  | Driving Distance from MCH | Licensed Beds | Discharges    | Patient Days   | Average Daily Census | Occupancy  |
|---|---------------------------|---------------|---------------|----------------|----------------------|------------|
| <b>Mission Community Hospital - Panorama Campus</b> | -                         | <b>60</b>     | <b>3,114</b>  | <b>18,795</b>  | <b>51.5</b>          | <b>86%</b> |
| Hollywood Community Hospital of Van Nuys            | 3.7                       | 59            | 2,995         | 16,556         | 45.4                 | 77%        |
| Pacifica Hospital of the Valley                     | 4.5                       | 38            | 1,715         | 12,559         | 34.4                 | 90%        |
| Northridge Hospital Medical Center                  | 4.7                       | 40            | 1,892         | 11,089         | 30.4                 | 76%        |
| Sherman Oaks Hospital & Health Center               | 4.9                       | 19            | 0             | 0              | 0.0                  | 0%         |
| Joyce Eisenberg Keefer Medical Center               | 6.9                       | 10            | 37            | 350            | 1.0                  | 10%        |
| Encino Hospital Medical Center                      | 7.3                       | 13            | 313           | 4,194          | 11.5                 | 85%        |
| Tarzana Treatment Center                            | 7.9                       | 60            | 2,418         | 18,225         | 49.9                 | 83%        |
| LAC/Olive View - UCLA Medical Center                | 10.8                      | 80            | 886           | 11,358         | 31.1                 | 39%        |
| Henry Mayo Newhall Memorial Hospital                | 16.8                      | 23            | 1,049         | 6,110          | 16.7                 | 73%        |
| Glendale Adventist Medical Center                   | 17.3                      | 60            | 1,642         | 18,584         | 50.9                 | 85%        |
| Kaiser Foundation - Mental Health Center            | 19.4                      | 68            | 2,195         | 18,047         | 49.4                 | 73%        |
| Los Angeles Metropolitan Medical Center             | 22.6                      | 98            | 3,331         | 31,733         | 86.9                 | 89%        |
| Aurora Las Encinas Hospital, LLC                    | 26.7                      | 118           | 2,462         | 21,897         | 60.0                 | 51%        |
| BHC Alhambra Hospital                               | 30.4                      | 85            | 3,383         | 24,149         | 66.2                 | 78%        |
| Del Amo Hospital                                    | 32.7                      | 166           | 4,024         | 38,083         | 104.3                | 63%        |
| Antelope Valley Hospital                            | 52.9                      | 30            | 687           | 2,721          | 7.5                  | 25%        |
| <b>Total</b>  |                           | <b>1,027</b>  | <b>32,143</b> | <b>254,450</b> | <b>697.1</b>         | <b>68%</b> |

Source: OSHPD ALIRTS Annual Utilization Reports, 2008; Google Maps.

## **Emergency Department (ED”) Volume at Hospitals in the Service Area**

The Hospital has 9 licensed ED stations and reported 15,931 visits in 2008. There are 7 other EDs within a 5 mile radius of the Hospital, and another 5 located between 5 and 10 miles away from the Hospital.

According to OSHPD, the 13 hospitals located within a 10-mile radius of Mission Community Hospital contain 239 ED stations and reported 441,332 visits in 2008. Of those visits, 25 percent were considered “severe.” On average, 18 percent of ED patients were admitted.

At the Hospital, 49 percent of ED patients were considered severe. On average, 25 percent of ED patients at the Hospital were admitted (**Table 32**).

## **Emergency Department Capacity**

The American College of Emergency Physicians estimates ED capacity of by using a benchmark of 2,000 visits per treatment station per year. Using this benchmark, the Hospital’s ED operated at 89 percent capacity in 2008.

Based on this benchmark, in 2008 the 13 hospitals within a 10 mile radius operated at 92 percent capacity (**Table 33**).

