Effects of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC on the Availability and Accessibility of Healthcare Services to the Communities Served by Seton Medical Center

Prepared for the Office of the California Attorney General -

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INTRODUCTION & PURPOSE -

MDS Consulting, a VHA business (MDS) was retained to prepare reports for the Office of the California Attorney General on the Daughters of Charity Health System, including each of the system's five hospital corporations and their related health facilities. This report evaluates the potential impact of the proposed System Restructuring and Support Agreement (System Agreement) between Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC, on the availability and accessibility of healthcare services to the communities served by Seton Medical Center. Seton Medical Center, a nonprofit religious corporation (Seton), operates Seton Medical Center, a general acute care hospital located in Daly City, California (the Hospital).

Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation (Ministry), is the sole corporate member of Daughters of Charity Health System, a California nonprofit religious corporation (Daughters). Daughters is the sole corporate member of five California nonprofit religious corporations, including the Hospital, O'Connor Hospital, St. Francis Medical Center, St. Vincent Medical Center, and Saint Louise Regional Hospital (collectively, the Hospital Corporations).

The Hospital Corporations are licensed to operate five general acute care hospitals including the Hospital, which shares a consolidated licensed with Seton Coastside, St. Francis Medical Center, St. Vincent Medical Center, Saint Louise Regional Hospital, and O'Connor Hospital (collectively, the Health Facilities).

Each of the Hospital Corporations is the sole corporate member of a California nonprofit public benefit corporation that handles its fundraising and grant-making programs: St. Francis Medical Center Foundation, St. Vincent Foundation, Seton Medical Center Foundation, Saint Louise Regional Hospital Foundation, and O'Connor Hospital Foundation (collectively, the Philanthropic Foundations). Seton is the sole corporate member of Seton Medical Center Foundation (Seton Foundation).[1]

Daughters has requested the California Attorney General's consent to enter into a System Restructuring and Support Agreement with Certain Funds Managed by BlueMountain Capital Management, LLC, a Delaware limited liability company (BlueMountain)[2], and Integrity Healthcare, LLC, a Delaware limited liability company (Integrity), whereby Integrity will manage

[1] In reference to St. Vincent Foundation and St. Francis Foundation, the System Agreement names St. Vincent Medical Center Foundation and St. Francis Medical Center of Lynwood in its inclusive definition of the "Philanthropic Foundations"; however, St. Vincent Foundation and St. Francis Foundation are the names under which they were incorporated.

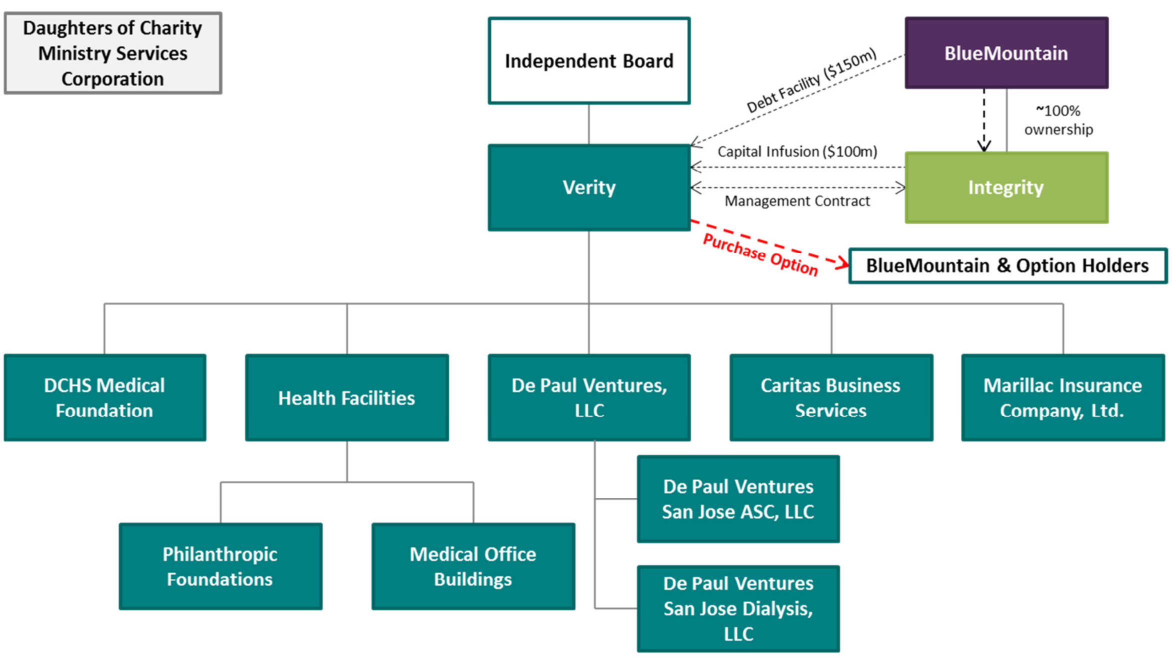
[2] Certain Funds Managed by BlueMountain involved in this transaction include the following entitites: BlueMountain Guadalupe Peak Fund L.P., BlueMountain Summit Opportunities Fund II (US) L.P., BlueMountain Montenvers Master Fund SCA SICA V-SIF, BlueMountain Foinaven Master Fund L.P., BlueMountain Logan Opportunities Master Fund L.P., BlueMeridian Capital, LLC, and BMSB L.P., a Delaware limited partnership.

the operations of the Health Facilities under the oversight of a new independent board of directors, and Certain Funds Managed by BlueMountain will provide capital to support the financial and capital needs of Daughters (see the organizational chart below). The System Agreement includes purchase options for BlueMountain and the Certain Funds Managed by BlueMountain to buy all assets of Daughters and its affiliated entities.

Daughters is a multi-institutional Catholic health system that is sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West. The table below shows Daughters' current governance structure for the Hospital Corporations and Daughters' Affiliates[3].

DAUGHTERS GOVERNANCE STRUCTURE		
Included Corporations in the System Agreement	Current Corporate Structure	Description
Daughters	California nonprofit religious corporation	Sole corporate member of five California nonprofit religious corporations
O'Connor Hospital	Nonprofit religious corporation	Operates a general acute care hospital, O'Connor Hospital
Saint Louise Regional Hospital	Nonprofit religious corporation	Operates a general acute care hospital, Saint Louise Regional Hospital, and De Paul Urgent Care Center
Seton Medical Center	Nonprofit religious corporation	Operates a general acute care hospital, Seton Medical Center, and Seton Medical Center Coastside, a skilled nursing facility
St. Francis Medical Center	Nonprofit religious corporation	Operates a general acute care hospital, St. Francis Medical Center
St. Vincent Medical Center	Nonprofit religious corporation	Operates a general acute care hospital, St. Vincent Medical Center
DCHS Medical Foundation	California nonprofit religious corporation	Group of physicians that provide primary and specialty care
Caritas Business Services	Nonprofit religious corporation	Provides support services for Daughters and hospital corporations. Daughters is the sole Class A member
St. Vincent Dialysis Center, Inc.	California nonprofit religious corporation	Speciality clinic licensed for provision of dialysis services
Philanthropic Foundations	California nonprofit religious corporation	Charitable foundations that support community benefit programs and capital expenditures
St. Vincent De Paul Ethics Corporation	California nonprofit religious corporation	Does not hold any assets
Marillac Insurance Company, Ltd.	Caymans entity	Captive insurance company to self-insure for professional and general liability exposures. Daughters is the sole shareholder
De Paul Ventures, LLC	California limited liability company	Created for the purpose of investing in a freestanding surgery center and other healthcare entities. Daughters is the sole member

Upon closing of the proposed transaction and the conversion of Daughters into Verity Health System of California, Inc., a non-member, nonprofit public benefit corporation (Verity), Daughters of Charity of St. Vincent de Paul, Province of the West, will cease its Catholic Sponsorship of Daughters, as shown in the post-transaction organizational chart below.



[3] Daughters' Affiliates refers to the following: the Health Facilities, DCHS Medical Foundation, Caritas Business Services, St. Vincent Dialysis Center, Inc., the Philanthropic Foundations, St. Vincent de Paul Ethics Corporation, Marillac Insurance Company, Ltd., and DePaul Ventures, LLC.

MDS performed the following in its preparation: -

- A review of the application submitted by Daughters to the California Attorney General on July 31, 2015, and supplemental information and documents subsequently provided by Daughters and the Health Facilities;

- A review of press releases and news articles related to this and other hospital transactions;

- Interviews with community representatives, representatives of the Hospital's medical staff, management, and employees, Seton's Board of Directors (Seton's Board), Daughters' Board of Directors (Daughters' Board), Daughters' representatives, health plan representatives, and others listed in the Appendices;

- An analysis of financial, utilization, and service information provided by Daughters, the Hospital's management, and the California Office of Statewide Health Planning and Development (OSHPD); and

- An analysis of publicly available data and reports regarding the Hospital's service area including:

    - Demographic characteristics and trends;
    - Payer mix;
    - Hospital utilization rates and trends;
    - Health status indicators; and
    - Hospital market share.

Reasons for the Transaction

As set forth in Daughters' statement of reasons outlining why the Daughters' Board believes the proposed transaction is either necessary or desirable, Daughters' Board indicated the following:

- The current structure and sponsorship of Daughters and the Health Facilities are no longer plausible as a result of cash flow projections and dire financial conditions;

- In July and August of 2014, Daughters obtained a short-term financing bridge loan in the amount of $125 million to mitigate the immediate cash needs for an estimated period of time long enough to allow for the transaction to close. Repayment of the funds is due on December 15, 2015, at which time if the full amount is not repaid, Daughters will be at risk of defaulting on both the 2014 and 2005 Revenue Bonds[4]; and

- Without bankruptcy protection or additional financial support, Daughters could not continue hospital operations if there is a default.

Transaction Process and Objectives

The primary objective stated by Daughters for the proposed transaction is to ensure a sustainable future for the Health Facilities and the other related entities. In order to accomplish this goal, Daughters' Board engaged Houlihan Lokey Capital, Inc. (Houlihan Lokey)[5] , an investment banking firm with experience in healthcare mergers and acquisitions, in February 2014 to conduct a comprehensive offering of the Health Facilities. Daughters' Board specified the following guiding principles for the change of control:

- Protect the pensions of current employees, retired employees, and their beneficiaries;

- Repay major business partners, such as bondholders and vendors;

- Honor and assume the Collective Bargaining Agreements (CBAs)[6] held by the Hospital Corporations; and

- Obtain commitments to capital investments in the Health Facilities, and commitments to the continued provision of acute care services and indigent care, as well as to the

[4] The bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A, F, G, and H (2005 Bonds) and Series 2014A, B, and C (2014 Bonds).
[5] Houlihan Lokey is a trade name for Houlihan Lokey, Inc. and its subsidiaries and affiliates, including Houlihan Lokey Capital, Inc., an SEC-registered broker-dealer and member of Financial Industry Regulatory Authority and Securities Investor Protection Corporation.
[6] A Collective Bargaining Agreement is an agreement between employers and employees aimed at regulating working conditions.

continued participation in the Medi-Cal and Medicare programs, for the communities served by the Health Facilities.

Houlihan Lokey identified and contacted a total of 133 parties. The group of potential bidders included Catholic healthcare organizations, nonprofit strategic buyers, government-related healthcare institutions, for-profit hospital operators, private equity funds, management teams with relevant experience, and investors specializing in healthcare-related real estate. After introductory conversations, 72 parties expressed interest.

Bids were solicited for individual hospitals, groups of hospitals, medical office buildings/facilities, as well as for Daughters' full system. The first round, in March 2014, included 29 bids: 11 bids for the full system, 14 bids for individual (or groups of) hospitals, and four bids for the medical office buildings. The second round, in May 2014, included 15 bids: eight bids for the full system and seven bids for the individual (or groups of) hospitals. As stated in the minutes from Daughters' Board meeting in May 2014, Daughters decided to focus efforts on buyers interested in a full system transaction as they felt there was not a combination of bids for individual (or groups of) hospitals to form a comprehensive solution. In Daughters' application to the Office of the California Attorney General, the following reasons were cited for focusing efforts on full-system offers:

- None of the bidders interested in individual hospitals and/or groups of hospitals were prepared to assume Daughters' pension obligations;

- Attempting to execute multiple transactions could expose Daughters to the risk of transaction failure if all agreements were not executed simultaneously;

- If there was any transaction failure, there would be a withdrawal liability on the - Multiemployer Pension Plan[7] of approximately $200 million; and -

- A number of bidders for the full system indicated willingness to satisfy all of Daughters' obligations, whereas the aggregate value provided by the individual hospital bids would not satisfy all of Daughters' obligations.

[7] Daughters' Multiemployer Pension Plan is a defined benefit pension plan that is subject to the Employee Retirement Income Security Act of 1974 (ERISA), and these benefits are insured by the Pension Benefit Guaranty Corporation in accordance with ERISA. The Multiemployer Pension Plan includes the Stationary Engineers Local 39 Pension Plan and the Retirement Plan for Hospital Employees. The Retirement Plan for Hospital Employees is the pension plan in which the employees of the Hospital, Seton Medical Center, Seton Medical Center Coastside, Saint Louise Regional Hospital, and Caritas Business Services participate. Its benefit accruals have been frozen with respect to many Daughters' employees.

In September 2014, the final round of negotiations commenced and involved four offers for the full health system[8].

The following table summarizes the submitted bids received by Daughters throughout the three rounds of the bidding process:

SUMMARY OF BIDDING PROCESS: 2014				
		Bids for Daughters Entities:		
		Full System	Individual (or groups of) Hospitals	Medical Office Buildings/ Facilities
First Round March 2014 29 Bids	Catholic Healthcare Organizations	-	2	-
	Nonprofit / Government Related Institutions	1	4	-
	For-Profit Hospital Operator	5	5	-
	Private Equity Fund / Management Team	5	1	-
	Healthcare Related Real Estate Investor*	-	2	4
	Total:	**11**	**14**	**4**
Second Round May 2014 15 Bids	Catholic Healthcare Organizations	-	2	-
	Nonprofit / Government Related Institutions	-	2	-
	For-Profit Hospital Operator	4	2	-
	Private Equity Fund / Management Team	4	1	-
	Healthcare Related Real Estate Investor*	-	-	-
	Total:	**8**	**7**	**-**
Final Round September 2014 6 Bids	Catholic Healthcare Organizations	-	-	-
	Nonprofit / Government Related Institutions	-	-	-
	For-Profit Hospital Operator	4	-	-
	Private Equity Fund / Management Team	2	-	-
	Healthcare Related Real Estate Investor*	-	-	-
	Total:	**6**	**-**	**-**

Source: Daughters
* Includes skilled nursing facilities, real estate investment trusts, and others

Daughters' Board applied eleven criteria to evaluate the final four proposals:

- Post-closing healthcare services: Bidder's commitment and ability to sustain healthcare services in the communities served by the Health Facilities following the close of the transaction;

- Treatment of pension obligations: Bidder's treatment of Daughters' employee pension obligations, the level of future funding assurance provided to the pension beneficiaries, and the financial means of the bidder to fully fund future pension obligations;

- Treatment of CBAs: Bidder's willingness to assume the current CBAs;

[8] Two late-stage full-system bidders did not submit final bids. One was unable to raise the necessary capital in order to submit a timely bid, and the other revised its valuation of the transaction and was unable to provide a financially competitive proposal.

- Operational and transactional experience: Bidder's prior experience and success in turning around distressed hospitals and breadth of experience in owning and operating acute care facilities, particularly within California;

- Historical service quality: Evaluation of the bidder's relative performance on quality measures for its California-based operations (if applicable), including relative patient safety, practice of evidence-based care, readmission rates, mortality rates, and patient satisfaction scores in comparison to Daughters, the national average, and the other final bidders;

- Financial wherewithal: Bidder's financial strength, measured in terms of cash and other assets, and its potential access to additional capital for Daughters' cash requirements at closing and post-closing;

- Capital commitment: Bidder's willingness to invest in the Health Facilities following the closing of the transaction;

- Need for bankruptcy: The likelihood of the bidder to require bankruptcy proceedings in order to reduce liabilities as a condition of closing;

- Valuation: Distributable value of the offer, calculated as the sum of the estimated cash consideration paid at closing, plus the face value of the short- and long-term liabilities;

- Closing risk: Potential risk of not being willing or able to close due to financing contingencies, regulatory issues, or other barriers, including a strong consideration of the bidder's potential to fund a meaningful good-faith deposit; and

- Timeline: Bidder's ability to meet the necessary strict timeframe for closing in light of Daughters' deteriorating working capital.

After consideration of these eleven criteria, on October 3, 2014, Daughters' Board selected the offer proposed by Prime Healthcare Services, Inc. and Prime Healthcare Foundation, Inc. (collectively, Prime). Daughters' Board believed Prime's proposal satisfied the selection criteria and that no other proposal demonstrated similar strength. Daughters' Board stated that Prime was the only candidate that was able to fully fund the employee pensions and who made the commitment for all of the capital required to close the transaction. Additionally, Daughters' Board believed that Prime's offer materially exceeded the other offers, and provided a higher level of assurance, relative to the other bidders, in terms of Prime's balance sheet, experience in operations, depth of existing operations to support the Health Facilities, and access to capital in order to ensure that the assumed liabilities were honored in the long-term.

In January 2015, the Office of the California Attorney General held six public meetings to receive comments on the proposed change in governance and control of each of the Health Facilities. On February 20, 2015, the California Attorney General conditionally consented to the proposed change in governance and control of Daughters. However, on March 9, 2015, Prime terminated its transaction agreement with Daughters.

Shortly thereafter, Daughters' Board authorized the immediate commencement of a new comprehensive offering to evaluate new potential sale alternatives. These marketing efforts, led again by Houlihan Lokey, were undertaken with the intent to continue hospital operations, preserve access to healthcare services and jobs, and satisfy pension and creditor obligations.

Houlihan Lokey identified and contacted a total of 86 parties. The group of potential bidders included Catholic healthcare organizations, nonprofit buyers, government-related healthcare institutions, for-profit strategic buyers, private equity funds, management teams with relevant experience, and investors specializing in healthcare-related real estate. After preliminary discussions, 76 parties expressed interest and received confidential information about Daughters after signing confidentiality agreements.

In April 2015, the first round of the bidding process included 14 bids: five for the full system, six for individual (or groups of) hospitals, and three for management agreement transactions. After evaluating the first round bids, Daughters' Board decided to focus efforts on bids for the full system as they were deemed to be the most viable option to address the objectives of the transaction. In Daughters' application to the Office of the California Attorney General, the following reasons were cited for focusing efforts on full-system offers:

- None of the bidders interested in individual hospitals or multiple hospitals were - prepared to assume the pension obligations in full; -
- Attempting to execute multiple transactions could expose Daughters to the risk of transaction failure if all agreements were not executed simultaneously;
- Certain bidders would require a bankruptcy proceeding in order to move forward with the transaction; and
- A number of bidders for the full system indicated willingness to satisfy all of Daughters' obligations, whereas the aggregate value provided by the individual hospital bids would not satisfy all of Daughters' obligations.

The deadline for the final round bids was in June 2015 and included four bids[9]: one bid for a full system acquisition and three bids for a management agreement transaction with an option to purchase.

Daughters' Board applied the same eleven criteria used during the first selection process (described previously on pages 10 and 11) to evaluate the final four proposals.

On July 14, 2015, Daughters' Board selected the offer submitted by BlueMountain as it was believed to be the proposal that best satisfied the selection criteria and met many of the fundamental objectives of the transaction.

Timeline of the Transaction

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

- February 2005 – 2005 Bonds are issued in the amount of $364 million to refinance existing debt and fund future capital expenditures[10];

- November 2008 – 2008 Bonds[11] are issued in the amount of $143.7 million to refinance existing debt;

- February 24, 2012 – Daughters executes a memorandum of understanding with - Ascension Health Alliance as a precursor to system integration discussions; -

- June 20, 2012 – Daughters and Ascension Health Alliance effect an amendment to the memorandum of understanding;

- December 2012 – Daughters and Ascension Health Alliance execute an affiliation agreement that did not involve a transfer of assets or liabilities or a change of control. Rather, Daughters and the Hospital Corporations became participants in various purchasing programs of Ascension Health and obtained access to other Ascension Health support services;

- March 15, 2013 – Daughters solicits offers for O'Connor Hospital and Saint Louise Regional Hospital, and sends out a request for proposal and confidential descriptive memorandum to 15 potential partners, of which five submit indications of interest;

[9] Two additional parties submitted unsolicited indications of interest in late June 2015, neither of which referenced - a capital commitment. -

[10] This amount is gross of an estimated $26 million in the debt service reserved funds that will be used to defease - the 2005 Bonds. -

[11] The 2008 Bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of - Charity Health System) Series 2008A Bonds that include a debt service reserve fund of $13.7 million. -

- August 5, 2013 – Daughters solicits offers for the Hospital and Seton Medical Center Coastside, and sends out a request for proposal and confidential descriptive memorandum to eight organizations, of which three submit indications of interest;

- October 2013 – 2008 Bonds retire[12];

- January 2014 – Daughters indicates that it will remain independent from Ascension Health Alliance and is no longer pursuing a merger;

- January 2014 – Daughters announces the initiation of its process to evaluate strategic alternatives for the entire system;

- February 2014 – Request for Proposal process is initiated by contacting over 133 health systems and other potential buyers who potentially could have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;

- February 2014 – Prime, along with 71 other potential buyers, sign confidentiality agreements and receive a confidential information memorandum summarizing key facts about Daughters and its related entities;

- March 21, 2014 – Daughters receives 29 bids by the first round deadline;

- May 30, 2014 – Daughters' Board decides to focus efforts on full system bidders, as it had been determined that no combination of proposals to purchase individual facilities would provide an adequate solution to Daughters' pressing financial situation;

- July 30, 2014 – Daughters secures $110 million in short-term "bridge financing" in order to access working capital to continue operations through the sale process (2014 Bonds, Series A & B);

- August 27, 2014 – Daughters secures an additional $15 million under the 2014 Bonds (Series C);

- September 12, 2014 – Daughters receives four final proposals;

- October 3, 2014 – Daughters' Board passes a resolution to authorize the execution of the Definitive Agreement between Daughters, Ministry, and Prime, and recommends the approval of the transaction to Ministry's Board of Directors (Ministry's Board);

[12] In October 2013, Daughters of Charity Foundation, an organization separate and independent from Daughters, made a restricted donation of $130 million for the benefit of Daughters by depositing sufficient funds with the bond trustee to redeem the $143.7 million principal amount of the 2008 Bonds.

- October 9, 2014 – Seton's Board passes a resolution to authorize any necessary or advisable amendments to the Articles of Incorporation and Bylaws of Seton and Seton Foundation, and recommends approval of the transaction to Ministry's Board;

- October 9, 2014 – Ministry's Board passes a resolution to authorize the amendment of Daughters' articles of incorporation and bylaws as necessary to effect the transaction and authorizes the execution of the Definitive Agreement between Daughters, Ministry, and Prime;

- October 10, 2014 – Ministry and Daughters enter into the Definitive Agreement with Prime;

- October 23, 2014 – Ministry and Daughters enter into Amendment No. 1 to Definitive Agreement with Prime;

- October 24, 2014 – "Notice of Submission and Request for Consent" is submitted by Daughters to the California Attorney General;

- January 2015 – The California Attorney General holds six public meetings, two in Southern California and four in Northern California, to receive comments on the proposed change in governance and control of each of the Health Facilities;

- February 11, 2015 – RET Development Company, LLC is formed as a limited liability company and filed with the Secretary of State of the State of Delaware[13];

- February 20, 2015 – The California Attorney General conditionally consents to the proposed change in governance and control of Daughters;

- March 9, 2015 – Prime terminates its transaction agreement with Daughters;

- March 2015 – Request for Proposal process is initiated by contacting 86 potential buyers who could possibly have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;

- March 2015 – BlueMountain, along with 75 other parties, sign confidentiality agreements and receive a confidential information memorandum supplemental update summarizing important information about Daughters and its related entities;

- April 15, 2015 – Daughters receives 14 first round bids, including one from BlueMountain;

[13] RET Development Company, LLC is the original name under which Integrity Healthcare, LLC was filed with the Secretary of State of the State of Delaware.

- April & May 2015 – Daughters' Board reviews current active bids and determines that full system bids are the most viable option to address Daughters' transaction objectives;

- May 2015 – Houlihan Lokey sends final bid letters to parties still pursuing full system offers;

- May 22, 2015 – BlueMountain submits an amended first round bid to Daughters;

- May 29, 2015 – Loeb & Loeb, LLP, on behalf of Daughters, requests a determination letter from the IRS to recognize the Hospital Corporations, Caritas Business Services, DCHS Medical Foundation, and St. Vincent Dialysis Center, Inc. as 501(c)(3) tax-exempt entities[14]

- June 29, 2015 – Daughters receives four final proposals by the deadline, including one from BlueMountain;

- July 14, 2015 –Daughters' Board reviews the final proposals and passes a resolution to authorize the execution of the System Agreement between Daughters, Ministry, BlueMountain, and Integrity, and recommends the approval of the transaction to Ministry's Board of Directors (Ministry's Board);

- July 15, 2015 – Seton's Board passes a resolution to authorize the execution of the System Agreement between Ministry, Daughters, BlueMountain, and Integrity;

- July 15, 2015 – Ministry's Board passes a resolution to authorize the amendment of Daughters' articles of incorporation and bylaws as necessary to effect the transaction and authorizes the execution of the System Agreement between Ministry, Daughters, BlueMountain, and Integrity;

- July 16, 2015 – Under the Amended and Restated Limited Liability Company Agreement of Integrity Healthcare, LLC, RET Development Company, LLC is renamed to Integrity Healthcare, LLC;

- July 17, 2015 – Ministry and Daughters enter into the System Agreement with BlueMountain and Integrity;

- July 31, 2015 – "Notice of Submission and Request for Consent" is submitted by Daughters to the Office of the California Attorney General; and

- September 2015 - Ministry and Daughters enter into Amendment No. 1 to System Restructuring and Support Agreement with BlueMountain and Integrity.

[14] Daughters has not yet received a response from the IRS for its request for a 501(c)(3) group exemption ruling. Once a response is received from the IRS, it will be forwarded to the Office of the California Attorney General.