**Table 32: Emergency Department Visits by Category, 2008**

| Facility  | Driving Distance from MCH | ER Level | Stations   | Visits         |               |                |                |                       |                    | Admitted      | Hours on Diversion Per Month |
|---|---------------------------|----------|------------|----------------|---------------|----------------|----------------|-----------------------|--------------------|---------------|------------------------------|
|   |                           |          |            | Total          | Minor         | Low/Moderate   | Moderate       | Severe without Threat | Severe with Threat |               |                              |
| <b>Mission Community Hospital - Panorama Campus</b> | -                         | Basic    | 9          | 15,931         | 917           | 2,464          | 4,679          | 2,942                 | 4,929              | 3,930         | 375                          |
| Kaiser Foundation Hospital - Panorama City          | 1.9                       | Basic    | 24         | 38,091         | 559           | 12,647         | 24,064         | 762                   | 59                 | 5,834         | 2,415                        |
| Valley Presbyterian Hospital                        | 2.8                       | Basic    | 24         | 45,717         | 13,323        | 15,619         | 7,675          | 5,677                 | 3,423              | 6,188         | 113                          |
| Pacifica Hospital of the Valley                     | 4.5                       | Basic    | 7          | 15,742         | 757           | 1,714          | 9,039          | 2,472                 | 1,760              | 2,102         | 1,286                        |
| Northridge Hospital Medical Center                  | 4.7                       | Basic    | 29         | 47,022         | 4,687         | 11,904         | 16,620         | 11,592                | 2,219              | 9,804         | 2,068                        |
| Sherman Oaks Hospital & Health Center               | 4.9                       | Basic    | 7          | 19,412         | 142           | 2,212          | 6,493          | 3,714                 | 6,851              | 4,630         | 126                          |
| Providence Holy Cross Medical Center                | 5.6                       | Basic    | 31         | 59,550         | 8,602         | 12,966         | 21,518         | 14,343                | 2,121              | 8,812         | 2,091                        |
| Encino Hospital Medical Center                      | 7.3                       | Basic    | 8          | 10,774         | 1,087         | 2,025          | 4,517          | 1,198                 | 1,947              | 3,052         | 321                          |
| Providence Tarzana Medical Center                   | 9.6                       | Basic    | 15         | 27,842         | 2,129         | 8,365          | 7,552          | 6,887                 | 2,909              | 5,709         | 557                          |
| LAC/Olive View - UCLA Medical Center                | 10.8                      | Basic    | 15         | 42,421         | 865           | 10,959         | 26,897         | 3,415                 | 285                | 9,114         | 2,349                        |
| Providence Saint Joseph Medical Center              | 11.3                      | Basic    | 29         | 51,115         | 11,378        | 9,548          | 12,224         | 9,036                 | 8,929              | 9,660         | 954                          |
| West Hills Hospital & Medical Center                | 11.5                      | Basic    | 14         | 32,331         | 13,093        | 8,793          | 4,720          | 3,205                 | 2,520              | 5,039         | 823                          |
| Kaiser Foundation Hospital - Woodland Hills         | 12.5                      | Basic    | 27         | 35,384         | 420           | 9,853          | 18,490         | 6,518                 | 103                | 5,260         | 1,132                        |
| <b>Total</b>  |                           |          | <b>239</b> | <b>441,332</b> | <b>57,959</b> | <b>109,069</b> | <b>164,488</b> | <b>71,761</b>         | <b>38,055</b>      | <b>79,134</b> | <b>14,610</b>                |

Source: OSHPD ALIRTS Annual Utilization Report, 2008; Google Maps.

**Table 33: Emergency Department Capacity, 2008**

| Facility  | Driving Distance from MCH | ER Level | Stations   | Total          | Approximate Capacity Visits* | Operating Capacity | Remaining Capacity |
|---|---------------------------|----------|------------|----------------|------------------------------|--------------------|--------------------|
|   |                           |          |            |                |                              |                    |                    |
| <b>Mission Community Hospital - Panorama Campus</b> | -                         | Basic    | 9          | 15,931         | 18,000                       | 89%                | 2,069              |
| Kaiser Foundation Hospital - Panorama City          | 1.9                       | Basic    | 24         | 38,091         | 48,000                       | 79%                | 9,909              |
| Valley Presbyterian Hospital                        | 2.8                       | Basic    | 24         | 45,717         | 48,000                       | 95%                | 2,283              |
| Pacifica Hospital of the Valley                     | 4.5                       | Basic    | 7          | 15,742         | 14,000                       | 112%               | -1,742             |
| Northridge Hospital Medical Center                  | 4.7                       | Basic    | 29         | 47,022         | 58,000                       | 81%                | 10,978             |
| Sherman Oaks Hospital & Health Center               | 4.9                       | Basic    | 7          | 19,412         | 14,000                       | 139%               | -5,412             |
| Providence Holy Cross Medical Center                | 5.6                       | Basic    | 31         | 59,550         | 62,000                       | 96%                | 2,450              |
| Encino Hospital Medical Center                      | 7.3                       | Basic    | 8          | 10,774         | 16,000                       | 67%                | 5,226              |
| Providence Tarzana Medical Center                   | 9.6                       | Basic    | 15         | 27,842         | 30,000                       | 93%                | 2,158              |
| LAC/Olive View - UCLA Medical Center                | 10.8                      | Basic    | 15         | 42,421         | 30,000                       | 141%               | -12,421            |
| Providence Saint Joseph Medical Center              | 11.3                      | Basic    | 29         | 51,115         | 58,000                       | 88%                | 6,885              |
| West Hills Hospital & Medical Center                | 11.5                      | Basic    | 14         | 32,331         | 28,000                       | 115%               | -4,331             |
| Kaiser Foundation Hospital - Woodland Hills         | 12.5                      | Basic    | 27         | 35,384         | 54,000                       | 66%                | 18,616             |
| <b>Total</b>  |                           |          | <b>239</b> | <b>441,332</b> | <b>478,000</b>               | <b>92%</b>         | <b>36,668</b>      |

Source: OSHPD ALIRTS Annual Utilization Report, 2008; Google Maps.

\* Approximate Capacity Visits are estimated based on 2,000 visits per treatment station per year.



## **Surrounding Facility Impact Analysis**

The County of Los Angeles' Department of Health Services Emergency Medical Services Agency analyzed the impact that the closing of the Hospital's ED might have on surrounding facilities. According to that study, the number of patients per treatment bay within a 5 miles radius would increase by 6 percent if the Hospital's ED closed; the increase would be 4 percent at emergency departments within a 10 mile radius (**Table 34**).

In 2008 and within a 10 mile radius of the Hospital, the Hospital's ED represented 3 percent of beds, 5 percent of EMS 911 transports, and 4 percent of total ED visits.