Summary of Agreements

The System Agreement, originally dated July 17, 2015, and amended in September 2015, was entered into by and between Ministry, Daughters, Certain Funds Managed by BlueMountain, and Integrity. Under the terms of the System Agreement, Daughters shall enter into a number of supplemental agreements, either concurrent with the execution of the System Agreement, or subsequent to the closing of the transaction. Each of the supplemental agreements is included as separate exhibits to the System Agreement.

The supplemental agreements, as stated under the terms of the System Agreement, are listed as follows:

- Exhibit A – Transitional Consulting Services Agreement;
- Exhibit B – Health System Management Agreement (the Management Agreement);
- Exhibit C – Debt Facility Commitment Letter;
- Exhibit D – Purchase Option Agreements, including:
    - Operating Asset Purchase Option Agreement; and
    - Real Estate Purchase Option Agreement.
- Exhibit E – Information Technology Lease Agreement (the IT Agreement);
- Exhibit F – Deposit Escrow Agreement;
- Exhibit G – Mitigation Plans; and
- Exhibit H – Performance Improvement Plan.

System Restructuring and Support Agreement

The System Agreement contains the following major provisions:

- Ministry, as the sole corporate member of Daughters, shall cause Daughters to approve and adopt amended and restated articles of incorporation and bylaws, as may be necessary in order to implement the System Agreement, and to effectuate the following post-closing changes:
    - The name of Daughters shall change to Verity Health System of California, Inc.[15]; and
    - Daughters shall be converted from a nonprofit religious corporation to a non-member, nonprofit public benefit corporation.
- The amended and restated bylaws of Daughters shall reflect the terms and conditions of the Request for Group Exemption Letter directed to the Internal Revenue Service;
- Ministry shall cause the resignation or removal of the existing directors of Daughters, and appoint new directors who will assume office upon closing of the transaction;
    - Candidates may be recommended to Ministry by Integrity and the current directors of Daughters; however, Ministry has sole and exclusive discretion, in accordance with Daughters' current bylaws, and may or may not choose to follow the candidate recommendations for appointment.
- Following the closing of the transaction, Ministry shall resign as the sole member of Daughters;
- Daughters shall cause the resignation or removal of the existing members of the Boards of Directors of the Hospital Corporations and appoint, or cause the appointment of, replacement directors;
- Daughters' Board and the Boards of Directors of the Hospital Corporations and of Daughters' Affiliates shall cause the articles of incorporation and bylaws, and or other governing documents of the Hospital Corporations and other related entities, to be amended in order to:
    - Make the changes necessary to implement the System Agreement; and

[15] Within the System Agreement, the Recitals state that Daughters' articles of incorporation and bylaws shall be amended to change the name of Daughters to Integrity Health System, Inc.; however, for clarification, as stated throughout the remainder of the System Agreement, as well as in the Daughters' amended and restated articles of incorporation and bylaws, the name of Daughters shall be changed to Verity Health System of California, Inc.

  - Reflect the terms and conditions, inclusive of the reserve powers, as stated in the Request for Group Exemption Letter that was directed to the Internal Revenue Service.

- Daughters and/or Daughters' Affiliates shall transfer the following retained assets to Ministry prior to closing:

  - Intellectual property;
  - Religious artifacts and donor-restricted assets;
  - Historical records and memorabilia;
  - Property located at 25 San Fernando in Daly City, California 94015;
  - Property located at 253 South Lake Street in Los Angeles, California 90057;
  - Lease agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and Daughters, dated October 1, 2001, for the building located at 26000 Altamont Road in Los Altos Hills, California;
  - All furniture, fixtures, and equipment at Daughters' corporate office in Los Altos Hills, other than computer and IT equipment; and
  - Accounts receivable that are payable to Daughters by Ministry and any non-affiliated entities, including:
    - GRACE, Inc.[16];
    - Daughters of Charity of St. Vincent de Paul, Province of the West; and
    - Owner of the Meals on Wheels program.

- BlueMountain and Integrity shall collectively make cash payments to Daughters at closing in the combined aggregate amount of $100,000,000 (the Contribution Funding), as consideration for the Purchase Option Agreements and IT Agreement less Escrow Deposit;

- Concurrently with the execution of the System Agreement, Integrity shall deliver a deposit in the sum of $40,000,000, as set forth under the terms within the Deposit Escrow Agreement;

  - Upon closing of the transaction, this deposit and any accrued earnings shall be applied to payment of the Contribution Funding; and
  - If the System Agreement is validly terminated due to the failure of BlueMountain or Integrity, for any reason other than a failure of Daughters to satisfy any of the considerations listed in the System Agreement, then Daughters shall be entitled to 100% of the deposit and any interest accrued in the account.

- Concurrently with the execution of the System Agreement, Daughters shall enter into a Transitional Consulting Services Agreement with Integrity in order to facilitate

[16]GRACE, Inc. is a ministry of Ministry Services of Daughters of Charity of St. Vincent de Paul that provides outreach and social services for low-income families and their children.

cooperation between the execution of the System Agreement and the closing of the transaction;

  - Transitional Consulting Services Agreement stipulates performance of the Mitigation Plans and the Performance Improvement Plan; and
  - All costs and expenses incurred by Daughters and Integrity in carrying out their respective obligations under the Performance Improvement Plan shall be paid out of the Escrow Deposit.

- In connection with the closing of the transactions contemplated under the System Agreement, Integrity and Daughters shall each execute and deliver the Management Agreement;

- Daughters, the Hospital Corporations, Daughters' Affiliates, and BlueMountain shall execute and deliver the Purchase Option Agreements;

- BlueMountain shall execute and deliver the Debt Facility Commitment Letter to Daughters, stating the commitment to provide a loan or line of credit available at closing, in the principal amount of no less than $150,000,000 (the Debt Facility)[17] , to further support the financial and capital needs of Daughters;

- At closing, Daughters shall transfer funds from the Debt Facility proceeds to Ministry, that will be retained and controlled by Ministry in a separate deposit account, in the amount equal to $11,500,000, less the amount of severance paid to Daughters' employees who cease employment following closing, and less the amount of severance pay that would have been owed to Daughters' corporate office employees who sign new written employment agreements under the new system (the Holdback Amount);

- Upon closing of the transaction, Daughters and Daughters' Affiliates shall lease, sublicense, and/or assign certain information technology infrastructure and equipment to Integrity, upon the terms and conditions stated within the IT Agreement:

  - Integrity will use the information technology infrastructure and equipment for the purpose of managing Daughters and Health Facilities after closing.

- Integrity acknowledges and agrees to the following pre-closing commitments made by Daughters under the terms of the System Agreement:

  - For at least five years following the closing, the Health Facilities shall continue to operate as general acute care hospitals, with open emergency departments,

[17] Debt Facility of $150 million excludes additional permitted draws (up to $10 million) to cover potential buyer transaction expenses.

subject to physician availability, needs of the community, and financial viability of such services;

- For at least five years following the closing, the charity care policies for the treatment of indigent patients shall be maintained at the Health Facilities similar to the policies currently in effect, or these policies will be replaced with policies of either similar or greater benefit to the community;
- For at least five years following the closing, the existing chapels at the Health Facilities shall continue to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Health Facilities;
- Employment shall continue, with comparable salaries, wages, job titles, and duties that were in place prior to closing, for substantially all employees who remain in good standing and employed by Daughters as of the closing date, including the following:
  - Unrepresented employees of the Daughters and Daughters Affiliates; and
  - Unionized employees working under CBAs.
- Integrity agrees and acknowledges that it shall adhere to the severance obligations written in the employment agreements or in the absence of any such agreement, Integrity shall adhere to Daughters' severance pay obligations for a period of twelve months following the closing;
- Verity shall reserve or expend at least $180,000,000 over the first five years following the closing in capital expenditures at the Health Facilities. The specific allocation of the expenditures shall include:
  - $40,000,000 per year in years one through three; and
  - $30,000,000 per year in years four and five.
- Verity shall ensure that the inpatient beds of Seton Medical Center will be seismically compliant as of January 1, 2020:
  - In addition, Verity will use commercially reasonable efforts to include Seton Medical Center in the Voluntary Seismic Incentive Program administered by OSHPD.[18]

- Integrity acknowledges and agrees to the following commitments regarding the pension liabilities:

  - As of the closing date, subject to necessary Daughters' Board direction and approval, Integrity shall cause Daughters to amend and convert the Defined Benefit Church Plan[19] and the Defined Contribution Church Plans[20] from non-

[18] Daughters, BlueMountain, and Integrity will make a decision regarding how best to approach seismic compliance at the Hospital/Seton Medical Center by November 1, 2015.

[19] Defined Benefit Church Plan means the Daughters retirement plan, which has been consistently treated and administered by Daughters as a non-electing church plan.

[20] Defined Contribution Church Plans means the Daughters of Charity Health System Retirement Plan Account, the Daughters of Charity Health System Supplemental Retirement Plan and the Daughters of Charity Health System Supplemental Retirement Plan.

electing church plans to employee pension benefit plans (ERISA[21]), covered by the Pension Benefit Guaranty Corporation insurance program[22]; and

  - Integrity shall facilitate Daughters taking the following actions with respect to the Multiemployer Plans to which Daughters has made contributions prior to the closing date, pursuant to the CBAs;
    - Take any actions necessary with respect to the uninterrupted continuation of Daughters' obligations to the Multiemployer Plans as required under the CBAs; and
    - Provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Internal Revenue Service Code of 1986.

- Ministry, Daughters, BlueMountain, and Integrity acknowledge and agree that following the closing of the transaction, Verity will continue to address funding shortfalls for Employee Pension Benefit Plans and Employee Welfare Benefit Plans;

- The System Agreement may be terminated prior to closing based upon, but not limited to, any of the following conditions:

  - Upon mutual written consent between Daughters, Integrity, and BlueMountain; and
  - If the closing has not occurred on or before the date which is nine months following the date the System Agreement was executed.

Transitional Consulting Services Agreement

The Transitional Consulting Services Agreement entered into on July 17, 2015, by and between Integrity, Daughters, the Hospital Corporations, and Daughters' Affiliates, includes the following major provisions:

- Integrity will provide general consulting services and operational advice to Daughters for the following purposes:

  - To assist in the implementation of the Performance Improvement Plan and Mitigation Plans; and
  - To facilitate the implementation of the Management Agreement.

- Daughters shall facilitate and accommodate the implementation of the Management Agreement by performing the following:

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[21] The Employee Retirement Income Security Act of 1974, or ERISA, protects the assets of millions of Americans so - that funds placed in retirement plans during their working lives will be there when they retire. -

[22] Congress set up the Pension Benefit Guaranty Corporation to insure defined-benefit pensions of working - Americans. It insures nearly 26,000 pension plans. -

- Providing assistance to Integrity as necessary;
- Arrange, attending, and participating in meetings, negotiations, and planning discussions; and
- Ensuring that Integrity has reasonable access to and ability to communicate and interact with Daughters.

- Daughters shall retain a Chief Restructuring Officer[23] who shall have the following responsibilities:
  - To direct and oversee the implementation of the Performance Improvement Plan and Mitigation Plans; and
  - To report to the Performance Improvement Steering Committee.

- A Performance Improvement Steering Committee shall be established, as of July 24, 2015, and will be comprised of six members of whom:
  - Three members shall be appointed by Integrity; and
  - Three members shall by appointed by Daughters' Board with input from Integrity.

- The Performance Improvement Steering Committee shall have the following responsibilities:
  - To meet on a biweekly basis;
  - To recommend capital and operating budgets for Daughters;
  - To support implementation of the Performance Improvement Plans and Mitigation Plans; and
  - To recommend performance improvement initiatives or actions proposed by the Chief Restructuring Officer to Daughters' Board.

- Daughters shall retain one or more strategic consulting firms proposed by Integrity that shall have the following duties and obligations:
  - Performing a Daughters-wide clinical, financial, and operational assessment; and
  - Recommending best practices for implementation of the Performance Improvement Plan initiatives.

[23] Per discussions with Daughters, Daughters originally retained an interim independent consultant for the Chief Restructuring Officer position. However, Daughters recently retained an outside consulting firm to perform the duties of the Chief Restructuring Officer.

Debt Facility Commitment Letter

The Debt Facility Commitment Letter dated July 17, 2015 by BlueMountain outlines the following commitments to arrange for funding and otherwise provide a Debt Facility:

- The Debt Facility shall consist of a loan in the principal amount of $150,000,000 subject to the consent of the 2005 Bonds holders in numbers sufficient to support certain modifications to the master trust indenture;

    - If the holders of the 2005 bonds consent in numbers sufficient to support a modification of the master trust indenture, the Debt Facility will have the following terms and conditions:
        - The Debt Facility will have a term of five years;
        - Interest will be payable on a monthly basis, and principal will be payable at maturity; and
        - The Debt Facility will be secured by the same collateral that secures the 2005 bonds, as well as a security position on accounts receivable and a first lien on certain real property.
    - If the holders of the 2005 bonds do not consent in numbers sufficient to support a modification of the master trust indenture, the Debt Facility will consist of revolving lines of credit; and
    - The Debt Facility funds have the following restricted uses: existing indebtness of 2014 Bonds (currently estimated at $62 million plus $625,000 of interest); Daughters' closing and other transaction costs (estimated at $15,000,000); closing costs of Integrity, BlueMountain, and the Certain Funds Managed by BlueMountain that do not exceed $10,000,000; capital expenditures; the Holdback Amount (capped at $11,500,000); and, general corporation and working capital purposes.

Deposit Escrow Agreement

The Deposit Escrow Agreement entered into as of July 17, 2015, by and among Integrity, Daughters, and Citibank National Association, includes the following major provisions:

- Integrity and Daughters shall appoint and designate Citibank National Association as the escrow agent;

- In conjunction with the execution of the System Agreement, Integrity shall deposit the sum of $40,000,000 with Citibank National Association;

- Citibank National Association shall invest and reinvest the $40,000,000 in separate accounts in accordance with the joint written direction of Integrity and Daughters;

- The $40,000,000 may be disbursed to Daughters by Citibank National Association under the following circumstances:
    - Upon closing of the transaction; and
    - If costs and expenses of Daughters arise under or in connection with the Transitional Consulting Services Agreement or the implementation of the Performance Improvement Plan prior to closing and in accordance with Article 2.5 of the System Agreement.

Purchase Option Agreements

The Purchase Option Agreements entered into by and among Daughters, the Hospital Corporations, Daughters' Affiliates, and Certain Funds Managed by BlueMountain consist of two agreements: the Operating Asset Purchase Option Agreement and the Real Estate Purchase Option Agreement, as defined below:

- The Operating Asset Purchase Option Agreement is an option to be granted by Daughters to Certain Funds Managed by BlueMountain to purchase substantially all of the assets of Daughters, whether tangible or intangible, other than real property and related fixtures, whether tangible or intangible. Attached as Exhibit A is the Operating Asset Purchase Agreement by and among Verity and its named affiliates and the purchaser that will be used if the option is exercised;

- The Real Estate Purchase Option Agreement is an option to be granted by Daughters to Certain Funds Managed by BlueMountain to purchase substantially all of the real property and related fixtures of Daughters. Attached as Exhibit A is the Real Estate Purchase Agreement by and among Verity and its named affiliates and the purchaser that will be used if the option is exercised;

- The exercise of a purchase per either the Operating Asset Purchase Option Agreement or the Real Estate Purchase Option Agreement triggers the simultaneous required exercise of a purchase per the other one;

- The purchase price for the respective assets outlined in the Operating Asset Purchase Option Agreement is the product obtained by multiplying the total amount of outstanding liabilities of Daughters as of the date of the closing under the Operating Asset Purchase Agreement by the operating asset allocation factor;

    - The underlying purchase price for the respective assets outlined in the Operating Asset Purchase Agreement is the sum of:
        - Assumed scheduled liabilities, inclusive of liabilities and obligations to any employee pension benefit plan or multiemployer plan;
        - Cash payment in the amount of remaining bond obligations;

        - A portion of all non-scheduled liabilities multiplied by the operating asset allocation factor; and
        - Cash payment for reasonable transaction costs up to 2% of the purchase price.

- The purchase price for the respective assets outlined in the Real Estate Purchase Option Agreement is the product obtained by multiplying the total amount of outstanding liabilities of Daughters as of the date of the closing under the Real Estate Purchase Option Agreement by the real estate allocation factor;

    - The underlying purchase price for the respective assets outlined in the Real Estate Purchase Option Agreement is the sum of:
        - Assumed scheduled liabilities, inclusive of liabilities and obligations to any employee pension benefit plan or multiemployer plan;
        - Cash payment in the amount of remaining bond obligations;
        - A portion of all non-scheduled liabilities multiplied by the real estate allocation factor; and
        - Cash payment for reasonable transaction costs up to 2% of the purchase price.

- A purchase per the Operating Asset Purchase Option Agreement or the Real Estate Asset Purchase Option Agreement may be exercised beginning in year three following the closing of the transaction, and may be exercised through year 15 following the closing of the transaction; and

- The Management Agreement shall terminate upon exercise of a purchase per either the Operating Asset Purchase Option Agreement or Real Estate Asset Purchase Option Agreement.

IT Agreement

The IT Agreement outlines the following:

- Integrity will provide specific services related to transitioning, transforming, and - realigning the Daughters' information technology strategy; and -

- Integrity will provide a portion of the Contribution Funding amount to Daughters at closing in exchange for the rights and benefits associated with leasing certain technology of Daughters.

Mitigation Plans

- Covenants of Daughters, as outlined in the System Agreement, include the following:
    - Implementation of the Mitigation Plans[24] from the execution date until closing;
    - Programs and services closed, destined to close, or altered, as outlined in the Mitigation Plans, include:

DAUGHTERS MITIGATION PLAN							
Hospital	Program Modifications & Contract Termination	Implementation of Modifications in DRG, Length of Stay, Admissions vs. Observations, and Patient Transfer Improvements	Reductions in Force	Other Labor Prodcutivity Improvements	Supply Expense Reductions	Purchased Service Expense Reductions	Physician Fee Reductions
O'Connor Hospital	1) Negotiate new terms with SCFHP and VHP 2) In lieu of closing, seeking NICU program flexibility 3) Outpatient: PT/OT/ST Program Changes	Yes	Yes - Management/ Overhead Reductions	1) Review Productivity, Premium Pay, and Use of Registry	Yes	Yes	Yes
Saint Louise Regional Hospital	1) Negotiate new terms with SCFHP and VHP 2) Modification: Inpatient OB	Yes - Transfer Policy	Yes - Management/ Overhead Reductions	-	Yes	Yes	Yes
Seton Medical Center/ Seton Medical Center Coastside	Closures: 1) Obstetrics 2) Saint Elizabeth Ann Seton New Life Center 3) Cardiac Rehab 4) Observation 5) Outpatient Infusion Center	Yes	Yes - Management/ Overhead Reductions	1) Review Scheduling 2) Review Productivity, Premium Pay, and Use of Registry	Yes	-	Yes
St. Francis Medical Center	-	Yes	Yes - Management/ Overhead Reductions	1) Review Productivity, Premium Pay, and Use of Registry	Yes	Yes	Yes
St. Vincent Medical Center	1) Expansion - Paramedic Receiving ED 2) Closures of Casa de Amigos 3) Closure of Asian Pacific Liver Center 4) Closure of Health Benefits Resource Center 5) Closure of Multicultural Health Awareness & Prevention Center 6) Closure of General Orthopedic Clinic	Yes	Yes - Management/ Overhead Reductions	1) Review Scheduling 2) Review Productivity, Premium Pay, and Use of Registry	Yes	-	Yes

Source: Daughters

[24] The Mitigation Plans are a set of cost-cutting, and/or revenue enhancing measures, provided by each Health Facility. The Mitigation Plans include, but are not limited to; reduction and/or closure of programs and services, and reduction in labor force.

Performance Improvement Plan

- Implementation of the Performance Improvement Plan[25], in conjunction with the implementation of the Mitigation Plans, from the effective date until closing;

- Performance Improvement Plan requirements include, but are not limited to, the - following: -

  - Establishment of a Performance Improvement Steering Committee comprised of six voting members for the purpose of recommending operating and capital budgets, supporting the implementation of the Performance Improvement Plan and Mitigation Plans, and recommending any improvement initiatives;
    - Retention of a Chief Restructuring Officer for the purpose of implementing the Performance Improvement Plan and Mitigation Plans under the direction of the Performance Improvement Steering Committee; and
    - Retention of a consulting firm experienced in healthcare operations and selected by Daughters from candidates proposed by Integrity.
  - Prior to closing, Daughters will continue to operate in good standing and not make any material change to the assets, interests or obligations, or any change in the governing documents of the Daughters Affiliates.

Health System Management Agreement

Upon closing of the System Agreement, Integrity and Daughters shall each execute and deliver the Management Agreement. Under the terms set forth in the Management Agreement, the major provisions include, but are not limited to, the following:

- Integrity acknowledges that management of Daughters will be in a manner consistent with the charitable purposes (as set forth in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended);

- Daughters designates and appoints Integrity as its sole exclusive agent to provide and assume responsibility for the management, administrative, and support services of Daughters and Daughters' Affiliates;

- Subject to budgetary limitations and personnel allocations, Integrity shall provide management services for the continuing operation of Daughters by, among other things, supervising, overseeing, and directing (including, but not limited to, the right to hire, discipline, suspend, lay off and/or terminate) Daughters' personnel;

[25] The Performance Improvement Plan is a set of requirements to be pursued during the period beginning on the Effective Date through and until the closing date.

- Integrity shall employ and provide a Chief Executive Officer, Chief Operating Officer, Director of Medical and Clinical Affairs, and a Chief Financial Officer for Daughters;
- Integrity has the exclusive right to provide such services as Daughters determines to be necessary or appropriate for the management, support, and administration of Daughters. Services include, but are not limited to, the following:
    - Financial management and accounting services;
    - Credentialing or certification activities on behalf of Daughters physicians and other licensed medical care professionals;
    - Contract negotiations with payers on behalf of Daughters;
    - Preparation of quarterly and annual operating and capital budgets for Daughters, to be reviewed and approved by the Daughters' Board;
    - Strategic planning activities of Daughters, including pursuit of joint venture partnerships, clinical affiliations, and co-management arrangements;
    - Provision of all patient care initiatives as required under regulations and standards; and
    - Timely payment and administration of all retirement plans, the multiemployer plans, and health and welfare plans.

- Integrity shall be entitled to receive fixed compensation for management services based on a fee percentage equal to 4.0% of the trailing 12 months of operating revenues[26] preceding either the Management Agreement Effective Date[27] or the System Agreement Effective Date, whichever is greater;

- The base monthly management fee increases annually based on the greater of the Consumer Price Index or zero;

- 25% of the monthly management fee is paid and the remainder is deferred if the number of days of cash on hand[28] does not exceed 15. If the number of days of cash on hand does exceed 15, 50% of the monthly management fee is paid and the remainder deferred. Management fee deferrals accrue interest at the annual rate of 2.82%;

- In year three and each year thereafter, an annual calculation is made to determine whether excess capital is present to pay previous deferrals of management fees after

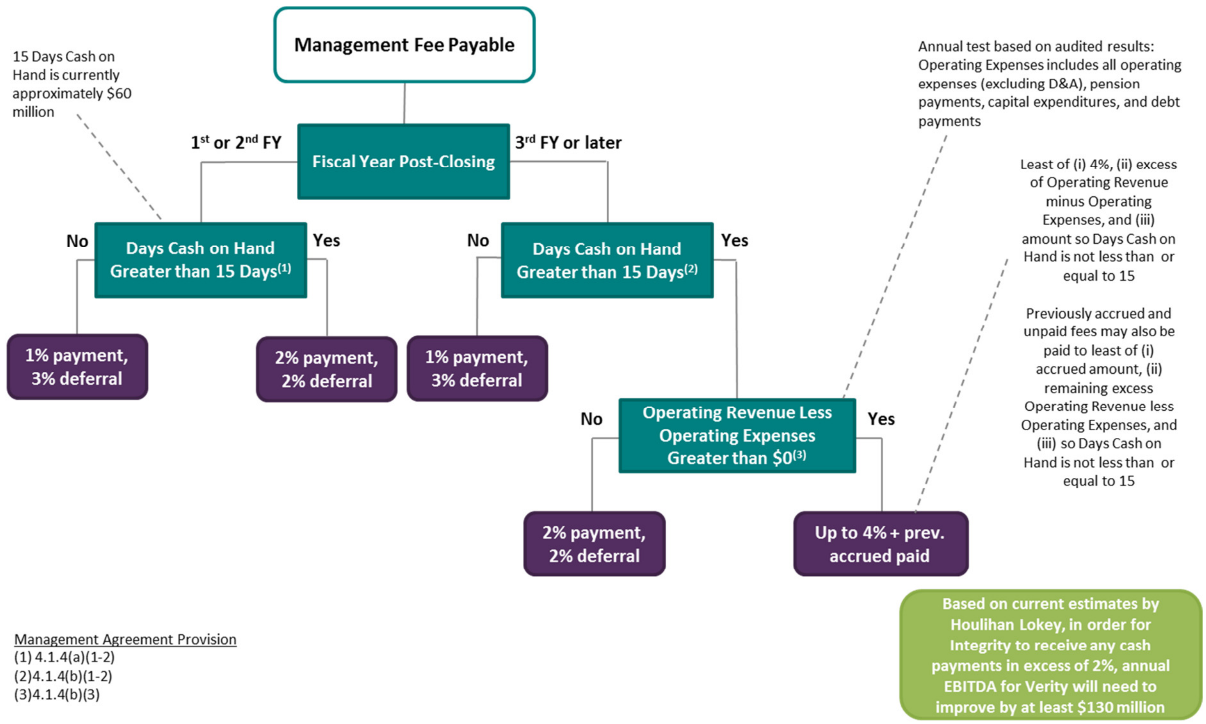
[26] Operating revenues include all net revenues recognized in Daughters' financial statements, in accordance with GAAP, including without duplication: revenues that are attributable to the rendering of hospital inpatient and outpatient services and relate to any and all presently existing and future DSH Payments, Stabilization Funds, QAF Payments, Governmental Receivables, and grants.

[27] The date the Management Agreement was entered into by and between Integrity and Daughters.

[28] Days of cash on hand measures the period of time in which the organization is able to meet cash requirements in the absence of outside funding.

debt service. These payments are made to the extent that they do not result the - number of days of cash on hand does not go below 15; and -

- Daughters may terminate the Management Agreement with 90-days' prior written notice and shall pay a termination fee equal to the present value of the management fees that would be payable from the date of the noticed termination through the remainder of the initial term. Below is a flow chart explaining the management fees and provides references to the provisions in the Management Agreement.