**Table 34: EMS Agency Surrounding Facility Impact Analysis, 2008**

| Facility                             | ED Beds    | Percent of Total ED Beds | Licensed Critical Care Beds (ICU/CCU) | 2008 911 Transports | Percent of Total 911 Transports | Averaged Monthly ED Visits | 2008 Reported Annual ED Visits | Percent of Total ED Visits | Patients Seen per ED Bed |
|--------------------------------------|------------|--------------------------|---------------------------------------|---------------------|---------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------|
| Providence Holy Cross Medical Center | 33         | 12%                      | 24                                    | 6,754               | 10%                             | 5,262                      | 63,146                         | 14%                        | 1,914                    |
| Providence St. Joseph Medical Center | 29         | 11%                      | 38                                    | 9,720               | 14%                             | 4,730                      | 56,759                         | 13%                        | 1,957                    |
| Valley Presbyterian Hospital         | 25         | 9%                       | 30                                    | 6,915               | 10%                             | 4,017                      | 48,202                         | 11%                        | 1,928                    |
| Northridge Hospital Medical Center   | 30         | 11%                      | 46                                    | 7,895               | 11%                             | 3,919                      | 47,022                         | 10%                        | 1,567                    |
| LAC Olive View Medical Center        | 23         | 9%                       | 42                                    | 2,450               | 3%                              | 3,482                      | 41,784                         | 9%                         | 1,817                    |
| Kaiser Foundation-Panorama City      | 34         | 10%                      | 30                                    | 5,501               | 7%                              | 2,657                      | 31,883                         | 8%                         | 938                      |
| Kaiser Foundation - Woodland Hills   | 27         | 13%                      | 22                                    | 5,018               | 8%                              | 3,113                      | 37,352                         | 7%                         | 1,383                    |
| West Hills Hospital Medical Center   | 16         | 7%                       | 16                                    | 5,644               | 8%                              | 2,684                      | 32,210                         | 7%                         | 1,695                    |
| Providence Tarzana Medical Center    | 15         | 6%                       | 27                                    | 4,607               | 7%                              | 2,346                      | 28,148                         | 6%                         | 1,877                    |
| Sherman Oaks Hospital                | 7          | 3%                       | 16                                    | 5,895               | 8%                              | 2,043                      | 24,513                         | 5%                         | 3,502                    |
| <b>Mission Community Hospital</b>    | <b>9</b>   | <b>3%</b>                | <b>10</b>                             | <b>3,658</b>        | <b>5%</b>                       | <b>1,343</b>               | <b>16,118</b>                  | <b>4%</b>                  | <b>1,791</b>             |
| Pacifica Hospital of the Valley      | 7          | 3%                       | 7                                     | 4,042               | 6%                              | 1,144                      | 13,722                         | 3%                         | 1,960                    |
| Encino Hospital Medical Center       | 8          | 3%                       | 15                                    | 2,004               | 3%                              | 898                        | 10,775                         | 2%                         | 1,347                    |
| <b>Total</b>                         | <b>263</b> | <b>100%</b>              | <b>323</b>                            | <b>70,103</b>       | <b>100%</b>                     | <b>37,638</b>              | <b>451,634</b>                 | <b>100%</b>                | <b>23,676</b>            |

Source: County of Los Angeles Department of Health Services Emergency Medical Services Agency, 2008.

## **Summary of Community Interviews**

In July and August 2010, in-person and telephone interviews were conducted with physicians, community members, and representatives from the Hospital and Deanco. The purpose of the interviews was to gather information regarding potential impacts on healthcare availability or accessibility as a result of the proposed transaction. The major findings from the interviews are summarized below.

### ***Reasons for the Transaction***

MCH's management, MCH's Board Members, and community representatives consistently cited the following reasons for the transaction:

- Deteriorating financial conditions at the Hospital and inability to access or generate capital to invest in facilities, equipment, or program development;
- Risk that without a transaction, the community would lose access to needed services, in particular the Hospital's ED, inpatient and outpatient psychiatric services, charity care, and community benefit services; and
- Weaknesses at other area hospitals that increase the importance of maintaining services at the Hospital.

### ***Acquisition by Deanco Healthcare LLC***

Community members expressed few opinions regarding the acquisition by Deanco Healthcare LLC. Interviewees were thankful that the MCH's Board could find a partner and thus avoid closing the hospital. Community members expressed hope that current services would continue, that new services would be added, and that the Hospital would continue serving low-income consumers with the inability to pay for such services.

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

Interviewees, including representatives from Los Angeles County DMH and EMS, stressed the importance of the Hospital's services to meeting both local and regional needs.