Use of Net Sale Proceeds

There will be no net proceeds from the proposed transaction.

PROFILE OF DAUGHTERS OF CHARITY HEALTH SYSTEM -

Daughters of Charity Health System

Daughters is a Catholic, nonprofit regional healthcare system headquartered in Los Altos Hills, California. Daughters is sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West, to support the mission of the Catholic Church through their commitment to serving the sick and poor.

Daughters of Charity, a group of women dedicated to caring for the needs of the poor, was established in France by St. Vincent de Paul and St. Louise de Marillac in 1633. Daughters of Charity continued its mission and opened its first hospital in Los Angeles in 1859. Daughters of Charity expanded its hospitals into San Jose in 1889 and San Francisco in 1893. These establishments were the forerunners of St. Vincent Medical Center, O'Connor Hospital, and the Hospital.

During the 1980s, Daughters of Charity expanded to include Seton Coastside (1980), St. Francis Medical Center (1981), and Saint Louise Regional Hospital (1987). In 1986, the Hospital Corporations joined Daughters of Charity National Health System, based in St. Louis, Missouri. In 1995, the Hospital Corporations left Daughters of Charity National Health System and merged with Catholic Healthcare West. When it withdrew from Catholic Healthcare West, Daughters, as presently constituted, was formed in 2001.

Today, Daughters' Health Facilities and their locations include: the Hospital in Daly City, Seton Coastside in Moss Beach, St. Vincent Medical Center in Los Angeles, O'Connor Hospital in San Jose, St. Francis Medical Center in Lynwood, and Saint Louise Regional Hospital in Gilroy. Daughters' corporate offices are located in Los Altos Hills, Redwood Shores, and Pasadena.

DCHS Medical Foundation

In 2011, the DCHS Medical Foundation was incorporated with Daughters as the sole corporate member. Under California Health and Safety Code section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than 10 board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

The DCHS Medical Foundation began operations in April 2012 through the establishment of a professional services agreement with a group of approximately 200 physicians and associates of the San Jose Medical Group. DCHS Medical Foundation includes approximately 140 full-time physicians as follows:

DCHS MEDICAL FOUNDATION: FULL TIME PHYSICIANS 2015[1]				
	Physician Count by Market*			
Top 10 Specialties	St. Francis Medical Center / St. Vincent Medical Center	O Connor Hospital / Saint Louise Regional Hospital	Seton Medical Center / Seton Medical Center Coastside	Total
Family Practice	5	25	0	30
Internal Medicine	2	17	1	20
Hospitalist	0	10	11.5	21.5
Acute Care	0	9	0	9
Obstetrics & Gynecology	1	7	0	8
Pediatrics	2	7	0	9
General Surgery	2	3	0	5
Ophthalmology	2	1	0	3
Orthopedic Surgery	0	2	0	2
Podiatry	1	3	0	4
Total Top 10 Specialties	**15**	**84**	**12.5**	**111.5**
Total - Other Specialties	10	18	**0**	**28**
Total Full-Time Physicians	**25**	**102**	**12.5**	**139.5**

Source: Daughters

* Excludes Independent Physician Associations

[1] Based on changes in the primary service areas of the medical groups within the DCHS Medical - Foundation, the DCHS Medical Foundation will include approximately 100 full-time physicians as of - 10/1/2015

In 2013, DCHS Medical Foundation acquired Northern Cal Advantage Medical Group, a regional Independent Physicians Association in Santa Clara County, comprised of approximately 200 physicians and nine additional independent physician practices.

Presently, DCHS Medical Foundation consists of urgent care centers, physician groups, and approximately 400 primary care and specialty physicians (including San Jose Medical Group and Northern Cal Advantage Medical Group). With more than 100 physicians, Santa Clara County has the largest medical foundation presence within the system. DCHS Medical Foundation's clinics and facilities are located throughout California in the communities served by the Health Facilities.

Caritas Business Services

Daughters operates Caritas Business Services, a nonprofit religious corporation. Caritas Business Services provides support services to Daughters and the Hospital Corporations including accounting, finance, patient financial services, supply chain management, and purchasing services for the entire health system.

De Paul Ventures, LLC

De Paul Ventures, LLC, is a wholly-owned and operated holding company of Daughters that was formed in August 2010 for the purpose of investing in a freestanding surgery center and other healthcare entities.

In February 2011, De Paul Ventures, LLC formed De Paul Ventures – San Jose ASC, LLC, a limited liability company. De Paul Ventures – San Jose ASC, LLC, owns a 25% interest as a limited partner in a partnership with Physician Surgery Services, dba Advanced Surgery Center, a freestanding surgery center in San Jose.

In April 2013, De Paul Ventures, LLC formed De Paul Ventures – San Jose Dialysis, LLC. In May 2013, De Paul Ventures – San Jose Dialysis, LLC, entered into an ownership agreement with Priday Dialysis, LLC, a Delaware ambulatory healthcare center specializing in end-stage renal disease treatment.

Marillac Insurance Company, Ltd.

Daughters is the sole shareholder of Marillac Insurance Company, Ltd., a Caymans entity. Marillac Insurance Company, Ltd., was incorporated in 2003 as a captive insurance company to self-insure the system for professional and general liability exposures.

St. Vincent De Paul Ethics Corporation

St. Francis Medical Center is the sole corporate member of St. Vincent De Paul Ethics Corporation, which does not hold any assets.

Daughters' Inpatient Volume

Over the past five years, the number of inpatient discharges has declined by approximately 12% from approximately 55,600 discharges to approximately 49,000 discharges in FY 2015. Between FY 2014 and FY 2015, inpatient discharges increased by 1.7% and patient days decreased by approximately 0.8%.

The following table provides inpatient volume trends for FY 2014 and FY 2015:

DAUGHTERS TOTAL SERVICE VOLUMES FY 2014 & FY 2015														
	O Connor Hospital		Seton Medical Center		Seton Coastside		Saint Louise Regional Hospital		St. Francis Medical Center		St. Vincent Medical Center		Daughters Total	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
Licensed Beds	358	358	357	357	121	121	93	93	384	384	366	366	1,679	1,679
Available Beds	282	282	294	294	121	121	93	93	382	382	366	366	1,538	1,538
Discharges	10,971	10,835	6,755	3,456	86	74	3,044	2,903	18,850	19,563	8,244	8,925	47,950	48,756
Patient Days	49,663	47,729	46,805	46,606	37,382	36,511	10,550	9,838	87,676	89,627	47,942	49,922	280,018	280,233
Average Daily Census	136	131	128	128	102	100	29	27	240	246	131	137	767	768
Acute Licensed Beds	334	335	274	274	5	5	72	72	314	314	320	320	1,319	1,319
Acute Available Beds	258	258	250	250	5	5	72	72	312	312	252	253	1,150	1,150
Acute Discharges	10,947	10,816	6,717	6,408	0	0	3,044	2,903	16,329	16,775	7,223	7,977	44,260	44,879
Acute Patient Days	41,747	39,807	33,039	31,755	0	0	10,550	9,838	69,665	71,415	34,634	36,995	189,635	189,810
Acute Average Length of Stay	3.8	3.7	4.9	5.0	0.0	0.0	3.5	3.4	4.3	4.3	4.8	4.6	4.3	4.2

Source: Daughters, 2014 Audited & 2015 Unaudited Internal Financials

[1] The figures provided by Daughters differ slightly from OSHPD data reported in subsequent volume tables, which is cited in the source

Financial Profile

Statement of Operations

DAUGHTERS STATEMENT OF OPERATIONS: FY 2014 & FY 2015 (thousands)														
	O Connor Hospital		Saint Louise Regional Hospital		Seton Medical Center		Seton Coastside		St. Francis Medical Center		St. Vincent Medical Center		Daughters Total (including all other entities)	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
Net Patient Service Revenue	$260,822	$291,015	$83,636	$88,173	$233,924	$234,141	$19,212	$19,252	$310,816	$432,708	$178,544	$197,503	$1,136,719	$1,313,611
Provision and Write-Off of Doubtful Accounts	($11,612)	($7,822)	($3,399)	($2,469)	($10,218)	($5,853)	($318)	($992)	($12,128)	($9,903)	($5,530)	($5,012)	($43,283)	($31,903)
Premium Revenue	-	-	-	-	-	-	-	-	$40,211	$77,330	$10,176	$16,205	$83,298	$128,317
Other Revenue	$21,551	$9,227	$2,518	$1,879	$18,477	$20,636	$426	$478	$3,726	$6,371	$15,499	$5,779	$59,657	$47,047
Contributions	$1,459	$125	$977	$135	$569	$357	$4,000	-	$5,618	$5,621	$1,889	$1,835	$157,694	$8,322
Total Unrestricted Revenues & Other Support	$272,220	$292,545	$83,732	$87,718	$242,752	$249,281	$23,320	$19,738	$348,243	$512,127	$200,578	$216,310	$1,394,085	$1,465,394
Salaries and Benefits	$189,846	$186,369	$57,514	$56,359	$153,681	$153,249	$16,238	$16,180	$196,608	$197,751	$102,314	$99,965	$805,073	$796,898
Supplies	$43,301	$43,779	$7,763	$7,900	$35,819	$32,163	$1,547	$1,769	$32,650	$34,873	$42,855	$40,031	$172,535	$167,048
Provision for Doubtful Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchased Services & Other	$65,810	$81,346	$21,050	$24,532	$58,137	$69,661	$3,048	$3,174	$116,359	$188,500	$71,596	$94,456	$360,193	$481,060
Depreciation	$12,762	$11,178	$5,903	$5,627	$10,392	$10,008	$356	$326	$19,739	$17,344	$12,443	$12,609	$65,554	$60,530
Net Interest	$3,504	$4,505	$1,985	$3,137	$3,724	$3,743	($11)	$19	$5,158	$3,882	$3,378	$6,943	$19,106	$22,550
Total Expenses	$315,220	$327,177	$94,215	$97,555	$261,753	$268,824	$21,178	$21,468	$370,514	$442,350	$232,586	$254,004	$1,422,461	$1,528,086
Operating Income	($43,000)	($34,632)	($10,483)	($9,837)	($19,001)	($19,543)	$2,142	($2,730)	($22,271)	$69,777	($32,008)	($37,694)	($28,376)	($62,692)
Investment Income	$271	($1)	$35	($1)	$52	($1)	-	-	$6,676	$683	$674	($24)	$16,276	$3,504
Excess (Deficit) of Revenues Over Expenses	($42,729)	($34,633)	($10,448)	($9,838)	($18,949)	($19,544)	$2,142	($2,730)	($15,595)	$70,460	($31,334)	($37,718)	($12,100)	($59,188)

Source: Daughters, 2014 Audited & 2015 Internal Unaudited Financials

Daughters' internal unaudited statement of operations for FY 2015 displays the individual performance of the Health Facilities in conjunction with Daughters' system-wide performance. The individual Health Facilities, excluding the St. Francis Medical Center, show operating losses, as well as deficits of revenue over expenses. On a system-wide basis, Daughters also reports an operating loss of $12,100,000 in FY 2014 and $59,188,000 in FY 2015.

Net Patient Service Revenue

Net patient service revenue (less provision for bad debts) of $1.3 billion represents a net increase of $188.3 million (17.2%) as compared to FY 2014. Net patient service revenue during FY 2015 included $46.5 million in revenue from DCHS Medical Foundation, as compared to $45.1 million for FY 2014. Additionally, net patient service revenue for FY 2015 was also impacted by an increase of $172.9 million in Hospital Qualified Assurance Fee Program[29] revenue.

Between FY 2014 and FY 2015, net patient service revenue at St. Francis Medical Center increased 39% from $310.8 million in FY 2014 to $432.7 million in FY 2015. Premium revenue increased 93% from $40.2 million in FY 2014 to $77.3 million in FY 2015. These increases are largely attributable to increased Hospital Qualified Assurance Fee Program revenue. St. Francis Medical Center's membership increased by approximately 9,000 lives in FY 2015, which also has contributed to the overall increase in premium revenues and other revenues.

Operating Expenses

Total operating expenses of $1.528 billion for FY 2015 increased 7.4% from FY 2014. A portion of the net increase may be attributed to an increase of $100.8 million in Hospital Qualified Assurance Fee Program expenses, as well as a decrease of $10.3 million in expenses from DCHS Medical Foundation. Daughters' salaries and benefits amounted to approximately 52% of total expenses. This is significantly higher than the average percentage for all nonprofit general acute care hospitals in California (49% in FY 2013).

Non-Recurring Items

For FY 2014, Daughters' statement of operations includes a large non-recurring item related to the favorable accounting treatment of the 2008 Bond Redemption in the amount of $130 million. Inclusion of this item has the effect of overstating operating income. Adjusting for this non-recurring item, FY 2014 shows an operating loss of $146.3 million and a net income loss of $130 million.

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[29] Hospital Qualified Assurance Fee Program: This program uses fees assessed by the state on hospitals to draw down federal matching funds. These provider fees are then issued as supplemental payments to hospitals. These provider fees are an integral element to improving access to healthcare for some of California's most vulnerable residents.

Historic Comparison

The table below displays adjusted operating/net income figures for FY 2011 to FY 2015. Over the past several years, Daughters' operating losses have significantly increased due to declining reimbursement, declining volume, and increasing salary costs. Between FY 2011 to FY 2014, Daughters reported an operating loss of between $44.6 million in FY 2011 to over $146.3 million in FY 2014.

In addition, Daughters' days of cash on hand has significantly declined due to operating losses. This ratio may be influenced by a variety of cash flow inflows or outflows, though higher figures generally indicate better liquidity and a safer margin to meet outflow obligations. The following table reports additional trends in operating income, net income, labor costs, and liquidity from FY 2011 to FY 2015:

DAUGHTERS FINANCIAL TRENDS: FY 2011 FY 2015					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Operating Income[1] (millions)	(44.6)	(61.0)	(90.7)	(146.3)	(62.7)
Net Income (millions)	(4.1)	(59.5)	(74.5)	(130.0)	(59.2)
Labor Costs as a % of Net Patient Service Revenues	59.2%	61.9%	63.7%	73.6%	62.2%
Days Cash on Hand	87	70	50	31	26

Source: Daughters, 2015 Unaudited

[1] 2014 operating income excludes the favorable accounting treatment of the 2008 bond redemption

- Due to a $54 million net benefit from the Quality Assurance Fee Program, the operating income improved slightly in FY 2011, before declining in FY 2012 – 2015;
- Labor costs as a percentage of net patient service revenues increased from 59.2% in FY 2011 to 73.6% in FY 2014 before dropping to 62.2% in FY 2015 (compared to Standard & Poor's Rating Service Not-For-Profit Healthcare System Median of 57.7%); and
- Liquidity levels are significantly lower than Standard & Poor's Rating Service Not-For-Profit Healthcare System Median of 204.6 days cash on hand.

Cash Position and Debt Obligations

Between FY 2014 and FY 2015, total cash and marketable securities decreased by $13.6 million (7.3% decrease), and total unrestricted cash and marketable securities decreased by $10.4 million (9.2% decrease). Over the same time period, unrestricted days cash on hand decreased by 16%, from 31 days in FY 2014 to over 26 days in FY 2015. Daughters' mounting declines in days cash on hand is one indicator of liquidity challenges.

The following table reports the summary of Daughters' cash position for FY 2014 and FY 2015:

DAUGHTERS CASH POSITION: FY 2014 & FY 2015 (in thousands)		
	FY 2014	FY 2015
Cash and Cash Equivalents	$101,276	$108,429
Marketable Securities	$85,617	$64,814
Subtotal	**$186,893**	**$173,243**
Less: Restricted Portion of Cash and Marketable Securities	**$73,441**	**$70,185**
Total Unrestricted Cash and Marketable Securities	**$113,452**	**$103,058**
Unrestricted Days Cash on Hand	**30.5**	**25.6**

Source: Daughters, Unaudited Financials, 2015

In order to address the liquidity shortage and outstanding obligations, Daughters of Charity Foundation[30] made a restricted donation of $130 million for the benefit of Daughters in October 2013. On October 25, 2013, Daughters redeemed the 2008 Bonds, consisting of the $130 million donation and a $13.7 million reserve fund, totaling $143.7 million in redemptions. The effect of the non-recurring donation on the statement of operations for FY 2014 is covered in the previous section.

Additionally, Daughters accessed a $125 million short-term financing bridge loan in August 2014 to provide enough days cash on hand to support hospital operations through the end of FY 2015. The bridge loan consists of the $100 million 2014 Bonds (Series A), the $10 million 2014 Bonds (Series B), and the $15 million 2014 Bonds (Series C). The bridge loan originally had a maturity date of July 10, 2015. The maturity date has been extended to December 15, 2015.

Credit Rating and Outlook

In April 2014, Standard & Poor's Rating Service downgraded certain bond issuances of Daughters from "BBB-" to "B-." A rating of "B-" represents less-than-investment grade status. An issuers' credit quality is generally reflective of its financial condition and ability to meet ongoing debt service obligations. A downgrade can pose future challenges for an issuer to raise capital in the debt markets as the cost of debt rises because buyers of lower rated bonds require higher rates of return to justify the greater relative risk incurred. Some of the following reasons were cited for Standard & Poor's Rating Service downgrade:

- Escalating operating losses during the past several years;
- Substantial loss from operations through the first half of FY 2014;

[30] Daughters of Charity Foundation engages in the solicitation, receipt, and administration of contributions and their disbursements to and for the benefit of the ministries of Daughters of Charity of St. Vincent de Paul, Province of the West.

- Continued weakening of the balance sheet despite substantial debt refunding as a result of the restricted donation made by Daughters of Charity Foundation in the amount of $130 million in October 2013;

- Eroding unrestricted reserves;

- Lack of a merging and/or acquiring entity (at the time of Standard & Poor's decision);

- Heavy reliance on hospital provider fee benefits and disproportionate share receipts[31] to help offset operating losses; and

- Substantially underfunded pension plans, with a 50% funded status based on projected benefit obligations at June 30, 2013.

At the time of the downgrade, Standard & Poor's Rating Service anticipated further operating losses through the second half of FY 2014. Additional downgrade potential was cited within the one-year outlook period if Daughters' divestiture plans were not finalized. This underscores the belief that Daughters would continue its operational difficulties on a stand-alone basis without outside intervention. Also of concern are continued operating pressures and the view that the balance sheet offers a "very limited cushion" to absorb continued losses.

Financial Distress and Divestiture Plans

The declining financial condition of Daughters is documented in both audited and unaudited financial statements, credit rating action, and internal communications. Prior to the credit rating downgrade, the internal communications and Daughters' Board meeting minutes in late 2013 reflected a growing concern of system-wide insolvency and the need to secure options.

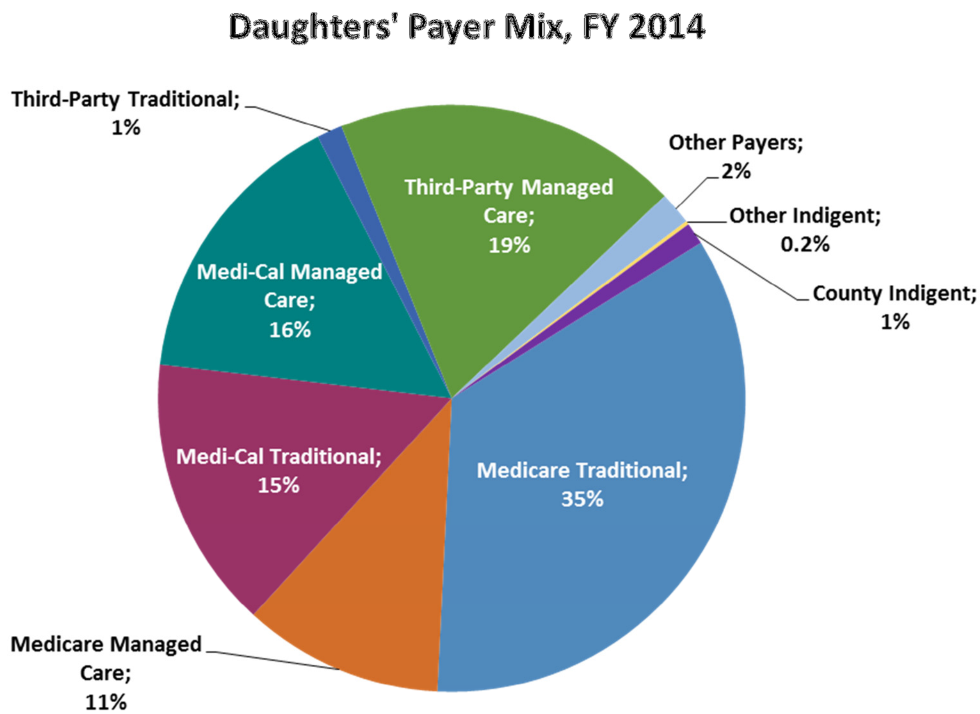
At a subsequent Daughters' Board meeting on December 24th, 2013, a motion was approved selecting Houlihan Lokey as the financial advisor. An offering process was undertaken for the sale of Daughters' assets and liabilities, but the transaction did not close.

A second offering process was undertaken in March 2015 for the sale of Daughters' assets and liabilities. In the event that this proposed transaction does not close, Daughters' Board will consider alternatives, including alternative transactions, closure of facilities, and use of bankruptcy proceedings.

[31] Disproportionate Share Hospitals serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid & Medicare Services to cover the costs of providing care to uninsured patients.

Daughters' Payer Mix

In FY 2014, 46% of Daughters' inpatient payer mix consisted of Medicare Traditional (35%) and Medicare Managed Care (11%) patients. Approximately 31% of Daughters' inpatient payer mix consisted of Medi-Cal Managed Care (16%) and Medi-Cal Traditional (15%) patients. In addition, 20% of Daughters' payer mix consisted of Third-Party Managed Care (19%) and Third-Party Traditional (1%) patients. The remaining 3% of Daughters' inpatient discharges consisted of Other Payers* (2%), County Indigent (1%), and Other Indigent (0.2%) payers.



Total Discharges: 47,959

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

Unionized Employees

Daughters has relationships with various unions across the State of California, including a system-wide CBA with Service Employees International Union, United Healthcare Workers West, that covers nearly 2,600 employees at the Health Facilities through October 31, 2015. In addition, each of the Health Facilities has CBAs with other unions, including California Nurses Association, California Licensed Vocational Nurses Association, United Nurses Association of California/Union of Health Care Professionals, International Union of Operating Engineers, Local 39, and Engineering Scientists of California, Local 20. Approximately 72% of Daughters' employees are covered under CBAs as of June 30, 2015.

UNION PARTICIPATION AMONG DAUGHTERS EMPLOYEES

Union	O Connor Hospital	Saint Louise Regional Hospital	Seton Medical Center & Seton Medical Center Coastside	St. Francis Medical Center	St. Vincent Medical Center	System Office Redwood City	System Office Los Altos Hills	DCHS Medical Foundation	Total
California Licensed Vocational Nurses Association	18	-	-	-	-	-	-	-	18
California Nurses Association	557	189	416	-	362	-	-	-	1,524
Engineering Scientists of California, Local 20	46	16	28	-	-	-	-	-	90
International Union of Operating Engineers, Local 39	17	9	20	-	-	-	-	-	46
Service Employees International Union	500	198	678	813	375	-	-	-	2,564
United Nurses Association of California	-	-	-	729	-	-	-	-	729
Total Represented by Unions	**1,138**	**412**	**1,142**	**1,542**	**737**	**-**	**-**	**-**	**4,971**
Total Non-Union Employees	308	84	190	481	289	116	28	397	1,893
Total Employees	**1,446**	**496**	**1,332**	**2,023**	**1,026**	**116**	**28**	**397**	**6,864**
Total Percentage of Employees Represented by Unions	**79%**	**83%**	**86%**	**76%**	**72%**	**0%**	**0%**	**0%**	**72%**

Source: Daughters

PROFILE OF THE HOSPITAL & SETON COASTSIDE -

Seton

The Hospital was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent de Paul in 1893. The facility was destroyed in the San Francisco Earthquake of 1906, and by 1912, Mary's Help Hospital reopened a new facility in San Francisco. In 1965, the Hospital moved to its current location at 1900 Sullivan Avenue in Daly City.

The Hospital, renamed Seton Medical Center in 1983, is currently licensed for 357 beds and serves residents from the San Francisco and San Mateo areas. The Hospital shares a consolidated license with Seton Coastside, a 121-bed skilled nursing facility with emergency services, located at 600 Marine Boulevard in Moss Beach.

Seton Coastside

Seton Coastside was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to head operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside as it became integrated into one administrative entity with the Hospital. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general, acute-care beds. Seton Coastside also operates the only 24-hour "standby" Emergency Department[32] along the 55-mile stretch between Santa Cruz and Daly City.

Under a consolidated license, the Hospital and Seton Coastside share the same Board of Directors, executive leadership team, charity care policies, and union CBAs.

Seton Foundation

Seton Foundation, governed by a Board of Trustees, raises funds through grants, special events, and individual donors. Charitable donations and endowments raised by Seton Foundation help fund the acquisition of new equipment and the expansion of the facilities at the Hospital and Seton Coastside. Seton is the sole corporate member of Seton Foundation.

As of May 31, 2015, Seton Foundation had a balance of $4.0 million in temporarily restricted assets and a balance of $2.8 million in permanently restricted assets for the purpose of funding programs such as oncology, the San Francisco Heart & Vascular Institute, women and delivery services, and the construction of the New Patient Tower.

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[32] A "standby" emergency department provides emergency medical care in a specially designed part of a hospital that is equipped and maintained at all times to receive patients with urgent medical problems and is capable of providing physician services within a reasonable time.

Overview of the Hospital

Seton operates the Hospital, a general acute care facility, and Seton Coastside, a skilled nursing facility with licensed beds as shown below:

BED DISTRIBUTION 2015 SETON MEDICAL CENTER	
Bed Type	**Number of Beds**
General Acute Care	201
Intensive Care	14
Neonatal Intensive Care	3
Coronary Care	14
Perinatal	18
Total General Acute Care Beds	**250**
Acute Psychiatric (D/P)	24
Skilled Nursing (D/P)	83
Total Beds	**357**

Source: Hospital License 2015

BED DISTRIBUTION 2015 SETON COASTSIDE	
Bed Type	**Number of Beds**
General Acute Care	5
Skilled Nursing (D/P)	116
Total Beds	**121**

Seton Medical Center Beds	357
Seton Coastside Beds	121
Total Combined Beds	**478**

The Hospital has a "basic" Emergency Department[33] with 18 licensed treatment stations. It also has 13 surgical operating rooms and three cardiac catheterization labs. Of the Hospital's 83 licensed skilled nursing beds, 39 are in suspense, and the remaining 44 licensed skilled nursing beds are utilized as sub-acute care beds. Additionally, the Hospital's 24 licensed acute psychiatric beds have been placed in suspense.

Seton Coastside has a "standby" Emergency Department with seven treatment stations, and has ambulance receiving capabilities, and a heliport. The five general, acute-care beds are rarely used for inpatients.

[33] A "basic" emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

Key Statistics

KEY STATISTICS			
	FY 2012	FY 2013	FY 2014
Inpatient Discharges	7,118	7,226	6,841
Licensed Beds	478	478	478
Patient Days	87,308	86,189	83,970
Average Daily Census	239	236	230
Occupancy	49.9%	49.4%	48.1%
Emergency Services Visits[1] - Seton Medical Center	31,862	26,955	27,928
Emergency Services Visits[1] - Seton Coastside	3,103	3,381	3,042
Cardiac Catheterization Procedures[1]	2,306	2,357	2,129
Coronary Artery Bypass Graft (CABG) Surgeries[1]	36	60	46
Total Live Births	611	605	579

Physicians on Medical Staff	414
Hospital Employees/Associates[2]	1,332

Sources: OSHPD Disclosure Reports, 2012-2014 and Daughters -

Note: Includes the Hospital and Seton Coastside -

[1] OSHPD Alirts Annual Utilization Reports

[2] Includes part-time employees

- For FY 2014, the Hospital and Seton Coastside had a combined total of 6,841 discharges, 83,970 patient days, and an average daily census of 230 patients (approximately 48% occupancy on the total licensed beds);

- Both inpatient discharges and patient days have declined since FY 2012 by approximately 4%;

- For FY 2014, the Hospital and Seton Coastside had a combined 30,970 emergency department visits; and

- In FY 2014, the Hospital reported approximately 2,129 diagnostic cardiac catheterization procedures, 46 coronary artery bypass graft surgeries, and 579 deliveries.

Programs and Services

The Hospital offers a broad spectrum of medical services, including cancer, cardiac, emergency, surgical, rehabilitation, respiratory, orthopedic, and sub-acute care.

- Cancer care services include: 27-bed inpatient oncology unit and outpatient services that provide chemotherapy, radiation, support groups, nutrition counseling, and pain management;

- Cardiac services include: Nuclear medicine, MRI, PET, and CT scans, echocardiography studies, pacemaker implantation, cardiac catheterization procedures, and complex heart surgeries including coronary artery bypass. The Hospital is a designated STEMI Receiving Center;

- Emergency services include: An Emergency Department with 18 treatment stations that has ambulance receiving capabilities and is certified by the Joint Commission as a Primary Stroke Center;

- Gastroenterology services include: Inpatient and outpatient diagnostic and therapeutic services, including enteroscopy, endoscopy, and colonoscopy;

- Imaging and lab services include: X-ray, interventional radiology, nuclear medicine, PET/CT, ultrasound, MRI, mammography, hematology, coagulation, chemistry, microbiology, and histology services;

- Nephrology services include: Inpatient, including hemodialysis, to provide treatment to patients with kidney disorders, including advanced and permanent kidney failure;

- Orthopedics services include: Joint replacement, spine care, minimally invasive surgery, and physical therapy at the Seton Orthopedic Institute;

- Sub-acute services include: A 44-bed Medi-Cal certified unit that provides long-term care for patients 18 years and older who require the use of a tracheotomy, gastronomy tube, or ventilator. The Hospital is the only provider of ventilation services in San Mateo County;

- Wound care services include: Inpatient and outpatient treatment for chronic non-healing wounds;

    - Seton Center for Advanced Wound Care offers: Skin substitutes, skin grafting, debridement, revascularization, and compression therapy treatments for difficult-to-heal wounds.

- Women's health services include: Bone densitometry, mammography, ultrasound, and gynecologic surgery;

    - Seton Breast Health Center: Offers digital mammography, breast ultrasound, MRI, and minimally invasive breast biopsy services.

- Ophthalmology services include: Treatment for cataracts and diabetic retinopathy; and

- Diabetic services include: Cholesterol and diabetes screenings, support groups, and educational programs.

Seton Coastside provides emergency services, skilled nursing care, and outpatient ancillary services:

- Emergency services include: 24-hour "standby" Emergency Department with four treatment stations. Seton Coastside is the only provider of emergency services along the Pacific Coastline from Santa Cruz to Daly City and has the capability to transfer critically ill patients to a tertiary facility if necessary;

- Skilled nursing services include: 116 licensed-bed unit that provides skilled nursing and specialty care in post-acute and geriatric services; and

- Outpatient ancillary services include: Physical, occupational, and speech therapies, radiology and mammography, and clinical laboratory services.

Accreditations, Certifications, and Awards

The Hospital is accredited by the Joint Commission, effective October 2014 through October 2017. Over the years, the Hospital has received several awards and accolades as a provider of quality care, some of which include the following:

- Named a Top 5 Best Hospital in the San Francisco Bay Area, 2011-2012 by U.S. News & World Report;

- Designated Primary Stroke Center by the Joint Commission, effective April 2013 through April 2015. The Joint Commission conducted a recent survey at the Hospital on September 18, 2015, and the Hospital is currently awaiting the results;

- Designated STEMI Receiving Center by San Mateo County;

- Given the Outstanding Leadership Award for Achievements in Eliminating Ventilator-Associated Pneumonia, 2011 by the U.S. Department of Health & Human Services; and

- Received the Patient Safety First Award for Achievements in Reducing Deaths from Sepsis in 2013 by the Hospital Council of Northern and Central California.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the Patient Protection and Affordable Care Act (ACA) in 2012, encourages hospitals to improve the quality and safety of care. Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on multiple measures within four domains: clinical process of care, patient experience, outcome, and efficiency. For FY 2013, Centers for Medicare & Medicaid Services rewarded the Hospital with a 0.10% Medicare payment bonus. During FY 2014, the Hospital was penalized 0.53%. For FY 2015, the Hospital will be penalized 0.48%.

The following table reports the Hospital's average scores for each of the measures within the four domains in comparison to the statewide and national averages:

QUALITY SCORES COMPARISON				
Domain	Measure	Hospital	California Average	National Average
Clinical Process of Care Domain	Average of Acute Myocardial Infarction, Heart Failure, Pneumonia, Surgical Care Improvement & Healthcare Associated Infection Measures	**91.4%**	97.3%	97.6%
Patient Experience of Care Domain	Average of Measures for the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey	**67.5%**	67.2%	71.0%
Outcome Domain	Average of Outcome Measures for Acute Myocardial Infarction, Heart Failure & Pneumonia 30-Day Mortality Rates & Central-Line Bloodstream Infection Rates	**13.3%**	12.5%	12.9%
Efficiency Domain	Medicare Spending per Beneficiary Ratio	**1.00**	0.98	0.98

Source: Medicare.gov Hospital Compare, April 16, 2015

- For the clinical process of care domain, the Hospital scored lower (91.4%) than the statewide and national averages (97.3% and 97.6%, respectively);

- The Hospital scored slightly higher (67.5%) than the California average (67.2%), but approximately 3% lower than national average (71.0%) for the patient experience of care domain;

- Within the outcome domain, the Hospital has slightly worse 30-day mortality rates and central-line bloodstream infection rates (13.3%) than the California and national averages (12.5% and 12.9%, respectively); and

- With a ratio of 1.0, the Hospital spends more per patient for an episode of care initiated at the Hospital than California hospitals (0.98) and national hospitals (0.98).

The Hospital Readmissions Reduction Program, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. In FY 2015, 223 California hospitals will be penalized at an average of 0.41%. The penalty is administered by reducing all of a hospital's reimbursement payments under the Medicare program by a certain percentage for the entire year.

In FY 2013 and 2014, the Hospital was penalized at 0.74% and 0.49%, respectively. The following graph shows the Hospital's 30-day readmission rates for heart attack, heart failure, pneumonia, and surgical patients:

30 DAY READMISSION RATES			
Condition	Hospital	National Average	California Average
Heart Attack	**18.8%**	17.8%	17.8%
Heart Failure	**23.0%**	22.7%	22.7%
Pneumonia	**17.7%**	17.3%	17.3%
Average 30-Day Readmission Rate	**19.8%**	**19.3%**	**19.3%**

Source: IPRO & Medicare.gov Hospital Compare, April 16, 2015

- The Hospital has slightly more 30-day readmissions (19.8%) than the national average and statewide average of 19.3%; and

- The Hospital has the highest rate of 30-day readmissions among the Health Facilities; and

- For FY 2015, the Hospital will be penalized at 0.59% (not shown on table).

Seismic Issues

Using the HAZUS seismic criteria[34], the Hospital's structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as seen in the table below. These classifications require that the Hospital structures undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards.

SETON MEDICAL CENTER SEISMIC OVERVIEW		
Building	**SPC Compliance Status**	**NPC Compliance Status**
1) 1963 Tower	**SPC-1**	**NPC-2**
2) Front Wing	**SPC-1**	**NPC-2**
3) Hospital Area A & B	**SPC-3s***	**NPC-2**
4) Hospital Area C	**SPC-3s***	**NPC-2**
5) Hospital Area D	**SPC-3s***	**NPC-2**
6) Center Pod	**SPC-3s***	**NPC-2**
7) South Pod	**SPC-3s***	**NPC-2**
8) Utilities Service Building	**SPC-4s***	**NPC-2**
9) Acute Care Replacement Hospital[1]	**SPC-5s***	-

Source: Daughters & OSHPD

* 2s, 3s, 4s and 5s indicate SPC rating self-reported by the Hospital and not verified by OSHPD

[1] Building Status - Proposed

- Two of the Hospital's buildings, the Front Wing and the 1963 Main Tower, require structural upgrades to be seismically compliant. Upgrades to both buildings must be completed by July 1, 2019. The Hospital has developed a master plan to meet seismic compliance by building a new hospital tower to house all acute-care services. The Hospital has also explored the possibility of retrofitting the existing facilities in order to comply with the necessary seismic safety standards through 2030 and beyond; and

- Seton Coastside is in compliance with California Seismic standards and requires no additional seismic capital investment.

[34] OSHPD uses HAZARDS U.S. (HAZUS), a state-of-the-art methodology, to assess the seismic risk of hospital buildings.

The Hospital has been presented with three alternatives to mitigating the seismic requirements. These include:

- Replacing the Hospital: The estimated cost of replacing the Hospital is approximately $157 million. This would entail rebuilding the Hospital adjacent to the current hospital on the same campus;

- SPC-4D[35]: Allows for non-conforming buildings to be upgraded to provide services beyond 2030; and

- Voluntary Seismic Improvements (VSI): Provides alterations to existing structural elements or additions of new structural elements. This option only guarantees seismic compliance to 2030.

Daughters, BlueMountain, and Integrity are expected to make a decision by November 1, 2015 regarding how to best achieve seismic compliance at the Hospital.

Measure A Funding

Measure A, the San Mateo County Sales Tax Increase, was passed in November 2012 and will remain in effect for 10 years. The initiative raised the sales tax for San Mateo County residents by one-half cent in order to provide additional financial assistance for healthcare services, transportation services, child abuse prevention, fire prevention, and park operations.

The County Board of Supervisors identified the need for seismically safe hospitals and emergency rooms and the availability of long term care beds for low income patients as Measure A spending priorities. As a provider of care for Health Plan of San Mateo that covers Medi-Cal patients and indigent county residents, maintaining the Hospital's long-term operation was specifically recognized as a priority by the County of San Mateo.

In order to assist the Hospital to rebuild and meet seismic standards, San Mateo County agreed to provide up to $18.2 million from Measure A to the Health Plan of San Mateo for payment to the Hospital for the period of October 1, 2013 through December 31, 2014. A minimum of $2 million of the funds was required to be used for seismic safety upgrades. Additionally, the Hospital was required to retain a consultant to prepare a master plan for seismic compliance (see below). During FY 2015, San Mateo County agreed to provide up to $15 million from Measure A to the Health Plan of San Mateo for payment to the Hospital.

The agreement with the County of San Mateo needs to be renewed on an annual basis to continue to receive Measure A funds. BlueMountain and Integrity are currently in discussion with the County of San Mateo Board of Supervisors regarding the continuation of Measure A

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[35] SPC-4D allows non-comforming buildings built to pre-1973 building codes to be upgraded to provide services beyond 2030.

funding to the Hospital. However, at present, no agreements have been made for the Hospital to continue receiving Measure A funding moving forward.

Master Plan

The Master Plan includes the following recommendations:

- Construction of a new 104-bed acute care facility, including 84 general acute care beds, 8 perinatal beds, and 12 critical care beds;

- Transition existing inpatient, acute care services in the 1963-1978 structures to outpatient and supplemental support services;

- Provide a combination of long-term acute care, acute rehabilitation, skilled nursing, memory care, hospice, assisted living, senior housing and commercial space in new structures on the upper and lower campus;

- Optimize the potential of the Hospital campus as a continuing care community; and

- Create new parking structures to support traffic.

The total construction cost for the new 104-bed facility is estimated at $97.6 million. The total project budget for the replacement acute care facility, which is estimated to be approximately $157 million, includes fixed equipment, project management, agency fees, legal insurance and $10 million for project reserves. These estimates include only the elements necessary for seismic compliance, and do not include suggestions for the future development of the Hospital. If developed, the project will result in a SPC-5 and NPC-5 rating.

Patient Utilization Trends

The following table shows combined patient volume trends at the Hospital and Seton Coastside for FY 2010 through FY 2014.

SERVICE VOLUMES FY 2010 FY 2014					
PATIENT DAYS	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Medical/Surgical	35,575	32,738	27,961	25,894	26,135
Intensive Care	3,719	3,733	3,750	3,285	3,761
Neonatal Intensive Care	387	396	251	349	255
Obstetrics	2,111	2,046	1,835	1,753	1,658
Coronary Care	3,533	3,167	2,606	2,334	1,013
Sub-Acute	15,252	15,013	14,632	13,792	13,766
Skilled Nursing	48,647	36,575	36,273	38,782	37,382
Total	**109,224**	**93,668**	**87,308**	**86,189**	**83,970**
DISCHARGES					
Medical/Surgical	6,312	5,555	5,122	5,294	5,122
Intensive Care	660	633	687	671	737
Neonatal Intensive Care	69	67	46	71	50
Obstetrics	735	695	650	567	609
Coronary Care	627	537	477	477	199
Sub-Acute	31	27	28	45	38
Skilled Nursing	791	249	108	101	86
Total	**9,225**	**7,763**	**7,118**	**7,226**	**6,841**
AVERAGE LENGTH OF STAY					
Medical/Surgical	5.6	5.9	5.5	4.9	5.1
Intensive Care	5.6	5.9	5.5	4.9	5.1
Neonatal Intensive Care	5.6	5.9	5.5	4.9	5.1
Obstetrics	2.9	2.9	2.8	3.1	2.7
Coronary Care	5.6	5.9	5.5	4.9	5.1
Total	**11.8**	**12.1**	**12.3**	**11.9**	**12.3**
AVERAGE DAILY CENSUS					
Medical/Surgical	97.5	89.7	76.4	70.9	71.6
Intensive Care	10.2	10.2	10.2	9.0	10.3
Neonatal Intensive Care	1.1	1.1	0.7	1.0	0.7
Obstetrics	5.8	5.6	5.0	4.8	4.5
Coronary Care	9.7	8.7	7.1	6.4	2.8
Sub-Acute	41.8	41.1	40.0	37.8	37.7
Skilled Nursing	133.3	100.2	99.1	106.3	102.4
Total	**299.2**	**256.6**	**238.5**	**236.1**	**230.1**
OTHER SERVICES					
Inpatient Surgeries	2,382	2,297	1,976	1,832	1,925
Outpatient Surgeries	1,402	1,482	1,432	2,812	2,339
Emergency Visits	34,821	28,988	34,965	30,336	30,970
Cardiac Cath Procedures[1]	1,343	2,492	2,306	2,357	2,129
Obstetric Deliveries	689	662	611	605	579

Sources: OSHPD Disclosure Reports, FY 2010-2014

(1) OSHPD Disclosure Report data includes the Hospital & Seton Coastside

[1] OSHPD Alirts Annual Utilization Reports

A review of historical utilization trends between FY 2010 and FY 2014 supports the following conclusions:

- Total patient days have decreased by approximately 23% from 109,224 in FY 2010 to 83,970 in FY 2014;

- Inpatient discharges have decreased 27% from 9,225 in FY 2010 to 6,841 in FY 2014;

- The total number of licensed beds has remained stable at 478 beds;

- The average daily census has decreased from 299 patients in FY 2010 to 230 patients in FY 2014;

- In FY 2014, excluding the sub-acute and skilled nursing services, the Hospital reported an average daily census of 90 patients, whereas in FY 2010, the average daily census was 124 patients. The biggest decreases between FY 2010 and FY 2014 were in medical/surgical and coronary care volumes;

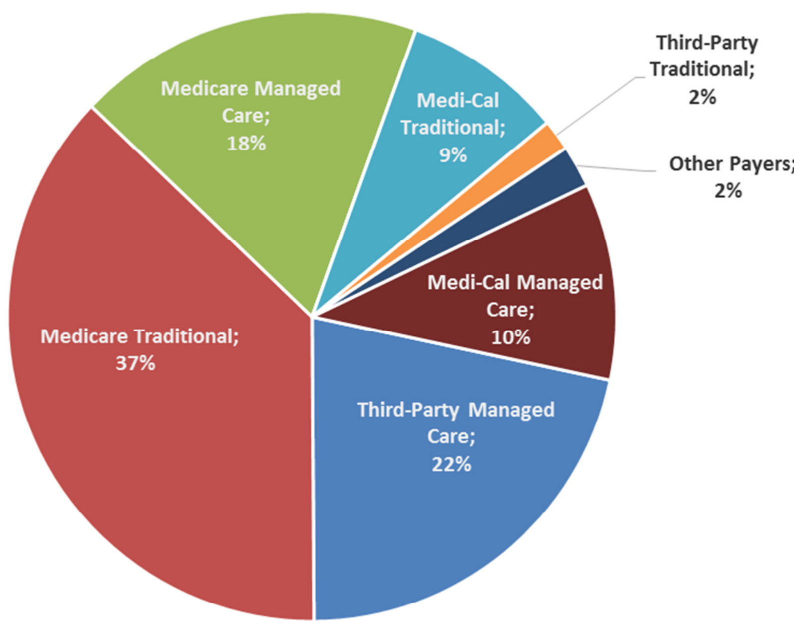
- Inpatient surgeries decreased 19% from 2,382 in FY 2010 to 1,925 in FY 2014; and

- Obstetric deliveries have decreased 16% from 689 in FY 2010 to 579 in FY 2014.

Payer Mix

In FY 2014, 19% of the Hospital and Seton Coastside's combined inpatient payer mix consisted of Medi-Cal Managed Care (10%) and Medi-Cal Traditional (9%) patients. Approximately 55% of the Hospital and Seton Coastside's combined inpatient payer mix consisted of Medicare Traditional (37%) and Medicare Managed Care (18%). The remaining 26% of the inpatient discharges consisted of Third-Party Managed Care (22%), Third-Party Traditional (2%), and Other Payers* (2%).

Hospital & Seton Coastside Payer Mix, FY 2014



Total Discharges: 6,841

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

Source: OSHPD Financial Disclosure Report, FY 2014 (based on inpatient discharges).

The following table illustrates the Hospital's FY 2014 inpatient discharge payer mix compared to San Mateo County and California for FY 2013. The comparison shows that the Hospital and Seton Coastside have higher percentages of Medicare Traditional and Medicare Managed Care patients and lower percentages of Third-Party Managed Care and indigent patients relative to other hospitals in San Mateo County and statewide.

PAYER MIX COMPARISON FY 2014						
	Hospital and Seton Coastside		San Mateo County*		California*	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	582	8.5%	1,957	6.2%	444,932	15.0%
Medi-Cal Managed Care	712	10.4%	2,861	9.0%	354,720	12.0%
Medi-Cal Total	**1,294**	**18.9%**	**4,818**	**15.2%**	**799,652**	**27.0%**
Medicare Traditional	2,545	37.2%	11,392	35.9%	863,909	29.1%
Medicare Managed Care	1,261	18.4%	4,113	13.0%	265,857	9.0%
Medicare Total	**3,806**	**55.6%**	**15,505**	**48.9%**	**1,129,766**	**38.1%**
Third-Party Managed Care	1,475	21.6%	8,857	27.9%	657,290	22.2%
Third-Party Managed Care Total	**1,475**	**21.6%**	**8,857**	**27.9%**	**657,290**	**22.2%**
Third-Party Traditional	113	1.7%	519	1.6%	127,396	4.3%
Other Payers	153	2.2%	629	2.0%	87,399	2.9%
Other Indigent	0	0.0%	463	1.5%	50,699	1.7%
County Indigent	0	0.0%	924	2.9%	113,812	3.8%
Other Total	**266**	**3.9%**	**2,535**	**8.0%**	**379,306**	**12.8%**
Total	**6,841**	**100%**	**31,715**	**100%**	**2,966,014**	**100%**

Source: OSHPD Disclosure Reports, FY 2014 -

*FY 2013 Data -

(1) Includes the Hospital and Seton Coastside

Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Over 11 million Medi-Cal beneficiaries in all 58 counties of California receive their healthcare through six models of managed care: County Organized Health Systems, Geographic Managed Care, Two-Plan Model, Regional Model, Imperial Model, and the San Benito Model.

San Mateo County has a County Organized Health System called the Health Plan of San Mateo. It offers health coverage and a provider network to more than 140,000 underserved residents. Currently, the Hospital and all other area hospitals contract with the Health Plan of San Mateo to provide care for Medi-Cal managed care beneficiaries.

Medical Staff

The Hospital and Seton Coastside have a combined 414 physicians on the medical staff with various specialties represented. Of the 414 physicians, 245 are considered "active" users of the Hospital (representing approximately 59% of the medical staff). Internal medicine, emergency medicine, and pediatrics are the three largest specialties, comprising 30% of the active physicians. The 169 "non-active" users of the Hospital include provisional, courtesy, and other medical staff.

The Hospital and Seton Coastside have relations with various medical groups, including Brown and Toland and Hill Physicians.

MEDICAL STAFF PROFILE 2015					
Specialty	**Count**	**% of Total**	**Specialty**	**Count**	**% of Total**
Active Physicians					
Anesthesia	11	4%	Orthopedic Surgery/Spine Care	4	2%
Anesthesia/Pain Management	2	1%	Pathology	5	2%
Emergency Medicine	23	9%	Pediatrics	16	7%
General & Family Practice	13	5%	Radiology	5	2%
Cardiology	12	5%	Radiation Oncology	2	1%
Gastroenterology	4	2%	Cardiothoracic Surgery	6	2%
Infectious Disease	5	2%	General Surgery	7	3%
Internal Medicine	34	14%	Neurosurgery	1	0%
Nephrology	7	3%	Ophthalmology	9	4%
Neurology	4	2%	Oral Surgery & Dentistry	12	5%
Oncology	4	2%	Otolaryngology	3	1%
Physical Rehabilitation	2	1%	Plastic Surgery	7	3%
Psychiatry	4	2%	Podiatry	11	4%
Pulmonary	4	2%	Urology	2	1%
OB/GYN	8	3%	Vascular Surgery	6	2%
Orthopedic Surgery	12	5%	-	-	-
Total Active	**245**				
Total Non-Active	169				
Total Physicians	**414**				

Source: Daughters

Includes the Hospital and Seton Coastside

Unionized Employees/Associates

The Hospital and Seton Coastside have 678 employees/associates represented by Service Employees International Union. Daughters' system-wide CBA with Service Employees International Union, United Healthcare Workers West, covers employees/associates that are members of technical, service, and maintenance bargaining units at the Health Facilities through October 31, 2015.

The Hospital also has three additional CBAs with the following unions:

- The California Nurses Association for the period of through December 30, 2015. The agreement with the California Nurses Association covers 416 Registered Nurses at the Hospital that are involved in direct patient care;

- The Engineering Scientists of California, Local 20 through August 30, 2015. This agreement covers 28 employees/associates at the Hospital and is currently negotiated on a month-to-month basis; and

- The International Union of Operating Stationary Engineers, Local 39 through September 30, 2016 that covers 20 bargaining unit members at the Hospital and Seton Coastside.

In total, approximately 86% of the Hospital and Seton Coastside's employees/associates are covered by CBAs.

EMPLOYEES REPRESENTED BY UNIONS	
Union	**Total**
California Nurses Association	416
Engineering Scientists of California, Local 20	28
International Union of Operating Engineers, Local 39	20
Service Employees International Union	678
Total Employees Represented by Unions	**1,142**
Total Non-Union Employees	190
Total Employees	**1,332**
Total Percentage of Employees Represented by Unions	**86%**

Source: Daughters

Financial Profile

The Hospital and Seton Coastside reported net losses of between $13.7 million in FY 2010 to nearly $25 million in FY 2013. In FY 2014, the Hospital and Seton Coastside reported a combined net loss of approximately $16.8 million. Much of the reported losses can be attributed to a 12% decline in net patient revenue over the five-year period. With low hospital margins in California (2.64%), many hospitals are often reliant on non-operating revenue[36] as an additional source of funding. These losses would have been larger without non-operating revenue totaling nearly $56 million since FY 2010.

Their current assets-to-liabilities ratio has decreased over the last five years from 1.25 in FY 2010 to 0.99 in FY 2014 (the California average in FY 2013 was 1.76). Their average percentage of bad debt is approximately 0.7%, which is lower than the statewide average of 1.7%.