- Regarding psychiatric programs, the Hospital serves as a major provider within the DMH system of care. Over time, the number of LPS-designated hospitals and beds has been declining, increasing the importance of available capacity. The Hospital accepts overflow patients from Olive View, which recently reduced its bed capacity. The Hospital's day treatment program provides needed services for adults and seniors as they manage mental illness on an outpatient basis.
- Regarding the ED, interviewees recognized the relatively small size of the Hospital's services, but they stressed that any loss of capacity would present real challenges to other area hospitals. The ED meets urgent care needs for area residents and is a primary access

point to inpatient medical/surgical services for the many patients with government (Medicare and Medi-Cal) insurance and those who are uninsured.

- Interviewees also appreciate the community benefit services that MCH provides at the San Fernando Campus, as they address other important needs, such as providing access to dental care and facilitating efforts to prevent and manage diabetes.

## **Potential Issues Associated with the Availability of Accessibility of Healthcare Services**

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

Deanco has indicated its intent to “preserve Mission Community Hospital as an independent, community-based Hospital center with community-based outreach.” Under section 7.7(b) in the Asset Purchase Agreement, Deanco is required to continue to operate the Hospital as a general acute care hospital under Health and Safety Code section 1250 for 5 years.

### ***Transaction Structure and Performance Benchmarks***

The Consulting Agreement includes bonus payments that depend on the Hospital achieving measurable improvements in profitability. The Management Services Agreement requires Deanco to provide capital after the Hospital’s financial performance improves by a specified amount. The closing date for the Asset Purchase Agreement can occur prior to September 30, 2013 if the Hospital generates a specified amount of EBITDA.

These benchmarks provide strong incentives for Deanco to report that financial targets have been reached. Accurate measurement of Deanco’s performance to targets is dependent on accurate financial reporting.

### ***Acute Psychiatric Services***

Maintaining current levels of acute inpatient and outpatient psychiatric care at the Hospital is vital to Los Angeles County Department of Mental Health and to the community. Under section 7.7(b) of the Asset Purchase Agreement, Deanco is required to continue to provide inpatient acute psychiatric services at the Hospital for 5 years.

### ***Emergency Department Services***

Continuation of the ED at the Hospital is critical to community needs. While it accounts for a relatively small proportion of total area ED visits and paramedic/ambulance transports, the services are a primary access point for the Hospital’s inpatient services and provide needed ambulatory care for area residents. The ED also is under contract with Los Angeles County to play a needed disaster recovery role.

Currently, the space occupied by the ED does not meet SB 1953 seismic requirements. A HAZUS 2010 Waiver has been submitted to OSHPD. If it is not granted, capital investment will be required to continue operating the ED in its current location. Under section 7.7(b) of the Asset Purchase Agreement, Deanco is required to continue to provide emergency services at the Hospital for 5 years.

### ***Critical Care Services***

The Critical Care Services provide a range of medical/surgical inpatient needs, and are a vital resource for maintaining the current level of ED services at the Hospital.

### ***Medical Detoxification Services***

The Hospital provides acute medical detoxification services through a six-bed inpatient program of supervised substance dependence detoxification for adults experiencing acute withdrawal syndromes from substances including alcohol, barbiturates, cocaine, and opiates. Continuing this program may be important to the community as no competing hospital offers “Chemical Dependency – Detox” services.

### ***Access to Care for Medi-Cal and Medicare Patients***

The Hospital has an unusually high proportion of discharges reimbursed by Medicare and Medi-Cal. Overall, Medicare comprised 47 percent of the Hospital’s discharges and Medi-Cal another 41 percent in 2008. The number of Medi-Cal patients in the Hospital’s service area is likely to increase as a result of recently enacted Federal health care reforms.

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

Many uninsured and underinsured individuals in the community rely on MCH for care. MCH has developed and maintained charity care policies under which low-income patients qualify for full or partial discounts. MCH has provided charity care pursuant to charity care policies that have been updated in 2003, 2008, and most recently in April 2010.

MCH also has been providing a “low-income discount” to certain uninsured consumers. These discounts have been written off as “courtesy discounts” rather than as charity care. Amounts associated with these discounts for patients who qualify based on household means should be considered charity.

Under section 7.7(a) of the Asset Purchase Agreement, Deanco is required to continue to utilize the same or a similar charity care policy and to provide charity care for five years after the closing. The amount is based upon an aggregate average of the charity care costs for the preceding three fiscal years and will be increased based upon the Consumer Price Index.

### ***Effects on Community Benefit Services***

MCH provides community benefit services at its San Fernando Campus. These services include a dental teaching clinic, diabetes prevention and treatment services, veterans’ wellness programs, and services focused on safe and healthy environments. Although certain programs generate patient revenues, they rely significantly on financial support from MCH, foundations, and other grantors. Foundations may not continue funding these programs after the transfer of assets, when they may be operated by Deanco, a for-profit entity.

Under section 2.1(g) of the Asset Purchase Agreement and with the City of San Fernando's approval, Deanco has agreed to assume the lease at the San Fernando Campus that is in effect until July 31, 2018 with an option to extend it to 2027.

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

Deanco has indicated that it intends to employ substantially all MCH employees (on staff at the date of the transfer of assets) and will compensate employees based on terms then in effect. Under section 7.4(a) of the Asset Purchase Agreement, Deanco will offer to all of the Hospital's current employees' salaries and benefits consistent with the terms at closing.

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

Deanco has indicated that it intends to retain physicians who are members of the Hospital's medical staff on the date the transfer of assets occurs and recruit additional physicians to the Hospital's medical staff. Under section 7.2 of the Asset Purchase Agreement, Deanco will retain all current members of the Hospital medical staff as of closing.

### ***Alternatives***

Beginning in 2007, the MCH Board considered a wide range of strategic alternatives designed to achieve several objectives. These included continued operation of the Hospital as a general acute care hospital providing the full range of services currently provided by the Hospital, obtaining access to capital, improving the Hospital's financial performance, and continuing to provide charity care and community benefit services. Through the process of seeking a potential partner, evaluating letters of intent, and conducting due diligence, MCH considered numerous alternatives to the proposed transaction.

The transaction as currently structured provides the MCH's Board with continuity of the current management team and the ability to assure that the proposed partner is able to achieve objectives before the transfer of assets can occur.

## **Conclusions**

Overall, the proposed transaction is likely to continue the availability and accessibility of health care services in the community served. It is anticipated that access for Medicare, Medi-Cal, and uninsured patients will remain unchanged. Furthermore, Deanco's required capital investment in the North Tower and plan to improve MCH's financial performance both before and after the transfer of ownership occurs could lead to an expansion and/or improvement of facilities, infrastructure and certain services.

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

As a result of the analysis, if the Attorney General approves the proposed transaction, Verité recommends the following conditions be required in order to minimize any potential negative health impact that might result from the transaction

- 1) MCH should continue to operate the Hospital as a general acute care hospital until the date of the transfer of assets to Deanco regardless of seismic retrofit requirements. Deanco should continue to operate the Hospital as a general acute care hospital for a period extending to at least five years from the date of the transfer of MCH's assets.
- 2) Until the date of the transfer of MCH's assets, MCH should maintain 24-hour emergency medical services at current licensure (9 treatment stations), types and levels of services. Deanco should continue to maintain emergency services at current licensure (9 treatment stations), types, and levels of service for a period extending to at least five years from the close of the transfer of MCH's assets.
- 3) Prior to the transfer of MCH's assets, MCH should maintain the following current licensure, types and levels of services:
  - a. Critical Care (ICU/CCU) services, including a minimum of 10 beds.
  - b. Inpatient psychiatric services, including a minimum of 60 inpatient beds and provision of services to involuntary patients.
  - c. Outpatient psychiatric services, including day treatment services and a Psychiatric Evaluation Team ("PET") that evaluates patients in the Emergency Department and off-campus.
  - d. Medical detoxification services, including a minimum of 5 beds.
  - e. Emergency Department services, including a minimum of 9 stations/treatment bays and the Hospital's role in disaster recovery.