FINANCIAL & RATIO ANALYSIS FY 2010 FY 2014						
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Patient Days		109,224	93,668	87,308	86,189	83,970
Discharges		9,225	7,763	7,118	7,226	6,841
Average Length of Stay		11.8	12.1	12.3	11.9	12.3
Net Patient Revenue		$275,971,462	$286,290,853	$258,059,964	$266,027,592	$242,597,787
Other Operating Revenue		$2,150,068	$3,371,233	$3,729,292	$3,273,727	$4,605,511
Total Operating Revenue		$278,121,530	$289,662,086	$261,789,256	$269,301,319	$247,203,298
Operating Expenses		$297,374,146	$310,145,213	$286,950,046	$298,967,395	$278,796,889
Net from Operations		($19,252,616)	($20,483,127)	($25,160,790)	($29,666,076)	($31,593,591)
Net Non-Operating Revenue		$9,571,491	$9,818,518	$8,175,494	$9,079,453	$18,909,055
Net Income		($13,747,179)	($14,411,174)	($20,747,387)	($24,983,484)	($16,807,986)
	California Average 2013					
Current Ratio	1.76	1.25	1.28	1.29	1.27	0.99
Days in A/R	59.9	51.1	49.1	47.0	47.9	51.1
Bad Debt Rate	1.7%	0.6%	0.4%	0.5%	0.7%	0.7%
Operating Margin	2.64%	-3.37%	-7.07%	-4.74%	-11.02%	-12.78%

Source: OSHPD Disclosure Reports, FY 2010-2014

(1) Includes the Hospital & Seton Coastside

[3] Revenue received or recognized for services that are not directly related to the provision of healthcare services. Examples of non-operating revenue include unrestricted contributions, income and gains from investments, and various government assessments, taxes, and appropriations.

Capital Expenditures

Between FY 2011 and FY 2015, the Hospital spent approximately $30 million in capital expenditures, including building upgrades, medical equipment, and software and IT upgrades. The estimated cost for the Hospital's current capital needs is $4.9 million.

SUMMARY OF RECENT CAPITAL EXPENDITURES: FY 2011 2015 (in millions)					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Building, Fixtures, and Leasehold					
Building Fixtures	$0.1	$0.1	-	$0.3	$0.1
Building Improvements	$0.1	$5.1	$0.5	$1.2	$0.4
Furniture and Fixtures	-	$0.1	-	-	-
Sub-Total	**$0.2**	**$5.3**	**$0.5**	**$1.5**	**$0.5**
Software and IT					
Software	$1.0	$0.3	$8.1	$1.6	$0.1
Computer Equipment	$0.2	$0.1	$0.1	-	-
Network Equipment	$0.2	$0.4	$1.6	$0.3	$1.3
Telephone Equipment	-	-	$0.2	-	-
Sub-Total	**$1.4**	**$0.8**	**$10.0**	**$1.9**	**$1.4**
Vehicles	-	-	$0.1	-	-
Medical Equipment	$0.7	$2.5	-	$1.9	$1.2
Total	**$2.4**	**$8.6**	**$10.6**	**$5.3**	**$3.1**

Source: Daughters

Cost of Hospital Services

The Hospital and Seton Coastside's combined operating cost of services includes both inpatient and outpatient care. In FY 2014, approximately 49% of their total costs were associated with Medicare, 26% with Medi-Cal, and 23% with Third Party payers. The remaining 2% is attributed to Other Payers.

COST OF SERVICES BY PAYER CATEGORY FY 2010 2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Expenses	$297,374,146	$310,145,213	$286,950,046	$298,967,395	$278,796,889
Cost of Services By Payer:					
Medicare	$149,874,774	$158,516,834	$141,786,305	$150,756,950	$136,877,349
Medi-Cal	$69,371,111	$69,281,606	$67,918,049	$71,264,255	$71,243,789
County Indigent	$0	$0	$0	$0	$0
Third Party	$68,863,828	$75,209,090	$67,540,370	$70,854,840	$65,638,938
Other Indigent	$0	$0	$0	$0	$0
Other Payers	$9,264,434	$7,137,684	$9,705,322	$6,091,350	$5,036,813

Source: OSHPD Disclosure Reports, FY 2010-2014

(1) Includes the Hospital and Seton Coastside

Charity Care

According to the Hospital and Seton Coastside's reports submitted to OSHPD, their combined charity care charges have fluctuated from a high of approximately $13.3 million in FY 2013 to a low of $6.8 million in FY 2012. The five-year average for charity care charges was nearly $10.6 million.

The following table shows a comparison of charity care and bad debt for the Hospital and Seton Coastside combined and all general acute care hospitals in the state. The five-year (FY 2010 - FY 2014) average of charity care and bad debt, as a percentage of gross patient revenue, was 1.3%. This is lower than the four-year statewide average of 3.5% (FY 2010-2013). According to OSHPD, "the determination of what is classified as…charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

CHARITY CARE COMPARISON
FY 2010 FY 2014
(Millions)

	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	$1,545.0	$270,511.0	$1,554.5	$288,636.7	$1,499.7	$303,278.6	$1,486.7	$317,543.8	$1,557.9	-
Charity	$11.9	$5,587.1	$9.16	$6,171.5	$6.8	$6,251.0	$13.3	$6,209.9	$11.7	-
Bad Debt	$9.01	$4,510.8	$6.6	$4,815.5	$7.8	$5,007.6	$9.7	$5,549.5	$10.5	-
Total	**$20.9**	**$10,097.9**	**$15.8**	**$10,987.0**	**$14.6**	**$11,258.6**	**$23.1**	**$11,759.4**	**$22.2**	**-**
Charity as a % of Gross Rev.	0.8%	2.1%	0.6%	2.1%	0.5%	2.1%	0.9%	2.0%	0.7%	-
Bad Debt as a % of Gross Rev.	0.6%	1.7%	0.4%	1.7%	0.5%	1.7%	0.7%	1.7%	0.7%	-
Total as a % of Gross Rev.	1.4%	3.7%	1.0%	3.8%	1.0%	3.7%	1.6%	3.7%	1.4%	-
Uncompensated Care										
Cost-to-Charge Ratio	19.1%	25.0%	19.7%	24.6%	18.9%	24.6%	19.9%	24.4%	19.9%	-
Cost of Charity	$2.3	$1,396.2	$1.8	$1,520.9	$1.3	$1,539.1	$2.7	$1,514.58	$2.1	-
Cost of Bad Debt	$1.7	$1,127.3	$1.3	$1,186.8	$1.5	$1,232.9	$1.9	$1,353.5	$1.9	-
Total	**$4.0**	**$2,523.5**	**$3.1**	**$2,707.7**	**$2.8**	**$2,772.0**	**$4.6**	**$2,868.1**	**$3.9**	**-**

Source: OSHPD Disclosure Reports, FY 2010-2014

The table below shows their historical costs for charity care as reported by OSHPD. Their charity care costs have fluctuated, with a low of $2.3 million in FY 2010 to a high of $2.7 million in FY 2013. In FY 2014, the cost of charity care to the Hospital and Seton Coastside was nearly $2.1 million. The average cost of charity care for the last five-year period was approximately $2.0 million.

COST OF CHARITY CARE FY 2010 2014

Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital[1]	Percent of Total Costs Represented by Charity Care
FY 2014	$11,658,028	17.6%	$2,051,813	0.7%
FY 2013	$13,342,962	19.9%	$2,655,249	0.9%
FY 2012	$6,794,759	18.9%	$1,284,209	0.4%
FY 2011	$9,159,488	19.7%	$1,804,419	0.6%
FY 2010	$11,932,578	19.1%	$2,279,122	0.8%
5-Year Average	**$10,577,563**		**$2,014,963**	

Source: OSHPD Disclosure Reports, FY 2010-2014

[1] Includes the Hospital and Seton Coastside

The Hospital and Seton Coastside reported the following combined distribution of charity care by inpatient, outpatient, and emergency room charges:

COST OF CHARITY CARE BY SERVICE				
	Inpatient	Outpatient	Emergency Room	Total Charges
2015:				
Cost of Charity	$1,502,481	$298,030	$2,664,312	$4,464,824
Visits/Discharges	36	129	770	
FY 2014:				
Cost of Charity	$6,339,217	$563,238	$4,755,572	$11,658,027
Visits/Discharges	141	574	1,245	
FY 2013:				
Cost of Charity	$8,295,633	$1,085,569	$3,961,760	$13,342,962
Visits/Discharges	290	1,746	1,928	
FY 2012:				
Cost of Charity	$3,266,873	$987,821	$2,540,065	$6,794,759
Visits/Discharges	217	1,171	1,308	
FY 2011:				
Cost of Charity	$5,816,349	$796,083	$2,547,055	$9,159,487
Visits/Discharges	308	1,154	1,364	
FY 2010:				
Cost of Charity	$7,522,277	$1,290,231	$3,120,070	$11,932,578
Visits/Discharges	317	1,212	1,301	

Source: Daughters

Includes the Hospital and Seton Coastside -

Because of Medicaid expansion and increased access to healthcare insurance coverage under the ACA, the amount of charity care provided to uninsured patients is expected to decrease.

Community Benefit Services

The Hospital and Seton Coastside have consistently provided community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been approximately $800,000 per year:

COMMUNITY BENEFIT SERVICES FY 2010 2014							
Community Benefit Programs	2011	2012	2013	2014	2015	5 Year Average	Total
Benefits for Persons Living in Poverty	$864,872	$909,690	$453,896	$355,198	$347,098	$586,151	**$2,930,754**
Benefits for the Broader Community	$303,012	$320,867	$249,695	$145,082	$22,211	$208,173	**$1,040,867**
Total	**$1,167,884**	**$1,230,557**	**$703,591**	**$500,280**	**$369,309**	**$794,324**	**$3,971,621**

Source: Daughters

(1) Includes the Hospital and Seton Coastside

- The Hospital and Seton Coastside's five-year average cost of community benefit services for persons living in poverty is approximately $586,000 per year. The services for persons living in poverty include community health improvement services, financial and in-kind contributions, and subsidized health services;

- The Hospital and Seton Coastside's five-year average cost of community benefit services to the broader community is approximately $208,000 per year. These services include community health improvement services, health professional education, subsidized health services, financial and in-kind contributions, community building activities, and community benefit operations; and

- Over the 5-year period, The Hospital and Seton Coastside's combined total community benefits have decreased from approximately $1.1 million in FY 2011 to nearly $370,000 in FY 2015.

The Hospital and Seton Coastside's cost of community benefit services over the past five fiscal years included the following program expenditures over $10,000:

COST OF COMMUNITY BENEFIT SERVICES FY 2011 2015					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Services over $10,000 in cost:					
Pulmonary Exercise Maintenance	$27,822	$22,086	$25,711	$26,818	$11,070
Saint Elizabeth Ann Seton New Life Center	$1,706,861	$1,662,994	$1,619,425	$1,364,392	$1,189,434
Rotacare Clinic - Seton	$46,820	$31,358	$23,256	$11,520	$8,716
Rotacare Clinic - Seton Coastside	$27,631	$17,935	$34,575	-	-
Chamber of Commerce	$28,583	$23,021	$39,873	$20,157	-
Community Benefit Program Management	$85,689	$89,655	$96,723	$27,396	$20,445
Better Breathers	$15,870	$11,799	$11,431	-	-
Medical Mondays	$16,885	$95,742	-	-	-

Source: Daughters

(1) Includes the Hospital and Seton Coastside

Their community benefit services have supported many programs for the community including the Health Benefits Resource Center and Community Benefits Program Management[37]:

- Health Benefits Resource Center: The program provides free assessments, referrals to community resources, and assistance completing applications for free and low cost health insurance; and

- Community Benefits Program Management: The program assists in organizing events and collaborating with other healthcare providers.

[37] Since the completion of MDS' analysis of the proposed transaction involving Prime Healthcare Services, Inc. in December 2014, the following community benefit programs and services are no longer being provided: Better Breathers, Chamber of Commerce, Living Well Community Health Education Classes, the Saint Elizabeth Ann Seton New Life Center, and RotaCare Clinic.

Profile of BlueMountain & Integrity -

BlueMountain Capital Management, LLC

BlueMountain is a global private investment firm headquartered in New York City, New York. The firm provides services to pooled investment vehicles operating as private investment funds and institutional accounts operating as single-investor limited partnerships. BlueMountain's services include managing client-focused portfolios and launching and managing hedge funds. The firm investments in public equity, fixed income, and alternative investment markets across the world. BlueMountain's investment team utilizes credit and capital structure, distressed and special situations, equity, structured finance and real estate, arbitrage and technical investment strategies. Currently, BlueMountain has approximately $20 billion in assets under management, including over $5 billion of assets with long-term realization strategies related to private holdings.

BlueMountain was founded in 2003 by Andrew Feldstein, Chief Executive Officer and Co-Chief Investment Officer, and Stephen Siderow, Co-Founder, Managing Partner, and Co-President. Today, BlueMountain employs approximately 300 professionals and has offices located in New York City and London.

Throughout recent years, BlueMountain has invested over $1 billion into healthcare-related sectors and has developed a portfolio that includes the following investments:

- MedEquities Realty Trust: A self-managed real estate investment trust that invests in various healthcare properties and healthcare-related real estate debt investments. MedEquities invests primarily in acute and post-acute care properties, including acute care hospitals, short stay surgical and specialty hospitals, skilled nursing facilities, and outpatient surgery centers. MedEquities has acquired assets in excess of $350 million. Recent transactions include the following:
    - Lakeway Regional Medical Center: MedEquities purchased the defaulted mortgage loan of Lakeway Regional Medical Center, a 106-bed acute care hospital located near Austin, Texas, and contributed working capital to cover shortfalls during the turnaround period;
    - Kentfield Rehabilitation & Specialty Hospital: MedEquities provided a $60 million financing solution to Vibra Healthcare to fund the purchase and renovations of Kentfield Hospital, located in Kentfield, California;
    - Mountain's Edge Acute Care Hospital and Horizon Specialty Hospital: MedEquities entered into a $30 million capital transaction with Fundamental Long Term Care to acquire Mountain's Edge Hospital in Las Vegas, Nevada, in order to capitalize on strategic opportunities in the Las Vegas market. In

addition, MedEquities entered into a $20 million financing transaction with Fundamental Long Term Care to acquire Horizon Hospital in Henderson, Nevada; and

  - Life Generations Skilled Nursing & Rehabilitation Facilities Portfolio: MedEquities entered into a $95 million capital financing transaction related to the acquisition of six skilled nursing facilities in California.

- Capital Senior Ventures: BlueMountain and Capital Funding Inc. formed a joint venture to acquired undermanaged skilled nursing and rehabilitation facilities in order to increase profitability through operational overhaul. Capital Senior Ventures has acquired eight assets, including five skilled nursing facilities in California in partnership with Providence Healthcare Group;

- Legacy Sun West Senior Living Portfolio: BlueMountain, in partnership with Formation Capital and Safanad, acquired a $400 million portfolio of assisted living facilities across 10 states;

- LifeCare Holdings: BlueMountain is an equity holder of LifeCare Holdings, the third largest operator of long-term acute care hospitals in the United States. In June 2013, BlueMountain, along with other investors, formed Hospital Acquisition LLC to bid on LifeCare Holdings; and

- Angiotech Pharmaceuticals, Inc.: BlueMountain is the largest shareholder in Angiotech Pharmaceuticals, a company that designs, manufactures, and sells wound care surgical products and kits.

Integrity Healthcare, LLC

Integrity, incorporated on February 11, 2015, is a newly formed entity owned by BlueMountain that was developed to oversee Daughters and Daughters Affiliates. While Certain Funds Managed by BlueMountain will provide the necessary capital to invest in the operations and Health Facilities, Integrity will provide management services and daily operational support.

BlueMountain and Integrity state that their philosophy is centered on creating environments open to change, addressing the critical factors that drive financial performance, educating the workforce on sound business practices, and focusing on employees as champions. Integrity's stated core beliefs for the management of Daughters and Daughters Affiliates include the following:

- Community hospitals must assume a central role in population health management in order to benefit from healthcare reform's evolving incentives to create more affordable and more accessible healthcare services;

- Quality of care and employee retention are key priorities that need to be addressed through superior stewardship and a commitment to clinical partnerships;

- Patient experience and clinical outcomes drive organizational success and are best achieved by maximizing physician and employee satisfaction;

- Advanced technology and management techniques are important tools for future success; and

- Hospital and physician integration is vital to the success of the enterprise.

Integrity's leadership team is comprised of healthcare executives with leadership experience in hospitals and health systems, including Mitch Creem, Chief Executive Officer, and Mark Meyers, Chief Operating Officer.

BlueMountain and Integrity have stated that turning around the financial losses of Daughters will require investment and growth in services and revenue, as well as improvements in efficiency. They also expect to partner with other area healthcare providers that have shared interests in population health management.

ANALYSIS OF THE HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 14 ZIP Codes, from which approximately 83% of its discharges originated in 2014. Approximately 67% of the Hospital's discharges came from the top four ZIP Codes, located in Daly City, South San Francisco, and Pacifica. In 2014, the Hospital's market share in the service area was 16% based on inpatient discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014

ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94015	Daly City	1,675	25.1%	25.1%	4,508	37.2%
94014	Daly City	1,061	15.9%	41.0%	3,254	32.6%
94080	South San Francisco	991	14.9%	55.9%	5,118	19.4%
94044	Pacifica	714	10.7%	66.6%	2,996	23.8%
94066	San Bruno	339	5.1%	71.6%	3,503	9.7%
94112	San Francisco	305	4.6%	76.2%	6,765	4.5%
94134	San Francisco	128	1.9%	78.1%	3,692	3.5%
94132	San Francisco	116	1.7%	79.9%	1,850	6.3%
94019	Half Moon Bay	61	0.9%	80.8%	1,115	5.5%
94005	Brisbane	38	0.6%	81.4%	343	11.1%
94038	Moss Beach	34	0.5%	81.9%	243	14.0%
94018	El Granada	19	0.3%	82.1%	230	8.3%
94037	Montara	13	0.2%	82.3%	165	7.9%
94017	Daly City	10	0.1%	82.5%	47	21.3%
Subtotal		**5,504**	**82.5%**	**82.5%**	**33,829**	**16.3%**
Other ZIPs		1,168	17.5%	100%		
Total		**6,672**	**100.0%**			

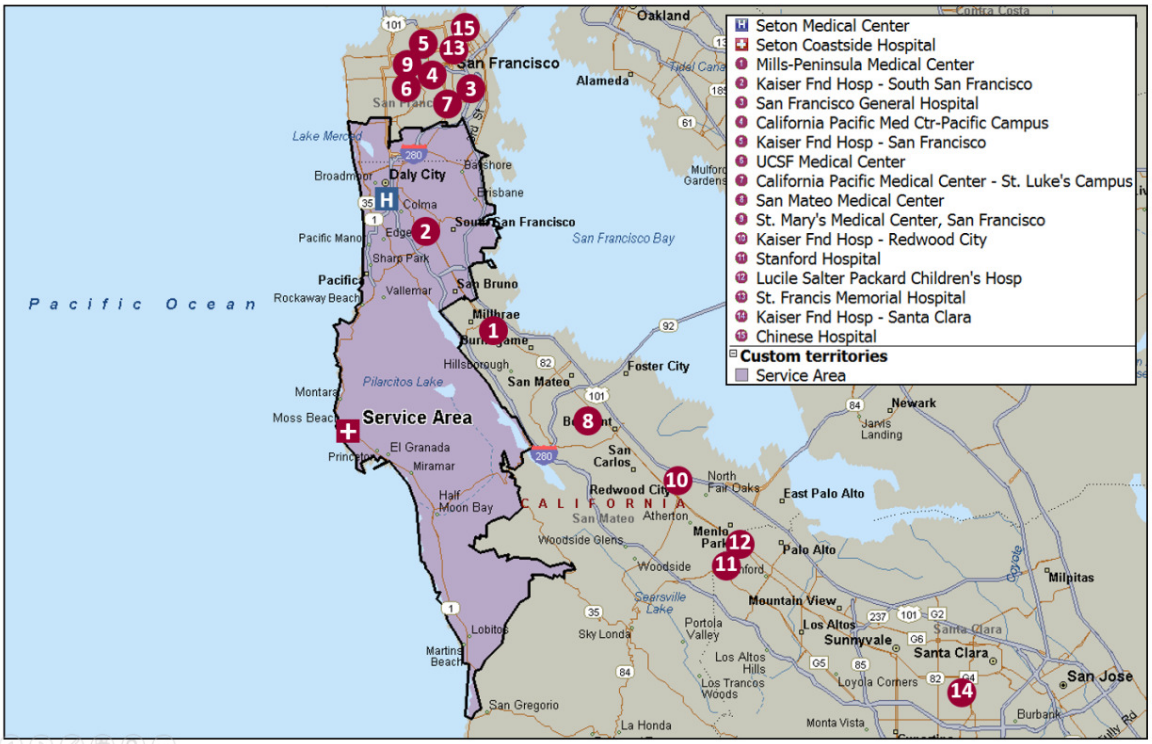
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

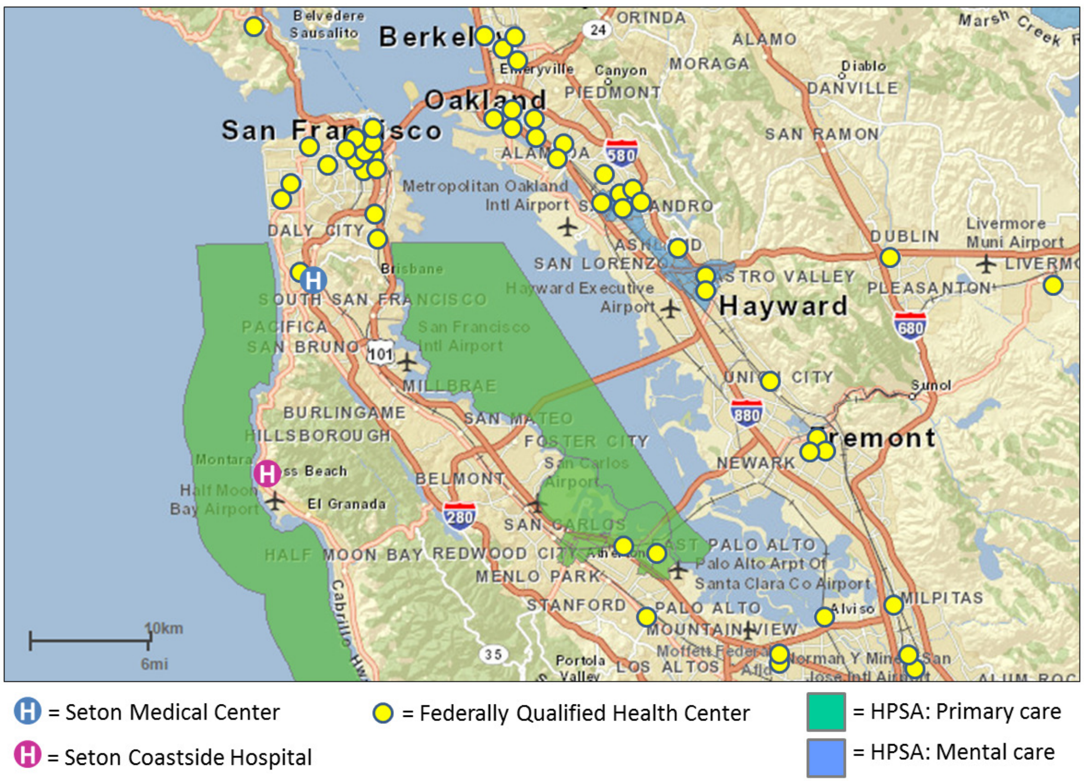
The Hospital's service area, with approximately 439,000 residents, includes the communities of Daly City, South San Francisco, San Francisco, Pacifica, San Bruno, Half Moon Bay, Moss Beach, Brisbane, El Granada, and Montara.

In addition to the Hospital, Kaiser Foundation Hospital – South San Francisco is located within the Hospital's service area. The Hospital is the inpatient market share leader in the service area.

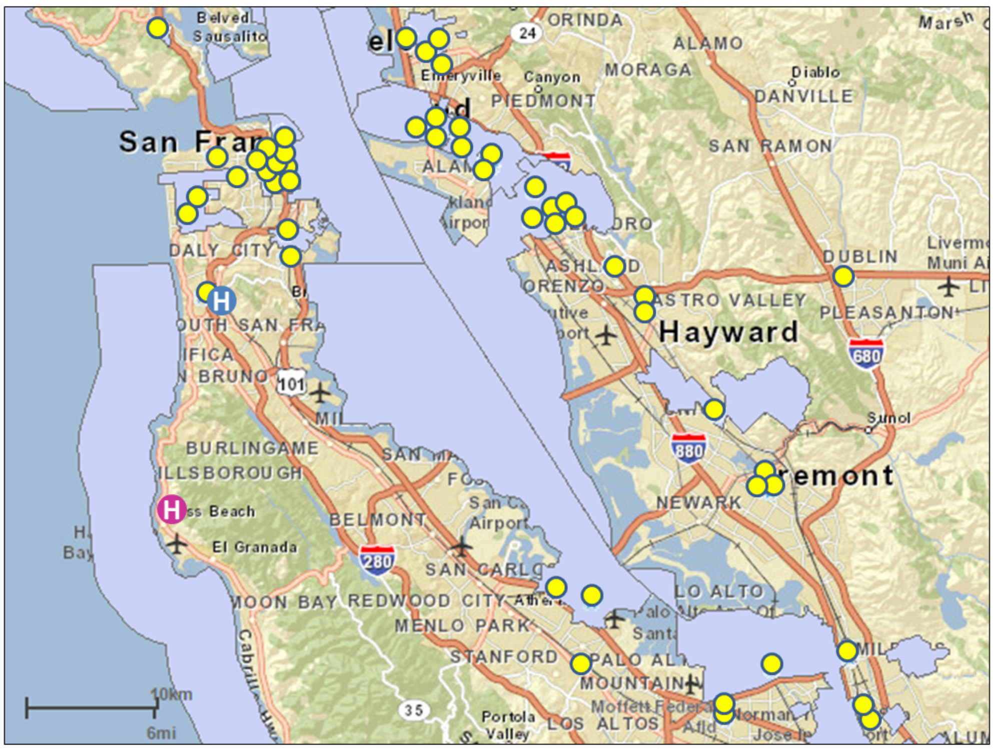


Health Professional Shortage Areas, Medically Underserved Areas, & Medically Underserved Populations

The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). Neither the Hospital, nor its service area, is designated as a Health Professional Shortage Area. The map below shows the closest shortage areas in proximity to the Hospital's location. The closest Health Professional Shortage Areas are located in and around Redwood City, approximately 10 miles from the Hospital, and across San Francisco Bay in Hayward and San Leandro.