- 4) For five years from the close of transfer of MCH's assets, Deanco should maintain the following current licensure, types and levels of services for at least five years:
  - a. Critical Care (ICU/CCU) services, including a minimum of 10 beds.
  - b. Inpatient psychiatric services, including a minimum of 60 inpatient beds and provision of services to involuntary patients.
  - c. Outpatient psychiatric services, including day treatment services and a Psychiatric Evaluation Team ("PET") that evaluates patients in the Emergency Department and off-campus.
  - d. Medical detoxification services, including a minimum of 5 beds.
  - e. Emergency Department services, including a minimum of 9 stations/treatment bays and the Hospital's role in disaster recovery.
- 5) MCH and Deanco should provide at least one year's notice to Los Angeles County regarding any intent to materially change or discontinue the Hospital's behavioral health or ED services, including any intent to no longer contract with Los Angeles County for any such services.
- 6) Prior to the transfer of MCH's assets, MCH should:
  - a. Maintain the Hospital's certification to participate in the Medi-Cal program for as long as MCH operates the Hospital and provides emergency services;
  - b. Maintain a CMAC contract to provide the same types and levels of emergency and non-emergency services at the Hospital to Medi-Cal beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions; and
  - c. Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) at the Hospital as required in these Conditions.
- 7) For five years from the close of transfer of MCH's assets, Deanco should:
  - a. Maintain the Hospital's certification to participate in the Medi-Cal program for as long as it operates the Hospital and provides emergency services;
  - b. Maintain a CMAC contract to provide the same types and levels of emergency and non-emergency services at the Hospital to Medi-Cal beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions; and
  - c. Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services to Medicare beneficiaries (both

Traditional Medicare and Medicare Managed Care) at the Hospital as required in these Conditions.

- 8) Prior to the transfer of MCH's assets, MCH should maintain the certification of the Hospital's psychiatric program as an "LPS" (Lanterman-Petris-Short) facility so that the Hospital can admit patients with acute psychiatric needs on an involuntary basis under Welfare and Institutions Code section 5150.
- 9) For five years from the close of transfer of MCH's assets, Deanco should maintain the certification of the Hospital's psychiatric program as an "LPS" (Lanterman-Petris-Short) facility so that the Hospital can admit patients with acute psychiatric needs on an involuntary basis under Welfare and Institutions Code section 5150.
- 10) Prior to the transfer of MCH's assets, MCH should continue to participate in the below listed County of Los Angeles' contracts. For at least five-years from the close of the transfer of MCH's assets, Deanco should continue to participate in the below listed County of Los Angeles' contracts.
  - a. PDP contract for overflow psychiatric patients from one or more County Hospitals;
  - b. Los Angeles County Department of Mental Health;
  - c. Medical Services for the Indigents Program;
  - d. Designated emergency services;
  - e. Emergency preparedness and response to disasters and bioterrorism services; and
  - f. Transfer agreement for public health community clinics.
- 11) Prior to the transfer of MCH's assets, MCH should maintain the Hospital's charity care and collections policies and should provide an annual amount of Charity Care (as defined below) at MCH equal to or greater than \$2,819,594 (the "Minimum Charity Care Amount"). For purposes hereof, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by MCH in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as that used by the California Office of Statewide Health Planning and Development (OSHPD) for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles. The amount of any annual shortfall in charity care should be contributed to a nonprofit public benefit corporation that provides medical patient care to residents in the service area.
- 12) For a period extending to at least five years from the close of the transfer of MCH's assets, Deanco should maintain the Hospital's charity care and collections policies. For a period extending to at least five years from the close of the transfer of MCH assets, Deanco should provide an annual amount of Charity Care (as defined below) at the Hospital equal to or

greater than the “Minimum Charity Care Amount” required by MCH at the close of the transfer of MCH’s assets. For purposes hereof, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Buyer in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “cost” shall be the same as that used by the California Office of Statewide Health Planning and Development (OSHDP) for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles. The amount of any annual shortfall in charity care should be contributed to a nonprofit public benefit corporation that provides medical patient care to residents in the service area.

- 13) Prior to the transfer of MCH’s assets to Deanco, MCH should transfer responsibility for the community benefit services and programs operated at the San Fernando Campus to a nonprofit public benefit corporation that would be eligible to receive grant funds from foundations and other organizations that support such services. After the transfer of MCH’s assets to Deanco, Deanco should assume the role of tenant for the San Fernando Campus and provide access to that campus rent-free to the nonprofit public benefit corporation.
- 14) Prior to the transfer of MCH’s assets, MCH should continue to expend an average of a minimum of \$350,000 annually in community benefit services (inclusive of in-kind services). This amount should be increased annually based on the Consumer Price Index for Los Angeles. For a period extending to at least five years from the close of the transfer of MCH’s assets, Deanco should continue to expend an average of a minimum of \$350,000 annually in community benefit services (inclusive of in-kind services) for at least five years. This amount should be increased annually based on the Consumer Price Index for Los Angeles.
- 15) Prior to the transfer of MCH’s assets, MCH should maintain academic affiliations that allow the current compliment of students to participate in clinical rotations at the Hospital. For a period extending to at least 5 years from the close of the transfer of MCH’s assets, Deanco should maintain academic affiliations that allow the current compliment of students to participate in clinical rotations at the Hospital.
- 16) MCH’s Board should obtain independent audits to validate that performance incentives specified under the Consulting Agreement and Management Services Agreement have been achieved, prior to paying bonuses to Deanco and/or prior to triggering the establishment of a closing date for the transfer of assets based on reported EBITDA amounts.
- 17) MCH’s Board should assure that Cal-Mortgage and other State agencies approve the Management Services Agreement before it becomes effective.
- 18) Immediately after the transfer of MCH’s assets, Deanco should appoint a Hospital Community Board to be responsible for medical staff credentialing, quality assurance, and

accreditation of the Hospital, and assure that this Board reviews and approves any reports submitted to the Attorney General regarding compliance with these conditions.

- 19) Any waiver of the terms set forth in the five agreements by MCH's Board must be set forth in a written resolution by the Board that contains the basis for the waiver. Such a resolution must be provided to the Attorney General at least 30 days before the effective date of the waiver.

### ***Recommended Action***

If the Attorney General approves the proposed transaction, Verité Healthcare Consulting, LLC recommends that the preceding conditions be required in order to minimize any potential negative health impact that may result from the transaction.

License: 930000101  
Effective: 11/20/2009  
Expires: 11/19/2010  
Licensed Capacity: 145

**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*

**San Fernando Community Hospital**

to operate and maintain the following General Acute Care Hospital

**MISSION COMMUNITY HOSPITAL - PANORAMA CAMPUS**

14850 ROSCOE BLVD.  
PANORAMA CITY, CA 91402

**Bed Classifications/Services**

85 General Acute Care  
5 Coronary Care  
5 Intensive Care  
75 Unspecified General Acute Care

**Other Approved Services**

Basic Emergency  
Nuclear Medicine  
Outpatient Services at 14860 ROSCOE  
BLVD., PANORAMA CITY  
Physical Therapy  
Respiratory Care Services  
Social Services

**MISSION COMMUNITY HOSPITAL-PANORAMA CAMPUS-D/P APH**  
14850 ROSCOE BLVD  
PANORAMA CITY, CA 91402

**Bed Classifications/Services**

60 Acute Psychiatric

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

Mark B. Horton, MD, MSPH

DIRECTOR

Eric Stone

Eric Stone, REHS

(AUTHORIZED REP.)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and  
Certification, L.A. County Acute & Ancillary Unit, 5555 Ferguson Drive, 3rd Floor, Commerce, CA 90022,  
(323)869-8207

POST IN A PROMINENT PLACE