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



H = Seton Medical Center

H = Seton Coastside Hospital

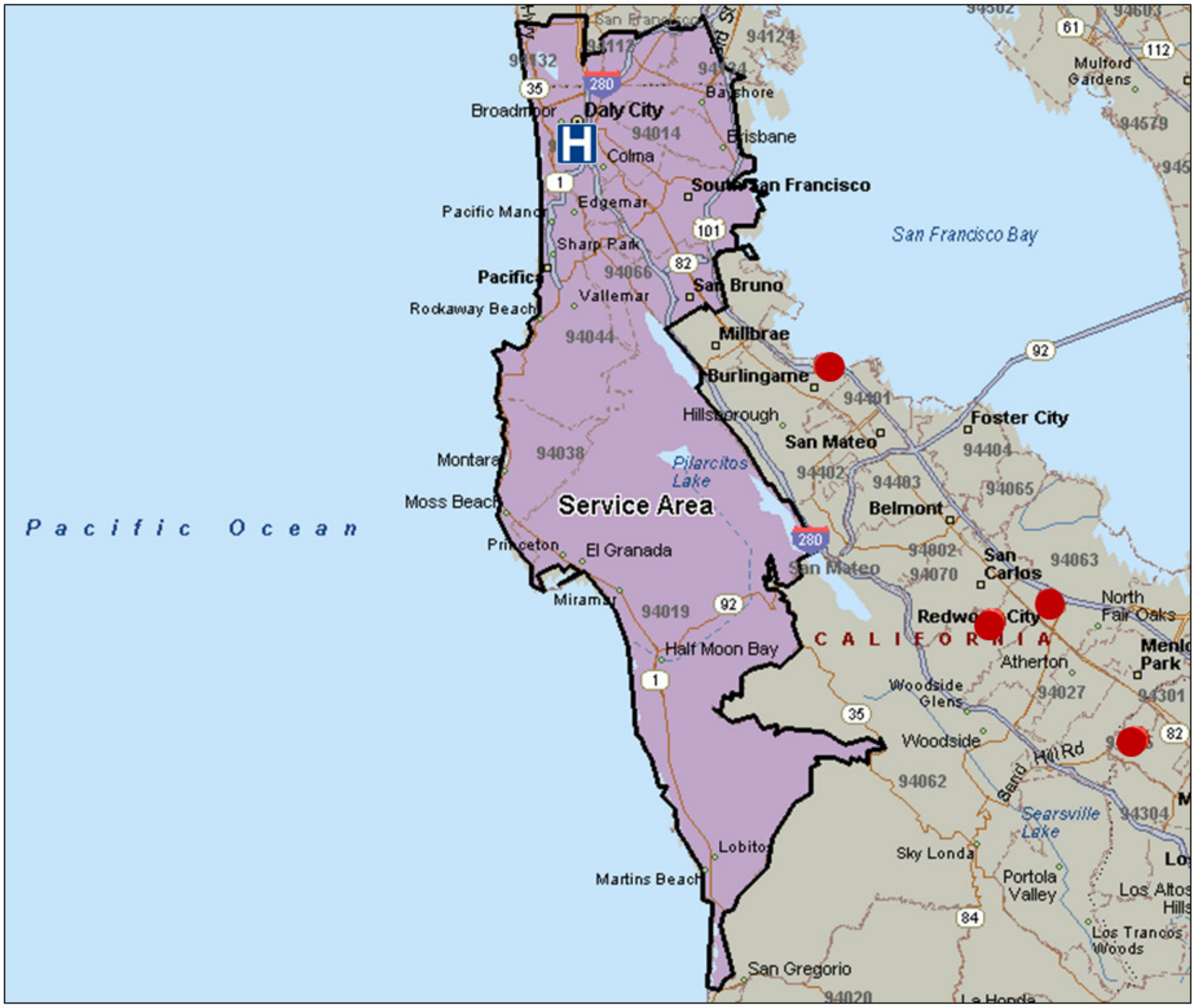
= Federally Qualified Health Center

= MUA/MUP Designation

Neither the Hospital, nor its service area, is designated as a Medically Underserved Area/Medically Underserved Population, suggesting there is sufficient access to healthcare services in the area. There are also three Federally Qualified Health Centers in the Hospital's service area. Federally Qualified Health Centers are health clinics that qualify for enhanced reimbursement from Medicare and Medicaid. Federally Qualified Health Centers must serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, have an ongoing quality assurance program, and have a governing board of directors. The ACA included provisions that increased federal funding to Federally Qualified Health Centers to help meet the anticipated demand for healthcare services by those individuals who gained healthcare coverage through the various health exchanges.

STEMI Receiving Centers in San Mateo County

There are four STEMI Receiving Centers in San Mateo County that provide percutaneous coronary intervention for patients experiencing an acute heart attack. In addition to the Hospital, Peninsula Medical Center, Kaiser Foundation Hospital – Redwood City, and Sequoia Hospital are also designated STEMI Receiving Centers. Further, the Hospital is the only STEMI Receiving Center within its service area. Stanford Hospital, a designated STEMI Receiving Center in Santa Clara County, also has an agreement with San Mateo County to provide percutaneous coronary intervention services.



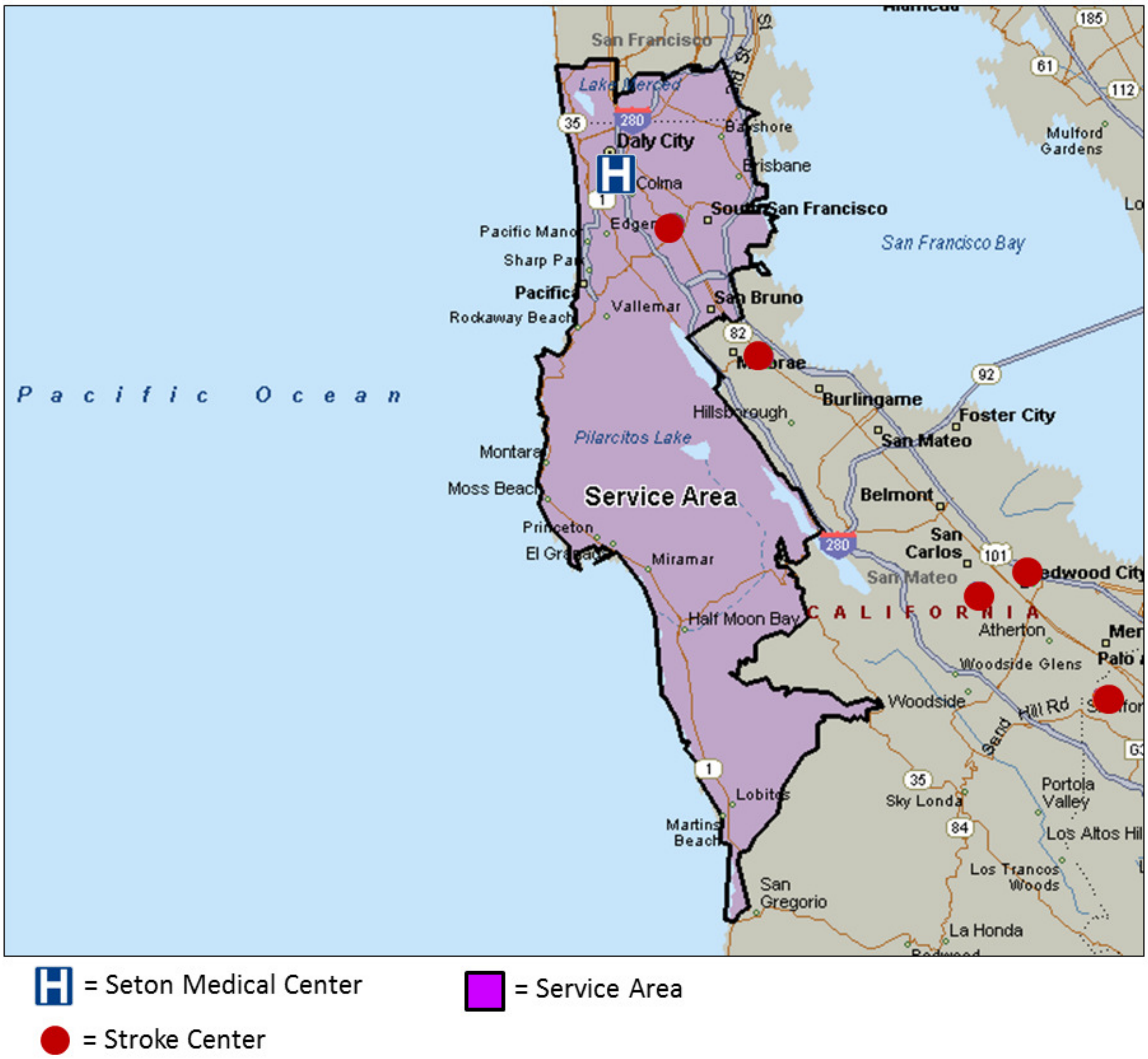
= Seton Medical Center

= Service Area

= STEMI Receiving Center

Certified Stroke Centers in San Mateo County

In addition to the Hospital, there are four other Certified Primary Stroke Centers in San Mateo County, including Kaiser Foundation Hospital – South San Francisco, Kaiser Foundation Hospital – Redwood City, Sequoia Hospital, and Mills-Peninsula Medical Center. Stanford Hospital, a Comprehensive Stroke Center in San Jose County, also has an agreement with San Mateo County to provide stroke care services.



Demographic Profile

The Hospital's service area population is projected to grow by 4.3% over the next five years. This is similar to the expected growth rate for San Mateo County (4.4%) and higher than the expected growth rate statewide (3.7%).

SERVICE AREA POPULATION STATISTICS 2015 2020			
	2015 Estimate	2020 Projection	% Change
Total Population	438,926	457,736	4.3%
Households	140,685	146,898	4.4%
Percentage Female	50.83%	50.75%	-0.2%

Source: Esri

The median age of the population in the Hospital's service area is 40.0 years, higher than the statewide median age of 35.7 years. The percentage of adults over the age of 65 is the fastest growing age cohort, increasing by approximately 20% between 2015 and 2020. The number of women of child-bearing age is expected to increase slightly over the next five years, but decrease as a percentage of the population.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2015 2020				
	2015 Estimate		2020 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	69,789	15.9%	70,949	15.5%
Age 15-44	179,082	40.8%	182,179	39.8%
Age 45-64	121,583	27.7%	122,216	26.7%
Age 65+	68,472	15.6%	81,935	17.9%
Total	**438,926**	**100%**	**457,736**	**100%**
Female 15-44	87,860	20.0%	89,591	19.6%
Median Age	40.0		41.0	

Source: Esri

The largest population cohorts in the Hospital's service area are Asian/Pacific Islander (44%) and White (35%). Daly City, where the Hospital is located, has one of the highest concentrations of Filipino Americans of any municipality in the United States. Approximately 75% of the service area population is of non-Hispanic origin. This is comparable to San Mateo County (74%), but considerably higher than the California non-Hispanic population of 61%.

SERVICE AREA POPULATION RACE/ETHNICITY: 2015-2020		
	2015	2020
White	34.7%	33.1%
Black	3.6%	3.2%
American Indian or Alaska Native	0.5%	0.5%
Asian or Pacific Islander	44.1%	45.8%
Some Other Race	11.6%	11.7%
Two or More Races	5.5%	5.7%
Total	**100%**	**100%**
Hispanic Ethnicity	25.4%	25.5%
Non-Hispanic or Latino	74.6%	74.5%
Total	**100%**	**100%**

Source: Esri

The Hospital's service area households have an average household income of $96,738. This is nearly 29% lower than the county average of $124,630, but approximately 10% higher than the state average of $87,152. Projections anticipate that the number of higher income households ($150,000+) in the Hospital's service area will represent a smaller percentage of households than anticipated in the State of California, but a higher percentage of households than anticipated in San Mateo County.

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2015-2020						
	2015 Estimate			2020 Estimate		
	Service Area	San Mateo County	California	Service Area	San Mateo County	California
$0 - $15,000	7.5%	6.5%	11.1%	6.4%	5.5%	10.3%
$15 - $24,999	6.3%	5.5%	9.0%	4.2%	3.7%	6.6%
$25 - $34,999	6.6%	6.2%	9.3%	5.2%	4.8%	7.7%
$35 - $49,999	10.8%	9.2%	12.2%	9.6%	7.9%	11.3%
$50 - $74,999	16.3%	14.5%	16.5%	15.0%	13.1%	15.9%
$75 - $99,999	14.3%	12.1%	12.3%	15.4%	12.9%	14.2%
$100 - $149,999	22.4%	19.2%	14.9%	26.0%	21.6%	16.6%
$150,000+	15.8%	26.9%	14.6%	18.3%	30.5%	17.4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Average Household Income	**$96,738**	**$124,630**	**$87,152**	**$109,996**	**$142,349**	**$99,512**

Source: Esri

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that 15% of the population in the Hospital's service area was eligible for Medi-Cal. With the implementation of the ACA and the expansion of Medi-Cal, the number and percentage of the State of California's population that is currently eligible for Medi-Cal have greatly increased, reporting more than 2.7 million total enrollees in the Medi-Cal program in 2014. Currently, approximately 11 million individuals are covered by Medi-Cal in the State of California. Based on the Hospital's service area income demographics, and the Hospital's payer mix consisting of 19% Medi-Cal patients, many of the service area residents will qualify for Medi-Cal coverage under the expansion.

Selected Health Indicators

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

- Health indicators in San Mateo County are superior to health indicators statewide and nationally for low birth weight infants, first trimester prenatal care, and adequate/adequate plus care.

NATALITY STATISTICS: 2015			
Health Status Indicator	San Mateo County	California	National Goal
Low birth weight infants	6.6%	6.8%	7.8%
First Trimester Prenatal Care	90.3%	83.6%	77.9%
Adequate/Adequate Plus Care	84.0%	79.2%	77.6%

Source: California Department of Public Health

- The overall age-adjusted mortality rate for San Mateo County is lower than that of the State of California. San Mateo County's rates for all 18 causes are lower than the statewide rates. San Mateo County achieved 13 out of the 14 reported national goals based on underlying and contributing cause of death.

MORTALITY STATISTICS: 2015 RATE PER 100,000 POPULATION				
	San Mateo County		(Age Adjusted)	
Selected Cause	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	627.9	534.3	641.1	N/A
- All Cancers	158.3	137.6	151.0	161.4
- Colorectal Cancer	13.7	11.6	13.9	14.5
- Lung Cancer	32.7	28.9	33.6	45.5
- Female Breast Cancer	24.5	19.1	20.7	20.7
- Prostate Cancer	16.6	17.8	20.2	21.8
- Diabetes	14.1	12.2	20.8	N/A
- Alzheimer's Disease	38.4	30.7	30.8	N/A
- Coronary Heart Disease	87.4	73.5	103.8	103.4
- Cerebrovascular Disease (Stroke)	34.1	28.5	35.9	34.8
- Influenza/Pneumonia	20.2	16.2	16.3	N/A
- Chronic Lower Respiratory Disease	28.2	24.6	35.9	N/A
- Chronic Liver Disease And Cirrhosis	10.8	9.3	11.7	8.2
- Accidents (Unintentional Injuries)	24.0	21.8	27.9	36.4
- Motor Vehicle Traffic Crashes	5.7	5.6	7.6	12.4
- Suicide	8.5	7.7	10.2	10.2
- Homicide	2.6	2.8	5.1	5.5
- Firearm-Related Deaths	4.4	4.4	7.8	9.3
- Drug-Induced Deaths	8.0	7.3	11.1	11.3

Source: California Department of Public Health

- San Mateo County has lower morbidity rates than California overall. The rate of incidence of tuberculosis is higher than both the statewide rate and national goal.

MORBIDITY STATISTICS: 2015 RATE PER 100,000 POPULATION			
Health Status Indicator	San Mateo County	California	National Goal
AIDS	4.0	8.1	12.4
Chlamydia	251.7	442.6	N/A
Gonorrhea Female 15-44	48.8	152.8	251.9
Gonorrhea Male 15-44	108.5	213.1	194.8
Tuberculosis	7.7	5.9	1.0

Source: California Department of Public Health

2013 Community Health Needs Assessment

In an effort to identify the most critical healthcare needs in the Hospital's service area, a Community Health Needs Assessment is conducted every three years. The Hospital's most recent 2013 assessment was conducted jointly by the Healthy Community Collaborative of San Mateo County through a telephone survey of San Mateo County adults. For the purposes of the assessment, the Hospital defined its service area to include the areas of Broadmoor, Burlingame, Brisbane, Colma, Daly City, Half Moon Bay, Pacifica, San Bruno, and South San Francisco.

Based upon the Community Health Needs Assessment's defined service area, the study included a summary of population and household demographics measures related to access to healthcare, mortality, and findings from the telephone survey results, some of which are summarized below:

- Approximately 55% of adults within the Hospital's defined service area are overweight and 22% of adults are obese;

- Approximately 12% of the residents within the Hospital's defined service area lack health insurance, and therefore, are at a greater health risk;

- Only 5% of adults within the Hospital's defined service area exhibit healthy behaviors, including eating five servings of fruits and vegetables daily, not smoking, and maintaining a healthy weight;

- Adults within the Hospital's defined service area are at high-risk (85%) for developing cardiovascular disease due to high blood cholesterol, hypertension, diabetes, smoking, diet, lack of exercise, alcohol consumption, and family history; and

- Within the Hospital's defined service area, 19% of adults live 200% below the Federal Poverty Level.

As a result of the above findings, the Community Health Need Assessment identified the most important healthcare needs in the community as follows:

- Obesity;
- Diabetes;
- Cardiovascular disease, heart attack, and stroke;
- Cancer; and
- Births.

Hospital Supply, Demand, & Market Share

There are only two general acute care hospitals within the Hospital's service area, Kaiser Foundation Hospital – South San Francisco and the Hospital. Together they have a combined total of 477 licensed beds and an aggregate occupancy rate of approximately 38%. The Hospital has an occupancy rate of nearly 36%. Kaiser Foundation Hospital – South San Francisco has 120 licensed beds and has an occupancy rate of 44%. The Hospital's 357 licensed beds represent approximately 75% of the area's beds, and its inpatient volume accounts for approximately 57% of discharges and 71% of patient days.

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

AREA HOSPITAL DATA: FY 2014

Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Seton Medical Center[1]	**Daughters of Charity Health System**	**Daly City**	**X**	**357**	**6,755**	**46,805**	**128**	**35.9%**	**-**
Kaiser - South San Francisco*	Kaiser Foundation Hospitals	South San Francisco	X	120	5,175	19,263	53	44.0%	2.7
SUB-TOTAL				**477**	**11,930**	**66,068**	**181**	**37.9%**	
California Pacific Medical Center - St. Luke's*	Sutter Health	San Francisco		228	3,886	31,595	87	38.0%	6.2
UCSF Medical Center	Regents of the University of California	San Francisco		650	28,736	178,986	490	75.4%	6.4
San Francisco General Hospital	City and County of San Francisco	San Francisco		645	16,460	111,455	305	47.3%	7.8
St. Mary's Medical Center - San Francisco	Dignity Health	San Francisco		403	5,785	30,887	85	21.0%	7.8
Mills-Peninsula Medical Center	Sutter Health	Burlingame		301	13,642	58,260	160	53.0%	10.7
California Pacific Medical Center - Pacific*	Sutter Health	San Francisco		970	25,948	151,739	416	42.9%	11.3
Saint Francis Memorial Hospital	Dignity Health	San Francisco		288	6,032	35,770	98	34.0%	11.5
Chinese Hospital*	Chinese Hospital Association	San Francisco		54	1,902	11,255	31	57.1%	11.6
Kaiser - San Francisco*	Kaiser Foundation Hospitals	San Francisco		247	11,520	50,471	138	56.0%	11.6
San Mateo Medical Center	County of San Mateo	San Mateo		509	3,962	127,075	348	68.4%	17.9
TOTAL				**4,772**	**129,803**	**853,561**	**2339**	**49.0%**	

Source: OSHPD Disclosure Reports

* 2013

[1] Includes the Hospital and excludes Seton Coastside

- The aggregate occupancy rate for all area hospitals is 49%. Only UCSF Medical Center has an occupancy rate above 70%; and

- The four largest providers of inpatient services to the service area by market share (the Hospital, Mills-Peninsula Medical Center, Kaiser Foundation Hospital – South San Francisco, and San Francisco General Hospital) operate at a combined average occupancy rate of 40%.

Hospital Market Share

The table below illustrates market share discharges by individual hospital within the Hospital's service area over the past five years:

HOSPITAL MARKET SHARE: 2010 2014						
Hospital	**2010**	**2011**	**2012**	**2013**	**2014**	**Trend**
Seton Medical Center	**19.3%**	**17.5%**	**16.8%**	**17.1%**	**16.3%**	↘
Mills-Peninsula Medical Center	11.3%	11.7%	11.8%	12.4%	12.6%	↗
Kaiser Fnd Hosp - South San Francisco	11.5%	12.4%	11.5%	10.8%	11.0%	↔
San Francisco General Hospital	8.6%	9.0%	9.4%	9.4%	9.8%	↗
California Pacific Med Ctr-Pacific Campus	10.5%	10.2%	8.7%	9.0%	9.2%	↔
Kaiser Fnd Hosp - San Francisco	8.7%	9.0%	8.9%	7.8%	8.6%	↘
UCSF Medical Center	7.2%	7.0%	7.0%	7.8%	7.8%	↗
California Pacific Medical Center - St. Luke's Campus	4.4%	4.4%	4.5%	4.2%	4.1%	↘
San Mateo Medical Center	2.6%	2.9%	2.8%	2.8%	2.6%	↔
St. Mary's Medical Center, San Francisco	2.9%	2.9%	2.8%	2.5%	2.0%	↘
Other Discharges	13.0%	13.2%	15.8%	16.2%	16.0%	↗
Total Percentage	**100%**	**100%**	**100%**	**100%**	**100%**	
Total Discharges	**35,803**	**34,491**	**34,857**	**34,258**	**33,829**	↘

Source: OSHPD Patient Discharge Database, 2010-2014

Note: Excludes normal newborns and Seton Coastside

- The number of discharges in the Hospital's service area has decreased by 6% between 2010 and 2014;
- Over the last five years, the Hospital has consistently ranked first in terms of overall market share for its service area based on discharges (16% in 2014). However, the Hospital's market share has decreased from nearly 19% in 2010 to 16% in 2014;
- Mills-Peninsula Medical Center, San Francisco General Hospital, and UCSF Medical Center have increased their market share between 2010 and 2014; and
- The Kaiser Foundation Hospitals had a combined market share of nearly 19% in 2014.

Market Share by Payer Type

The following table illustrates hospital market share by payer type as reported by OSHPD for 2014:

HOSPITAL MARKET SHARE BY PAYER TYPE: 2014											
Payer Type	**Total Discharges**	**Seton Medical Center**	**Mills-Peninsula Medical Center**	**Kaiser Foundation Hospital - South San Francisco**	**San Francisco General Hospital**	**California Pacific Med Ctr-Pacific Campus**	**Kaiser Foundation Hospital - San Francisco**	**UCSF Medical Center**	**California Pacific Medical Center - St. Luke's Campus**	**All Others**	**Total**
Medicare	12,965	26.4%	12.9%	18.0%	5.6%	4.5%	4.7%	7.0%	3.5%	17.3%	100%
Private Coverage	11,580	5.1%	14.1%	10.9%	2.7%	13.9%	18.8%	8.6%	2.5%	23.4%	100%
Medi-Cal	7,502	14.6%	10.6%	0.6%	28.0%	9.6%	0.9%	9.3%	7.5%	18.9%	100%
All Other	1,207	28.3%	4.6%	1.2%	9.0%	9.1%	0.8%	1.9%	1.2%	43.8%	100%
Self Pay	575	8.3%	16.9%	10.3%	10.4%	14.3%	5.4%	4.2%	8.0%	22.3%	100%
		16.3%	**12.6%**	**11.0%**	**9.8%**	**9.2%**	**8.6%**	**7.8%**	**4.1%**	**20.8%**	**100%**
Grand Total	**33,829**	**5,504**	**4,253**	**3,715**	**3,315**	**3,100**	**2,902**	**2,649**	**1,371**	**7,020**	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- For 2014, the largest payer types, based on service area inpatient discharges, are Medicare at 26% and Private Coverage at 19%;
- The Hospital is the market share leader for Medicare at 26% and All Other (28%);
- Mills-Peninsula Medical Center is the market share leader for Self Pay (17%);
- San Francisco General Hospital ranks first in Medi-Cal (28%); and
- Kaiser Foundation Hospital – San Francisco is the Private Coverage market share leader at 19%.

Market Share by Service Line

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

HOSPITAL MARKET SHARE BY SERVICE LINE: 2014

Service Line	Total Discharges	Seton Medical Center	Mills Peninsula Medical Center	Kaiser Foundation Hospital South San Francisco	San Francisco General Hospital	California Pacific Med Ctr Pacific Campus	Kaiser Foundation Hospital San Francisco	UCSF Medical Center	California Pacific Medical Center St. Luke s Campus	All Others	Total
General Medicine	10,036	21.7%	11.4%	16.9%	9.5%	6.5%	4.7%	8.2%	3.8%	17.3%	100%
Obstetrics	5,247	10.0%	13.7%	0.2%	7.5%	19.0%	20.3%	6.9%	7.1%	15.2%	100%
Cardiac Services	3,483	27.5%	10.3%	15.6%	7.7%	6.3%	7.6%	6.7%	3.3%	15.0%	100%
General Surgery	2,635	14.8%	12.8%	16.6%	11.6%	7.8%	5.5%	8.2%	3.4%	19.3%	100%
Neonatology	2,391	9.2%	10.9%	0.0%	9.6%	14.6%	22.7%	9.0%	7.1%	17.1%	100%
Orthopedics	2,117	14.0%	11.7%	21.9%	9.0%	7.2%	5.6%	7.4%	1.6%	21.6%	100%
Behavioral Health	1,902	1.3%	35.8%	1.5%	15.1%	4.3%	0.4%	1.3%	0.7%	39.6%	100%
Neurology	1,386	22.9%	10.3%	13.2%	8.0%	6.4%	4.5%	9.5%	1.7%	23.5%	100%
Oncology/Hematology (Medical)	1,064	16.4%	6.8%	12.1%	9.0%	11.8%	3.9%	15.7%	2.4%	21.8%	100%
Rehabilitation	586	0.0%	0.0%	0.0%	7.2%	3.1%	0.0%	0.0%	11.4%	78.3%	100%
Spine	539	17.6%	8.9%	3.3%	8.2%	4.6%	1.3%	10.2%	1.1%	44.7%	100%
Vascular Services	499	25.1%	12.6%	6.0%	7.0%	5.0%	14.0%	9.0%	5.4%	15.8%	100%
Other	472	9.1%	7.0%	12.7%	31.4%	5.9%	4.0%	6.1%	0.4%	23.3%	100%
Urology	397	13.9%	11.3%	13.1%	10.8%	8.1%	7.6%	9.8%	3.3%	22.2%	100%
ENT	387	10.1%	8.5%	9.0%	15.2%	9.0%	6.5%	14.2%	2.8%	24.5%	100%
Gynecology	340	8.5%	15.9%	5.6%	15.6%	15.9%	10.0%	4.7%	4.1%	19.7%	100%
Neurosurgery	260	6.9%	3.8%	1.9%	15.4%	3.1%	0.0%	22.3%	0.8%	45.8%	100%
All others	88	12.5%	5.7%	4.5%	21.6%	9.1%	3.4%	23.9%	1.1%	18.2%	100%
		16.3%	**12.6%**	**11.0%**	**9.8%**	**9.2%**	**8.6%**	**7.8%**	**4.1%**	**20.8%**	**100%**
Grand Total	**33,829**	**5,504**	**4,253**	**3,715**	**3,315**	**3,100**	**2,902**	**2,649**	**1,371**	**7,020**	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the service line leader in seven out of 16 services lines: general medicine (22%), cardiac services (28%), neurology (23%), oncology/hematology (16%), spine (18%), vascular services (25%), and urology (19%);

- The Hospital also has a notable market share in general surgery (15%), orthopedics (14%), and ear, nose, and throat (10%);

- Mills-Peninsula Medical Center holds 36% of the market share for behavioral health services and approximately 16% of market share for gynecology services; and

- Kaiser Foundation Hospital – South San Francisco holds 22% of the market share for orthopedics and 17% of the market share for general surgery.

Market Share by ZIP Code

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

HOSPITAL MARKET SHARE BY ZIP CODE 2014												
ZIP Code	Community	Total Discharges	Seton Medical Center	Mills Peninsula Medical Center	Kaiser Foundation Hospital South San Francisco	San Francisco General Hospital	California Pacific Med Ctr Pacific Campus	Kaiser Foundation Hospital San Francisco	UCSF Medical Center	California Pacific Medical Center St. Luke s Campus	All Others	Total
94112	San Francisco	6,765	4.5%	1.1%	5.1%	24.1%	14.8%	11.6%	13.4%	8.5%	16.9%	100%
94080	South San Francisco	5,118	19.4%	23.3%	17.9%	1.3%	6.6%	7.1%	3.1%	1.6%	19.7%	100%
94015	Daly City	4,508	37.2%	8.1%	12.0%	1.9%	7.1%	8.9%	5.6%	2.2%	17.0%	100%
94134	San Francisco	3,692	3.5%	1.2%	5.0%	29.9%	14.1%	10.3%	10.3%	8.7%	17.1%	100%
94066	San Bruno	3,503	9.7%	37.2%	14.1%	1.7%	4.2%	5.2%	3.5%	1.0%	23.4%	100%
94014	Daly City	3,254	32.6%	8.4%	14.8%	2.9%	7.8%	8.3%	4.2%	4.7%	16.3%	100%
94044	Pacifica	2,996	23.8%	15.4%	17.4%	1.4%	6.3%	8.5%	5.6%	1.3%	20.3%	100%
94132	San Francisco	1,850	6.3%	1.6%	4.2%	11.8%	14.0%	11.8%	23.3%	3.1%	24.0%	100%
94019	Half Moon Bay	1,115	5.5%	25.3%	2.5%	0.2%	1.9%	1.1%	2.8%	0.1%	60.7%	100%
94005	Brisbane	343	11.1%	25.7%	17.5%	1.7%	7.0%	6.1%	6.1%	1.5%	23.3%	100%
94038	Moss Beach	243	14.0%	16.9%	7.4%	0.4%	6.2%	1.2%	4.9%	0.0%	49.0%	100%
94018	El Granada	230	8.3%	28.7%	4.8%	0.4%	0.9%	1.3%	5.2%	0.0%	50.4%	100%
94037	Montara	165	7.9%	18.2%	15.8%	0.0%	4.2%	4.2%	8.5%	0.0%	41.2%	100%
94017	Daly City	47	21.3%	10.6%	25.5%	8.5%	10.6%	2.1%	2.1%	0.0%	19.1%	100%
			16.3%	**12.6%**	**11.0%**	**9.8%**	**9.2%**	**8.6%**	**7.8%**	**4.1%**	**20.8%**	**100%**
Grand Total		**33,829**	**5,504**	**4,253**	**3,715**	**3,315**	**3,100**	**2,902**	**2,649**	**1,371**	**7,020**	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the market share leader in three of the ZIP Codes within its service area. In two of these ZIP Codes, the Hospital had over 30% of the market share in 2014. The communities represented by these ZIP Codes include Daly City and Pacifica;

- Mills-Peninsula Medical Center is the market share leader in seven service area ZIP Codes, located in South San Francisco, San Bruno, Half Moon Bay, Brisbane, Moss Beach, El Granada, and Montara;

- Kaiser Foundation Hospital – South San Francisco is the market share leader for one of the 14 ZIP Codes, located in Daly City; and

- San Francisco General Hospital is the market share leader in one service area ZIP Code located in San Francisco.

Service Availability by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, critical care, obstetrics, pediatrics, neonatal, and emergency services using FY 2014 data.

Medical/Surgical Capacity Analysis

There are 306 licensed medical/surgical beds within the Hospital's service area that have an overall occupancy rate of 39%.

MEDICAL/SURGICAL BEDS: FY 2014							
Hospital	Miles from Hospital	Whtin Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center[1]	-	**X**	**201**	**5,122**	**26,135**	**71.6**	**35.6%**
Kaiser - South San Francisco*	2.7	X	105	5,066	17,204	47.1	44.9%
SUB-TOTAL			**306**	**10,188**	**43,339**	**118.7**	**38.8%**
California Pacific Medical Center - St. Luke's*	6.2		98	2,177	10,214	28.0	28.6%
UCSF Medical Center	6.4		324	21,258	107,416	294.3	90.8%
San Francisco General Hospital	7.8		305	10,927	54,848	150.3	49.3%
St. Mary's Medical Center - San Francisco	7.8		263	4,048	16,207	44.4	16.9%
Mills-Peninsula Medical Center	10.7		175	7,643	33,462	91.7	52.4%
California Pacific Medical Center - Pacific*	11.3		541	15,422	65,397	179.2	33.1%
Saint Francis Memorial Hospital	11.5		205	3,989	16,293	44.6	21.8%
Chinese Hospital*	11.6		49	1,850	10,243	28.1	57.3%
Kaiser - San Francisco*	11.6		161	7,534	32,381	88.7	55.1%
San Mateo Medical Center	17.9		86	2,573	9,814	26.9	31.3%
TOTAL			**2,513**	**87,609**	**399,614**	**1094.8**	**43.6%**

Source: OSHPD Disclosure Reports

* 2013

[1] Includes the Hospital and excludes Seton Coastside

- The Hospital reported approximately 5,122 inpatient hospital discharges and 26,135 patient days resulting in an occupancy rate of 36% and an average daily census of 72 patients for FY 2014;

- The Hospital's 201 licensed medical/surgical beds represented approximately 66% of the beds in this category for the service area;

- UCSF Medical Center, located six miles from the Hospital, reported a high occupancy rate of 91%; and

- Overall, the service area and area hospitals have capacity to accommodate more medical/surgical volume. However, the Hospital is the only non-Kaiser facility located in the service area, making the Hospital especially important to members of the community not enrolled in a Kaiser health plan.

Intensive Care/Coronary Care Capacity Analysis

There are 43 intensive care and coronary care beds within the service area, with an overall occupancy rate of approximately 44%. The Hospital has 14 licensed intensive care beds and 14 licensed coronary care beds with a combined 47% average occupancy rate in FY 2014 (average daily census of approximately 13 patients).

INTENSIVE CARE/CORONARY CARE BEDS: FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center[1]	**-**	**X**	**28**	**936**	**4,774**	**13.1**	**46.7%**
Kaiser - South San Francisco*	2.7	X	15	109	2,059	5.6	37.6%
SUB-TOTAL			**43**	**1,045**	**6,833**	**18.7**	**43.5%**
California Pacific Medical Center - St. Luke's*	6.2		15	151	1,460	4.0	26.7%
UCSF Medical Center	6.4		90	444	17,802	48.8	54.2%
San Francisco General Hospital	7.8		30	458	8,932	24.5	81.6%
St. Mary's Medical Center - San Francisco	7.8		37	133	2,617	7.2	19.4%
Mills-Peninsula Medical Center	10.7		24	1,416	4,138	11.3	47.2%
California Pacific Medical Center - Pacific*	11.3		44	383	9,707	26.6	60.4%
Saint Francis Memorial Hospital	11.5		18	301	4,552	12.5	69.3%
Chinese Hospital*	11.6		5	52	1,012	2.8	55.5%
Kaiser - San Francisco*	11.6		32	529	6,651	18.2	56.9%
San Mateo Medical Center	17.9		7	120	1,104	3.0	43.2%
TOTAL			**345**	**5,032**	**64,808**	**177.6**	**51.5%**

Source: OSHPD Disclosure Reports

* 2013

[1] Includes the Hospital and excludes Seton Coastside

- The average daily census for all service area hospitals was 19 patients based on 6,833 patient days for FY 2014;
- The closest non-Kaiser facility, California Pacific Medical Center – St. Luke's, is located six miles away and has an occupancy rate of approximately 27%;
- The Hospital provided 65% of the service area's intensive care/coronary care beds in FY 2014; and
- At current volumes, the Hospital's intensive care unit occupancy is approximately 47%. With 20 beds, the occupancy rate would be approximately 70%. Therefore, a reduction to 20 beds would adequately provide services to support existing intensive care/coronary care volume.

Obstetrics Capacity Analysis

As shown below, in FY 2014, the Hospital was the only provider of obstetrics services in the service area. The Hospital has 18 obstetric beds with an occupancy rate of 25%. On July 1, 2015, the Hospital's obstetrics unit was closed, and the Hospital no longer provides labor and delivery services. In addition, the Saint Elizabeth Ann Seton New Life Center was also closed on July 1, 2015.

OBSTETRICS BEDS: FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center[1]	**-**	**X**	**18**	**609**	**1,658**	**4.5**	**25.2%**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**18**	**609**	**1,658**	**4.5**	**25.2%**
California Pacific Medical Center - St. Luke's*	6.2		20	1,039	2,763	7.6	37.8%
UCSF Medical Center	6.4		29	1,920	8,473	23.2	80.0%
San Francisco General Hospital	7.8		23	1,777	4,846	13.3	57.7%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center	10.7		30	2,106	6,264	17.2	57.2%
California Pacific Medical Center - Pacific*	11.3		77	5,388	17,988	49.3	64.0%
Saint Francis Memorial Hospital	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		22	2,762	5,775	15.8	71.9%
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**219**	**15,601**	**47,767**	**130.9**	**59.8%**

Source: OSHPD Disclosure Reports

* 2013

(1) Mills-Peninsula Medical Center, Kaiser - San Francisco, Kaiser - Redwood City, and Kaiser - Santa Clara have Alternate Birthing Centers

[1] Includes the Hospital and excludes Seton Coastside

- As a result of the closure of the Hospital's perinatal services on July 1, 2015, many of the service area residents are currently obtaining obstetrics services at nearby California Pacific Medical Center – St. Luke's, Mills-Peninsula Medical Center, and California Pacific Medical Center – Pacific;

- Each of the area hospitals has the capacity to accommodate additional obstetrics - patients, including the Hospital's average daily census of five patients prior to the - closure of the obstetrics unit; and -

- Kaiser Foundation Hospital – San Francisco, the market share leader for obstetrics services, had 5,775 patient days and an occupancy rate of 72%.

Neonatal Intensive Care Capacity Analysis

During FY 2014, the Hospital reported a low volume with approximately 50 inpatient hospital discharges and 255 patient days, resulting in a very low average daily census of one patient. On July 1, 2015, the Hospital's neonatal intensive care unit was closed, and the Hospital no longer provides neonatal intensive care services.

NEONATAL INTENSIVE CARE BEDS: FY 2014							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center[1]	**-**	**X**	**3**	**50**	**255**	**0.7**	**23.3%**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**3**	**50**	**255**	**0.7**	**23.3%**
California Pacific Medical Center - St. Luke's*	6.2		8	104	358	1.0	12.3%
UCSF Medical Center	6.4		51	731	14,213	38.9	76.4%
San Francisco General Hospital	7.8		12	24	720	2.0	16.4%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center	10.7		12	365	1,106	3.0	25.3%
California Pacific Medical Center - Pacific*	11.3		36	485	9,528	26.1	72.5%
Saint Francis Memorial Hospital	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		22	229	4,501	12.3	56.1%
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**144**	**1,988**	**30,681**	**84.1**	**58.4%**

Source: OSHPD Disclosure Reports

* 2013

[1] Includes the Hospital and excludes Seton Coastside

- The market share leaders for neonatology services are Kaiser Foundation Hospital – San Francisco with 23% market share and California Pacific Medical Center – Pacific with 15% market share; and

- Each of the area hospitals has the capacity to accommodate additional neonatal - intensive care patients; and -

- As a result of the closure of the Hospital's neonatal intensive care services on July 1, 2015, many of the service area residents are currently obtaining neonatal intensive care services at California Pacific Medical Center – St. Luke's, Mills-Peninsula Medical Center, and California Pacific Medical Center – Pacific.

Psychiatric Long-Term Care Capacity Analysis

The Hospital is licensed for 24 psychiatric long-term care beds; however, these beds have been in suspense for many years and have been non-operational. Therefore, the Hospital did not provide any psychiatric services during FY 2014.

PSYCHIATRIC LONG TERM CARE BEDS: FY 2014							
Hospital	Miles from Hospital	Wihtin Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center[1]	**-**	**X**	**24**	**-**	**-**	**-**	**-**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**24**	**0**	**0**	**0.0**	**0.0%**
California Pacific Medical Center - St. Luke's*	6.2		-	-	-	-	-
UCSF Medical Center	6.4		-	-	-	-	-
San Francisco General Hospital	7.8		47	73	15,462	42.4	90.1%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center	10.7		-	-	-	-	-
California Pacific Medical Center - Pacific*	11.3		-	-	-	-	-
Saint Francis Memorial Hospital	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		-	-	-	-	-
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**71**	**73**	**15,462**	**42.4**	**59.7%**

Source: OSHPD Disclosure Reports, FY 2014 & Daughters

* 2013

(1) The Hospital's 24 licensed acute psychiatric care beds are in suspense

[1] Includes the Hospital and excludes Seton Coastside

- San Francisco General Hospital has licensed psychiatric long-term care beds within 20 miles of the Hospital and provided services during FY 2014. The occupancy rate was approximately 90% with an average daily census of 42 patients.

Sub-Acute Care Capacity Analysis

The Hospital has 83 licensed skilled nursing care beds for patients, including 44 beds that are utilized as sub-acute care beds and 39 beds that are in suspense. The Hospital's 44 sub-acute care beds are used for patients that require special services such as inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management. They are the only sub-acute care beds located in the Hospital's service area and have a high occupancy rate of 86%.

SUB ACUTE CARE BEDS: FY 2014							
Hospital	Miles from Hospital	Wihtin Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center[1]	**-**	**X**	**44**	**38**	**13,766**	**37.7**	**85.7%**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**44**	**38**	**13,766**	**37.7**	**85.7%**
California Pacific Medical Center - St. Luke's*	6.2		60	58	11,939	32.7	54.5%
UCSF Medical Center	6.4		-	-	-	-	-
San Francisco General Hospital	7.8		-	-	-	-	-
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center	10.7		-	-	-	-	-
California Pacific Medical Center - Pacific*	11.3		-	-	-	-	-
Saint Francis Memorial Hospital	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		-	-	-	-	-
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**104**	**96**	**25,705**	**70.4**	**67.7%**

Source: OSHPD Disclosure Reports, FY 2014 & Daughters

* 2013

[1] Includes the Hospital and excludes Seton Coastside

(1) The Hospital has 83 licensed skilled nursing beds, 44 of which are used for sub-acute care services. The remaining 39 beds are in suspense.

- The Hospital transfers many of its non-sub-acute skilled nursing care patients to Seton Coastside. In FY 2014, Seton Coastside had 37,382 patient days and 86 discharges for an average daily census of 102.4 and an occupancy rate of 85%. Within the Hospital's service area, there are other skilled nursing facilities that provide an additional 566 skilled nursing beds with an occupancy rate of 93% in FY 2015;

- Because of the limited of skilled nursing beds available, Seton Coastside is an important provider of these types of services;

- The Hospital is the only provider of sub-acute ventilation services in San Mateo County; and

- Any reductions to the number sub-acute care or skilled nursing beds could impact the availability and accessibility of such services for the entire county.

Emergency Department Volume at Hospitals in the Service Area

In 2014, the Hospital had 18 emergency treatment stations and Seton Coastside had seven emergency treatment stations. Kaiser Foundation Hospital – South San Francisco had 19 emergency stations, bringing the total to 44 treatment stations among the service area hospitals. As shown below, the Hospital reported 27,928 visits, totaling 42% of the visits among the service area hospitals (66,565 visits). Seton Coastside had 3,042 emergency department visits.

The table below shows the visits by category for area emergency departments:

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2014

Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/ Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
Seton Medical Center	**-**	**X**	**Basic**	**18**	**27,928**	**214**	**2,304**	**10,002**	**8,089**	**7,319**	**19.4%**	**0**
Kaiser - South San Francisco	2.7	X	Basic	19	35,595	9,317	6,597	6,616	10,384	2,681	10.2%	0
Seton Medical Center - Coastside	**13.3**	**X**	**Standby**	**7**	**3,042**	**58**	**659**	**1,878**	**348**	**99**	**-**	**0**
SUB-TOTAL				**44**	**66,565**	**9,589**	**9,560**	**18,496**	**18,821**	**10,099**	**13.6%**	**0**
UCSF Medical Center	6.4		Basic	33	44,572	292	2,606	13,893	8,978	18,803	**20.9%**	1,031
San Francisco General Hospital	7.8		Comprehensive	24	73,120	2,629	5,303	17,119	13,936	18,974	**20.7%**	3,583
St. Mary's Medical Center - San Francisco	7.8		Basic	13	16,990	227	1,681	7,827	4,676	2,579	**13.2%**	192
Mills-Peninsula Medical Center	10.7		Basic	23	48,122	8,449	11,611	16,001	10,857	1,204	**17.3%**	0
California Pacific Medical Center - St. Luke's & Pacifi	11.3		Basic	19	25,213	305	2,744	9,995	7,970	4,199	**8.0%**	1,157
Saint Francis Memorial Hospital	11.5		Basic	19	31,663	710	2,972	12,552	9,904	5,525	**11.0%**	939
Chinese Hospital	11.6		Standby	5	6,524	3,270	1,307	1,327	398	222	**22.0%**	0
Kaiser - San Francisco	11.6		Basic	24	34,245	7,815	6,811	7,455	9,437	2,727	**12.8%**	80
San Mateo Medical Center	17.9		Basic	15	41,783	2,988	10,912	12,684	12,342	2,857	**6.8%**	0
TOTAL				**219**	**388,797**	**36,274**	**55,507**	**117,349**	**97,319**	**67,189**	**15.0%**	**6,982**

Source: OSHPD Alirts Annual Utilization Reports

- Approximately 19% of the Hospital's Emergency Department visits resulted in - admission; -

- Approximately 14% of the service area's emergency department visits resulted in an inpatient admission; and

- As the only 24-hour standby emergency department along the 55-mile stretch between Santa Cruz and Daly City, Seton Coastside is an important provider of emergency services to residents of Moss Beach and its surrounding communities. Critically ill patients are transferred via air or ground to a tertiary facility as necessary.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2014, the Hospital's emergency department was operating at 78% of its 18-bed capacity. Emergency department capacity at Kaiser Foundation Hospital – South San Francisco is higher, operating at nearly 94% capacity. Seton Coastside is an important provider of emergency services for residents of Moss Beach and surrounding communities.

EMERGENCY DEPARTMENT CAPACITY 2014						
Hospital	Miles from Hospital	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Seton Medical Center	**-**	**Basic**	**18**	**27,928**	**36,000**	**8,072**
Kaiser - South San Francisco	2.7	Basic	19	35,595	38,000	2,405
Seton Medical Center - Coastside	**13.3**	**Standby**	**7**	**3,042**	**14,000**	**10,958**
SUB-TOTAL			**44**	**66,565**	**88,000**	**21,435**
UCSF Medical Center	6.4	Basic	33	44,572	66,000	21,428
San Francisco General Hospital	7.8	Comprehensive	24	73,120	48,000	(25,120)
St. Mary's Medical Center - San Francisco	7.8	Basic	13	16,990	26,000	9,010
Mills-Peninsula Medical Center	10.7	Basic	23	48,122	46,000	(2,122)
California Pacific Medical Center - St. Luke's & Pacific	11.3	Basic	19	25,213	38,000	12,787
Saint Francis Memorial Hospital	11.5	Basic	19	31,663	38,000	6,337
Chinese Hospital	11.6	Standby	5	6,524	10,000	3,476
Kaiser - San Francisco	11.6	Basic	24	34,245	48,000	13,755
San Mateo Medical Center	17.9	Basic	15	41,783	30,000	(11,783)
TOTAL			**219**	**388,797**	**438,000**	**49,203**

Source: OSHPD Alirts Annual Utilization Reports

- Overall, service area hospital emergency departments are at approximately 76% - capacity; -

- The Hospital previously operated an urgent care center on campus (Seton Express Care) which was closed on February 28, 2015. The center was operated for limited hours seven days a week for a year before it was closed due to low volume. Prior to its closure, the center averaged only three visits per day and provided services to predominately commercial and self-pay patients (72%) with smaller volumes of Medi-Cal (15%), and Medicare (10%) patients;

- There are more than 10 urgent care facilities within a ten-mile radius of the Hospital to accommodate patients seeking urgent care services; and

- There is also extra capacity at the Hospital and other area emergency departments. Thus, the small number of patients who previously utilized Seton Express Care could be accommodated at the Hospital's Emergency Department or other area emergency departments if necessary.

SUMMARY OF INTERVIEWS -

In August and September of 2015, both in-person and telephone interviews were conducted with representatives of the Hospital, Daughters, Integrity, and BlueMountain, as well as physicians, San Mateo County representatives, health plan representatives, the Hospital's employees, union representatives, and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed change in governance and control of the ownership and operations from Ministry and Daughters to BlueMountain and Integrity. The list of individuals who were interviewed is located in the Appendices of this report. The major findings of these interviews are summarized below.

Reasons for the Proposed Transaction

Members of the Hospital and Seton Coastside's management team, medical staff, and Seton's Board cited a number of reasons why a transaction was necessary, including the following:

- Without the transaction, Daughters and the Health Facilities, including the Hospital, would not be able to sustain their current operations and would likely be forced into insolvency and bankruptcy. Bankruptcy could lead to the reduction of services or the closure of the Hospital, thereby reducing community access to medical care and increasing demand on other area emergency rooms and hospitals;

- Given the Hospital's important role in providing healthcare for the poor, without the transaction, the community could be at risk of losing key services that are essential for the uninsured and underinsured patient population;

- Daughters does not have the financial resources required to repay outstanding debt, including the repayment of the 2005 Bonds and 2014 Bonds. Additionally, Daughters is unable to provide financial support for the protection of the underfunded pension plans, and is also unable to provide the necessary capital required at all of the Health Facilities. The interests of patients, the community, physicians, and employees are best met by finding a suitable health system to assume control of Daughters and the Health Facilities, including the Hospital; and

- Almost all of those interviewed believed that a change in governance and operation is necessary to keep the Health Facilities, including the Hospital, from eliminating services or closing.

Importance of the Hospital and Seton Coastside to the Communities

According to all who were interviewed, the Hospital is an important safety-net provider to the local community and known for providing essential services to the uninsured and under-served populations in San Mateo County. The Hospital is also an important provider of services for Daly City's large Filipino American population that has high rates of kidney disease, hypertension, diabetes, and stroke. Some of the programs and services at the Hospital that were mentioned in the interviews as especially important include the following:

- Emergency services;
- Sub-acute care services;
- General surgical services;
- Gastroenterology services;
- Cancer services, including intense interventional radiology, infusion and chemotherapy embolization services;
- Nephrology services, including inpatient dialysis services;
- Stroke services, including certification as a Primary Stroke Center;
- Cardiac services, including cardiac catheterization services and designation as a STEMI Receiving Center;
    - While some felt that the surgical volumes for a comprehensive cardiac program were too low to be sustained, others stated that the cardiac program should be a required program because of the STEMI Receiving Center designation and the large number of cardiac catheterization procedures, further citing that many of the patients have comorbidities that further complicate cardiac procedures; and
    - Many interviewed stated that the Hospital's STEMI Receiving Center is one of the busiest in San Mateo County and is especially important because Kaiser Foundation Hospital – South San Francisco does not have STEMI Receiving Center designation.

Some of those interviewed also mentioned the following services as important services provided by the Hospital:

- Wound care services, including the Seton Center for Advanced Wound Care;
- Orthopedic services, including joint replacement and spine care services; and

- Obstetrics and neonatal intensive care services; -
    - While some of those interviewed believed that obstetrics services at the Hospital were important, the majority of those interviewed believed the closure of the obstetrics unit has had a minimal effect on the availability and accessibility of obstetrical services in the community, including the Medi-Cal population. In addition, many interviewees believed that the low volume of approximately two births a day actually prevented obstetrical nurses from continuing to develop and strengthen their nursing skills; and
    - Many of those interviewed mentioned that the neonatal intensive care unit was not essential due to very low volumes and the availability of neonatal intensive care services at other area hospitals.

According to all who were interviewed, Seton Coastside is an important provider to the local community and is known for providing skilled nursing and emergency services to the uninsured and under-served populations in San Mateo County. Some of the programs and services at Seton Coastside that were mentioned in the interviews as especially important include the following:

- Emergency services;

- Skilled nursing services; and

- Physical therapy and speech therapy services.

If the Hospital and Seton Coastside do not maintain their current level of healthcare services, accessibility and availability issues could be created for residents of the local community, especially for Medi-Cal patients.

Selection of BlueMountain and Integrity for the Proposed Transaction

While other alternatives for a potential buyer were considered among the final bids, members of the Hospital's management team, medical staff, and Seton's Board who were interviewed explained that a number of factors were involved in finalizing the selection of BlueMountain and Integrity including the following:

- Commitment to continue the operation of the Health Facilities, including the Hospital, as general acute care facilities;

- Continued operation of the Health Facilities as nonprofit, tax exempt hospitals;

- Enhanced financial support and access to capital to repay the bonds in full;

- Commitment to retain the CBAs of the employees at each of the Health Facilities;

- Experience with safety net hospitals and hospital turnarounds; and

- Ability to operate the Health Facilities efficiently and profitably.

The majority of those interviewed from the Hospital's management and medical staff, as well as from Seton's Board, were supportive of the proposed transaction and the selection of BlueMountain and Integrity and expressed a strong desire for the transaction to be finalized. Additionally, most people also conveyed an overall understanding and knowledge of the pressing financial issues and the necessity for a transaction to occur in order for Daughters to become financially sustainable, to ensure funding of the pension obligations, to retire outstanding bond debt, to avoid bankruptcy filings, and to ensure continued operations of the Health Facilities.

While the majority of those interviewed expressed support for the transaction with BlueMountain and Integrity, some individuals also expressed concerns regarding the potential effects that the proposed transaction could have on the Hospital if the transaction were approved. Some of the concerns with the selection of BlueMountain and Integrity included the following:

- The motivations of BlueMountain to make a profit may be in conflict with the interests of the community to operate the Health Facilities and their services;

- The lack of history and experience of BlueMountain in operating general acute care facilities;

- The potential for BlueMountain to close the Health Facilities and use the properties for unrelated real estate value;

- The complicated structure of the transaction, including the uncertainty surrounding whether or not BlueMountain will carry out the purchase options between the third and fifteenth anniversary of closing;

- BlueMountain may not commit to financing the Hospital's seismic upgrades, especially if Measure A funds are no longer provided;

- BlueMountain may not commit to financing the Hospital and Seton Coastside's capital improvements;
    - Many of those interviewed expressed a concern for the lack of investment in the aging infrastructure of the Hospital and Seton Coastside.

- Integrity may reduce or eliminate unprofitable services negatively impacting the accessibility and availability of essential healthcare services for the communities served by the Hospital and Seton Coastside; and

- Integrity may reduce necessary staffing and other types of expenses, which in turn, could have a negative impact on the quality and delivery of patient care.

The Hospital employees interviewed, many of whom were also members of unions, understood the reasons for the transaction, and mostly expressed being neither in favor nor opposed to BlueMountain and Integrity as long as employees are treated well, pensions are protected, and the surrounding communities continue to be served by the Health Facilities.

Views of Health Plan and San Mateo County Representatives

The locally-based health plan representatives expressed that they had strong relationships with Daughters, and especially the Hospital and Seton Coastside, since the Hospital and Seton Coastside's patient populations are comprised of many low-income patients and Medi-Cal beneficiaries. Despite some unfamiliarity with BlueMountain and Integrity, they believed they would be able to establish contractual relationships going forward. They also believed that the closure of the Hospital's obstetrics unit has had a minor impact on access to obstetrics services for health plan enrollees.

The San Mateo County representatives emphasized the importance of the Hospital's outpatient primary and specialty services and the Hospital's and Seton Coastside's Emergency Departments to address the needs of the members of the population who have high rates of chronic disease.

All of those interviewed emphasized the importance of preserving many of the services, especially the Hospital and Seton Coastside's sub-acute and skilled nursing services due to a shortage of such services in San Mateo County. Due to the Hospital's status as a safety net provider, all of those interviewed felt that the closure of the Hospital and Seton Coastside would not be in the best interest of the community.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the proposed transaction would lead to some level of change in regard to access and/or availability of certain services. While many believed that the transaction was necessary in order to keep the Health Facilities in operation as general acute care hospitals, they also believed there would be further reductions and elimination of some unprofitable services in addition to the services and programs that have already been closed, resulting in a negative impact on the availability or accessibility of some healthcare services to lower-income and underserved populations historically served by the Hospital and Seton

Coastside. However, many also believed that Integrity would develop new service lines based on community needs and/or grow profitable services as part of its turnaround strategy.

Alternatives

The majority of those interviewed believed that a transaction was necessary in order to avoid insolvency and bankruptcy. Most believed that if Daughters went into bankruptcy, services would be curtailed, some of the Health Facilities could close, and some employee pension funds would be lost. Many believed that the Hospital and Seton Coastside would likely close without the transaction. While many interviewed were not familiar with BlueMountain, many other individuals were confident that BlueMountain and Integrity's offer will ensure the future financial sustainability and operations of the Health Facilities, and the continuation of the Health Facilities as general acute care hospitals.

A minority of those interviewed believed that if the Hospital closed, the other acute-care area hospital providers could absorb the Hospital's inpatient volume without serious negative impacts to patient access. However, it was felt that if the Hospital closed, there would be a serious access issue for sub-acute care services in the area. In addition, it was felt that closure of Seton Coastside would have a severe negative impact on access to skilled nursing services and emergency services to the local community.

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

Importance of the Hospital and Seton Coastside to the Surrounding Communities

The Hospital and Seton Coastside are important safety-net providers of both acute and long-term care for uninsured and Medi-Cal managed care beneficiaries in San Mateo County. The Hospital's emergency services, STEMI and stroke receiving capabilities, sub-acute services, cardiac services, and nephrology service are viewed as very important for the community. The dialysis and stroke care services are especially important to the large Filipino population that has high rates of kidney disease and stroke.

Seton Coastside is an important provider of skilled nursing care and "standby" emergency services. Seton Coastside is the only provider of emergency services for residents in Moss Beach and the surrounding communities along the 55-mile stretch between Santa Cruz and Daly City.

Continuation as a General Acute Care Hospital

The System Agreement states that the Hospital will continue to operate as a general acute care facility for a minimum of five years, subject to availability of physicians necessary to support these services.

Emergency Services

In 2014, the Hospital reported nearly 28,000 visits to its 18 emergency treatment stations, operating at 78% capacity (based on a standard of 2,000 visits per station, per year). The Hospital is an important ambulance receiving facility that gets a high volume of emergency transports from the San Francisco area when hospitals in San Francisco go on diversion[38]. Kaiser Foundation Hospital – South San Francisco, located three miles away from the Hospital, also had a high occupancy rate of 94% in FY 2014.

As a result of the ACA and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. Because of this and the growing shortage of primary care physicians, emergency department utilization is expected to increase within the service area. Keeping the Hospital's Emergency Department is critical to providing emergency services within the Hospital's service area.

[38] A hospital goes on diversion when there are not enough beds or staff available in the emergency room or the hospital itself to adequately care for patients. When a hospital goes on diversion, it notifies area Emergency Medical Services units so that they can consider transporting patients to other hospitals that are not on diversion.

Seton Coastside is also an important provider of emergency services to the residents of Moss Beach and its surrounding communities. As the only provider of 24-hour "standby" emergency services along the 55-mile stretch between Santa Cruz and Daly City, continuing the operation of Seton Coastside's Emergency Department open is crucial for the availability and accessibility of emergency services to residents within the area.

Medical/Surgical Services

Despite a low occupancy rate of 36% on 201 licensed medical/surgical beds, the Hospital, with an average daily census of 72 patients, is an important provider of these services for the local community.

Intensive Care/Coronary Care Services

The Hospital has an occupancy rate of 47% on its 28 licensed intensive care and coronary care beds. The Hospital provided 65% of the service area's intensive care and coronary care beds in FY 2014.These services are an important resource for supporting the Emergency Department and other surgical and medical services. Kaiser – South San Francisco is the only other service area hospital, located nearly approximately three miles away that has intensive care and coronary care beds and an occupancy rate of 38%.

Obstetrics Services

During FY 2014, the Hospital's 18 obstetrics beds were approximately 25% occupied with 579 deliveries. On July 1, 2015, the Hospital closed its obstetrical services citing diminishing volumes, low occupancy rates, and high cost of operation. While many of those interviewed at the Hospital expressed a desire for the Hospital to provide obstetrical services, they understood the financial implications and potential quality issues that led to the closure of the obstetrics unit. The Hospital's OB/GYN physicians who were interviewed had different opinions, but most stated that they understood the decision to close the unit, citing low volume and available capacity at area hospitals. The Saint Elizabeth Ann Seton New Life Center, which previously provided prenatal care to approximately 40 patients a month, also closed on July 1, 2015. Each of the patients who received care at the Saint Elizabeth Ann Seton New Life Center was placed elsewhere in the community for prenatal care.

As a result of the closure of the obstetrics unit, the Hospital's Emergency Department has developed plans and processes to provide care for obstetrics patients that arrive in the Emergency Department. In the event that a low-risk obstetrics patient in labor arrives in the Emergency Department, and there is no time for the patient to be transferred elsewhere for care, one of the Hospital's OB/GYN physicians is on-call for delivery. One of the Emergency Department's 18 treatment stations and one of the storage closets are prepared with the necessary supplies for labor, delivery, and newborn care, including an isolette, resuscitation equipment, and appropriate medications. Further, the Hospital's Emergency Department nurses are currently undergoing training for neonatal resuscitation in order to obtain the necessary skills to care for high-risk newborns in the Emergency Department.

The Hospital has also established transfer agreements with nearby California Pacific Medical Center – Pacific, California Pacific Medical Center – St. Luke's, and Mills-Peninsula Medical Center for situations in which a high-risk obstetrics patient that presents in the Hospital's Emergency Department needs to be transferred to another hospital that provides full obstetrics services. In addition, the Hospital has a contingency plan with California Pacific Medical Center – Pacific for situations in which an obstetrics patients cannot be transferred elsewhere to give birth. Under the contingency plan, a neonatologist, a registered nurse, and a respiratory therapist from California Pacific Medical Center – Pacific will travel to the Hospital to assist with the delivery.

Neonatal Intensive Care Services

The Hospital's neonatal intensive care unit closed on July 1, 2015. During FY 2014, the Hospital operated three licensed neonatal intensive care beds with an occupancy rate of approximately 23% (average daily census of one patient). As the neonatal intensive care unit's volume was so small, the patients requiring this service are easily accommodated at other area hospitals.

Sub-Acute Care Services

The Hospital has 83 licensed skilled nursing care beds for medically fragile patients who require special services such as inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management. Of the Hospital's 83 licensed skilled nursing beds, 44 are utilized as sub-acute care beds, and the remaining 39 skilled nursing beds are in suspense. The Hospital is the only provider of ventilated dialysis services in San Mateo County and has a high occupancy rate of 86%. The Hospital's occupancy rate for sub-acute care services significantly increases to near capacity when considering the number of staffed sub-acute care beds on average. In FY 2014, 38 of the Hospital's sub-acute care beds were staffed on average, increasing the occupancy rate to 99% based on an average daily census of 38 patients.

Psychiatric Care Beds

There are 24 licensed psychiatric beds at the Hospital. All are in suspense and have not been operational for many years.

Skilled Nursing Care Beds at Seton Coastside

Seton Coastside is licensed for 116 skilled nursing beds and is an important provider of these services for its mostly Medi-Cal patient population. Seton Coastside is the only provider of skilled nursing services in the greater Half Moon Bay area.

Reproductive Health Services

The Hospital no longer provides maternal-child health services or obstetrics services. Some women's reproductive health services are prohibited by the Ethical and Religious Directives of the Catholic Church, including elective abortions and tubal ligations. Since the Hospital will no longer be sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West, the Hospital will no longer be required to adhere to the Ethical and Religious Directives.

Integrity has stated in its interview with MDS that it is open to providing various types of services that the community needs, including women's reproductive services, and it will not prohibit physicians from offering or performing reproductive procedures. Additionally, without the Ethical and Religious Directives, physicians will no longer be prohibited from offering reproductive services in their campus offices, and access and availability of some these services could improve.

Below is a table showing instances where the Hospital recorded a small number of reproductive-related procedures that were in accordance with the Ethical and Religious Directives in 2014.

REPRODUCTIVE SERVICES BY DIAGNOSTIC RELATED GROUP	
Diagnostic Related Group	**Seton Medical Center**
770: Abortion D&C, Aspiration Curettage or Hysterectomy	1
778: Threatened Abortion	2
779: Abortion w/o D&C	0
777: Ectopic Pregnancy	0
767: Vaginal Delivery w Sterilization & /OR D&C	9
Total 2014 Discharges:	**12**

Source: OSHPD Inpatient Discharge Database

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

Approximately 74% of the Hospital's inpatients are reimbursed through Medicare (55%) and Medi-Cal (19%). San Mateo County has a County Organized Health System, the Health Plan of San Mateo. It offers health coverage and a provider network to more than 100,000 underserved residents. Currently, the Hospital is contracted with the Health Plan of San Mateo to provide care for Medi-Cal managed care beneficiaries. As a provider of care for Health Plan of San Mateo patients and indigent San Mateo County residents, keeping the Hospital open for inpatient and outpatient services was viewed as important by those interviewed.

The System Agreement includes a commitment to keep the Hospital's Emergency Department open for at least five years in order to ensure access of services to Medicare and Medi-Cal patients. However, in order for the Medicare and Medi-Cal patients to access other key services not provided through the Hospital's Emergency Department, the Hospital must maintain its participation in both programs, as well as maintain its contractual agreements with payers. In the System Agreement, Integrity has not made any specific commitments regarding continued participation in the Medicare and the Medi-Cal managed care programs, nor has Integrity committed to maintain current contractual agreements. However, Integrity has stated in its interview with MDS that it would be willing to accept reasonable rates for Medi-Cal managed care that are comparable to other similarly situated hospitals.

If the Hospital did not participate in the Medicare and Medi-Cal managed care programs, these classes of patients could be denied access to certain healthcare services, thus creating a negative impact on the availability or accessibility for these patient populations.

Effects on the Level and Type of Charity Care Historically Provided

Many uninsured and underinsured individuals in the community rely on the Hospital for healthcare services. The Hospital has historically provided a significant amount of charity care, averaging approximately $2.0 million in charity care costs per year over the last five years. Integrity has agreed to maintain and adhere to Daughters' current policy on charity care (or a comparable policy) for a minimum of five years, though no specific commitment has been made to maintain historical levels of financial support for charity care at the Hospital. Because of Medicaid expansion and increased access to healthcare insurance coverage under the ACA, the amount of charity care provided to uninsured patients is expected to decrease.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging $800,000 per year over the last five years (on a cost basis). The Hospital supports a significant number of community benefit programs that serve residents from the surrounding lower-income communities. Some of the Hospital's community benefit programs include Health Benefits Resource Center and the Diabetes Institute, among others. Integrity has not made any specific commitments in the System Agreement to maintain the Hospital's community benefit programs at historical levels of financial support for community benefit expenditures.

Effects on Staffing and Employee Rights

Integrity has agreed to continue the employment at comparable salaries, job titles, and duties, for both the unrepresented employees and unionized employees at the Hospital and Daughters Affiliates who remain in good standing, pass standard employee background checks, and are still employed by Daughters as of closing. Integrity has agreed to adhere to severance obligations as defined in the written employment agreements, or if no such agreement exists, Integrity will adhere to Daughters' severance pay obligations for a period of twelve months following closing.

While Integrity makes short-term commitments for employment, it is expected that Integrity will reduce labor costs by eliminating some positions within the Hospital. It is also expected that the number of employees will be reduced unless the Hospital's patient volume increases.

Effects on Medical Staff

Integrity has not made any specific commitments in the System Agreement to maintain physician contracts, including contracts for on-call services, or the Hospital's medical staff. Additionally, Integrity has not made any specific commitments to maintain the medical staff officers or the department or committee chairs/heads or vice-chairs/heads of the Hospital or Seton Coastside's medical staff.

Alternatives

Upon evaluation of the final four bids, Daughters' Board and Ministry's Board did not believe that other alternatives offered the same advantages as BlueMountain's offer in terms of ability to repay Daughters' outstanding bond debt and financially sustain and operate the Health Facilities.

If the proposed transaction was not approved, Daughters would be forced to consider other options or enter into bankruptcy. It is possible that a previously submitted and negotiated transaction could be entered into with one of the other final bidders, however, it may not meet the same terms and commitments currently proposed by BlueMountain. These alternatives may negatively impact the pension plans, the provision of services at the Health Facilities, the levels of community benefits and charity care provided, among other potential impacts, depending on the commitments made by these organizations.

CONCLUSIONS -

Daughters contends the proposed System Agreement between Ministry, Daughters, BlueMountain, and Integrity will help ensure continued operation of the medical services offered at the Hospital and Seton Coastside and avoid bankruptcy.

Potential Conditions for Transaction Approval by the California Attorney General

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

1. For at least ten years from closing, the Hospital shall continue to operate as a general acute care hospital;

2. For at least ten years from closing, the Hospital shall maintain 24-hour emergency medical services at a minimum of 18 treatment stations with the same types and/or levels of services;

3. For at least ten years from closing, the Hospital shall maintain the following services at current licensure, types, and/or levels of services:

    a. Cardiac services, including the 2 cardiac catheterization labs and the designation as a STEMI Receiving Center;
    b. Critical care services, including a minimum of 20 intensive care/coronary care beds;
    c. Advanced certification as a Primary Stroke Center;
    d. Women's health services, including the Seton Breast Health Center and women's imaging and mammography services; and
    e. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification and Joint Commission Accreditation as a sub-acute unit.

4. For at least five years from closing, the Hospital shall maintain the following services at current licensure, types, and/or levels of services:

    a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
    b. Cancer services, including inpatient oncology unit, interventional radiology, radiation therapy, and infusion services;
    c. Orthopedics and rehabilitation services, including joint replacement and spine care services;
    d. Diabetes services, including Northern California Diabetes Institute;
    e. Wound care services, including Seton Center for Advanced Wound Care; and

f. - Nephrology services, including inpatient dialysis services.

5. - For at least ten years from closing, the Hospital should maintain the following services at current licensure, types, and/or levels of services at Seton Coastside:

    a. - 24-hour “standby” Emergency Department, with a minimum of 7 treatment stations; and
    b. - Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.

6. - For at least five years from closing, the Hospital shall maintain a charity care policy that is no less favorable than the Hospital’s current charity care policy and in compliance with California and Federal law, and the Hospital shall provide an annual amount of Charity Care equal to or greater than $2,014,963 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by the Hospital in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California. All Items, 1982-1984=100;

7. - For at least five years from closing, the Hospital shall continue to expend an average of no less than $794,324 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California. All Items, 1982-1984=100. The following community benefit programs shall be offered:

    a. - Health Benefits Resource Center; and
    b. - RotaCare Clinic.

8. - For at least ten years from closing, the Hospital shall maintain its participation in the Medi-Cal managed care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the Health Plan of San Mateo contract or its successor;

9. - For at least ten years from closing, the Hospital shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-

emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;

1. - For at least five years from closing, the Hospital shall maintain its current contracts, subject to the request of the County of San Mateo, for services, including the following:

   a. - Information Sharing and Data Use Agreement;
   b. - Patient Transfer Agreement between San Mateo County Medical Center and the Hospital;
   c. - Agreement dated July 2013 (effective October 1, 2013) whereby the County of San Mateo agrees to provide financial support for the Hospital in exchange for the Hospital's agreement to maintain its role as a safety net provider in San Mateo County, unless otherwise terminated earlier by the County of San Mateo;
   d. - San Mateo ACE Program Hospital Agreement; and
   e. - Agreements with Local Hospitals and Healthcare Facilities Participating in the National Bioterrorism Hospital Preparedness Program Grant.

10. The Hospital shall maintain privileges for current medical staff members who are in good standing as of closing. Further, closing shall not impact the medical staff officers, committee chairs or independence of the Hospital's medical staff and those such persons shall remain for the remainder of their tenure;

11. BlueMountain, Integrity, Certain Funds Managed by BlueMountain, and Verity shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070); and

12. BlueMountain, Integrity, Certain Funds Managed by BlueMountain, and Verity shall comply with the "Capital Commitment" set forth in section 7.7 of the System Agreement to reserve or expend $180 million over five years for improvements at the Health Facilities.

APPENDICES

List of Interviewees

Last Name	First Name	Position	Affiliation
Ahn	Tina	Vice President, Development	Seton Medical Center
Allen	Joanne	President & Chief Executive Officer	Seton Medical Center & Seton Coastside
Altman	Maya	Chief Executive Officer	Health Plan of San Mateo
Amour	Deb	Representative	California Nurses Association
Battles	Stephanie	Vice President, Human Resources	Daughters of Charity Health System
Beattie	Lynne	Registered Nurse & Director, Telemetry	Seton Medical Center
Cahill	Sister Linda Ann	Board Member	Seton Medical Center
Colman, MD	Ryan	Board Member, Seton's Board	Seton Medical Center
Creem	Mitch	Chief Executive Officer	Integrity Healthcare
Crilly	Mike	Board Member, Seton's Board	Seton Medical Center
Del Mundo	Jonathan	Nursing Director & Director, ICU/CCU, Spine & Orthopedics	Seton Medical Center
Fornoles	Maddy	Registered Nurse & Director, Emergency Department	Seton Medical Center
Freeburg, DC	Sister Paule	Board Member, Seton Foundation	Seton Medical Center
Gordon	Sister Arthur	Vice President, Mission Integration	Seton Medical Center
Gutierez	Richard	Representative	Service Employees International Union, Seton Coastside
Ilhardt	Ben	Associate, Financial Restructuring	Foley & Lardner LLP
Issai	Robert	President & Chief Executive Officer	Daughters of Charity Health System
Jackson	Scott	Senior Vice President, Financial Restructuring	Houlihan Lokey
Lapolla	Nancy	Manager	Emergency Medical Services, San Mateo County
Leitao	Sister Ann	Patient Advocate	Seton Coastside
Manatan	Joane	Registered Nurse & Director, Perioperative Services	Seton Medical Center
McGrath	Sue	Financial Analyst	Seton Medical Center
Melikian	Annie	Chief Financial Officer	Daughters of Charity Health System
Meyers	Mark	Chief Operating Officer	Integrity Healthcare
Morrow, MD	Scott	Public Health Officer	San Mateo County Health Department
Pieri	James	Portfolio Manager	BlueMountain Capital Management
Rumack, MD	James	Board Member, Seton's Board	Seton Medical Center
Scheifele, MD	Stephen	OB/GYN	Seton Medical Center
Schieble	Mark	Partner	Foley & Lardner LLP
Schuller, MD	Elden	Medical Director, Emergency Department	Seton Medical Center
Shapiro, MD	Kathy	OB/GYN & Board Member, Seton's Board	Seton Medical Center
Sheffler	Susan	Associate	Ropes and Gray
Tobias	Todd	Director, Facilities	Seton Medical Center
Turnbull	Andrew	Managing Director	Houlihan Lokey
Valle, MD	Herminigildo	President, Medical Staff	Seton Medical Center
Vallin	Rudy	Representative	Service Employees International Union, Seton Medical Center
Waxman	Mark	Partner	Foley & Lardner LLP

Hospital License

License: 220000026
Effective: 01/01/2015
Expires: 12/31/2015
Licensed Capacity: 478

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

Seton Medical Center

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

Seton Medical Center

SETON COASTSIDE

Seton Medical Center
1900 Sullivan Ave
Daly City, CA 94015-2200

Bed Classifications/Services

- 250 General Acute Care
  - 18 Perinatal
  - 14 Coronary Care
  - 14 Intensive Care
  - 3 Intensive Care Newborn Nursery
  - 201 Unspecified General Acute Care
- 24 Acute Psychiatric (D/P)
- 83 Skilled Nursing (D/P)

Other Approved Services

- Basic Emergency Medical
- Cardiovascular Surgery
- Mobile Unit - Other - CT/PET - Steriotactic Biopsy
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - Ambulatory Surgery at Ambulatory Surgery Center, 1850 Sullivan Avenue, Suite 400, Daly City
- Outpatient Services - Imaging Services at NSI Imaging Svcs & Block Suite, 1850 Sullivan Avenue, Suite 100, Daly City
- Outpatient Services - Joint Replacement Program at Seton Orthopedic Institute Outpatient Center, 1850 Sullivan Avenue, Suite 150, Daly City
- Outpatient Services - Prenatal Care at St. Elizabeth Ann Seton New Life Center, 1500 Southgate Avenue, Suite 112, Daly City
- Outpatient Services - Primary Care at Seton Express Care, 1850 Sullivan Avenue, Suite 150, Daly City

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Francisco District Office, 150 North Hill Drive, Suite 22, Brisbane, CA 94005, (415)330-6353

POST IN A PROMINENT PLACE

License: 220000026
Effective: 01/01/2015
Expires: 12/31/2015
Licensed Capacity: 478

State of California
Department of Public Health
License Addendum

Seton Medical Center (Continued)
1900 Sullivan Ave
Daly City, CA 94015-2200

Other Approved Services (cont'd)
- Outpatient Services - Rehabilitation at Rehabilitation Center, 45 Southgate Avenue, Daly City
- Outpatient Services - Women's Health Services at Breast Health Center, 1850 Sullivan Avenue, Suite 190, Daly City
- Outpatient Services - Wound Care Center at Wound Care Center, 1500 South Gate Avenue, Suite 115, Daly City
- Physical Therapy
- Podiatry Service
- Radiation Therapy
- Respiratory Care Services
- Social Services

SETON COASTSIDE
600 Marine Blvd
Moss Beach, CA 94038-9641

Bed Classifications/Services
- 5 General Acute Care
- 116 Skilled Nursing (D/P)

Other Approved Services
- Dental Services
- Occupational Therapy
- Outpatient Services
- Physical Therapy
- Podiatry Service
- Respiratory Care Services
- Social Services
- Speech Pathology
- Standby Emergency Medical Services

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
24 Acute Psychiatric beds suspended from 01/01/2011 to 12/31/2015 at 1900 Sullivan Ave.
39 Skilled Nursing beds suspended from 01/01/2012 to 12/31/2015 at 1900 Sullivan Ave.
CONSOLIDATED

Ron Chapman, MD, MPH
Director & State Health Officer

Diana Marana
Diana Marana, District Manager

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