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 St. Vincent Medical Center

Prepared for the Office of the California Attorney General

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MDS Consulting, a VHA business
24596 Hawthorne Boulevard
Torrance, CA 90505
P: 424 237 2525 ■ F: 424 247 8248
www.MDSconsulting.com

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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 St. Vincent Medical Center. St. Vincent Medical Center, a nonprofit religious corporation (St. Vincent), operates St. Vincent Medical Center, a general acute care hospital located in Los Angeles, 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 St. Vincent, St. Francis Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center (collectively, the Hospital Corporations).

The Hospital Corporations are licensed to operate five general acute care hospitals including the Hospital, St. Francis Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Seton Medical Center, which shares a consolidated license with Seton Medical Center Coastside, a skilled nursing facility (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). St. Vincent is the sole corporate member of St. Vincent Medical Center Foundation (St. Vincent 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

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[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.

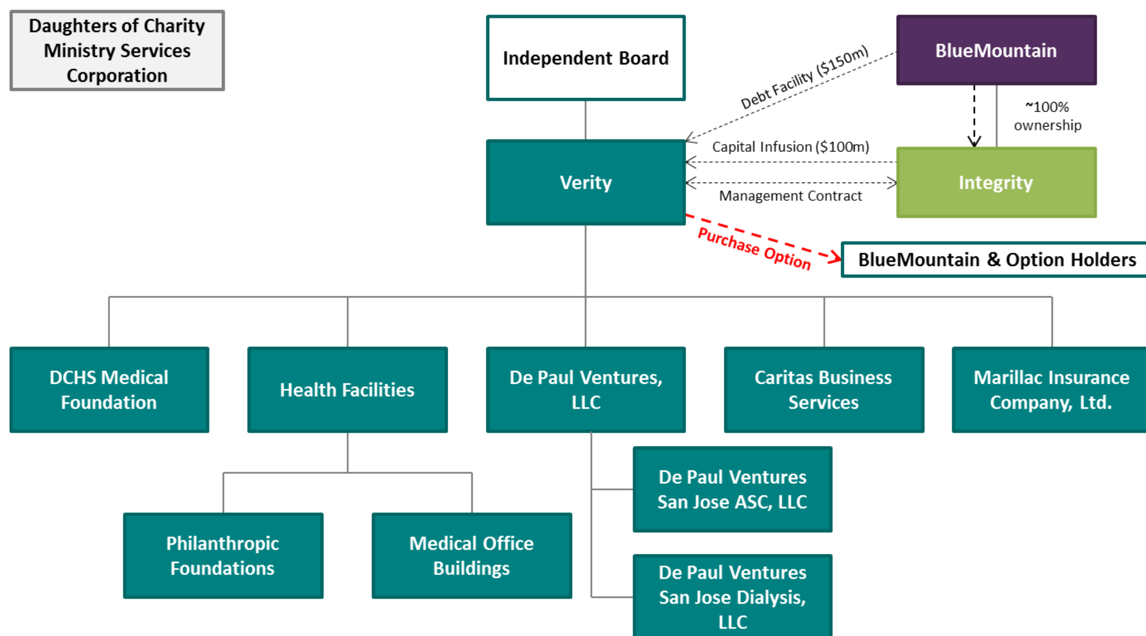
[2] Certain Funds Managed by BlueMountain involved in this transaction include the following entitites: BlueMountain Guadalupe Peak Fund L.P., BlueMountain Summit Opportunities Fund II (US) L.P., BlueMountain Montenvers Master Fund SCA SICA V-SIF, BlueMountain Foinaven Master Fund L.P., BlueMountain 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, St. Vincent's Board of Directors (St. Vincent's Board), Daughters' Board of Directors (Daughters' Board), Daughters' 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.

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

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Daughters' Board applied the same eleven criteria used during the first selection process (described previously on pages 9 and 10) 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;
- August 5, 2013 – Daughters solicits offers for Seton Medical Center 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];

[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.

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- 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);

- October 9, 2014 – St. Vincent's Board passes a resolution to authorize any necessary or advisable amendments to the Articles of Incorporation and Bylaws of St. Vincent and St. Vincent 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

[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.

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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;

- 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;

[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.

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- 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 – St. Vincent'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 a separate exhibit 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

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[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.

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- 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.

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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.

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.

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[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.

[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.

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

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[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.

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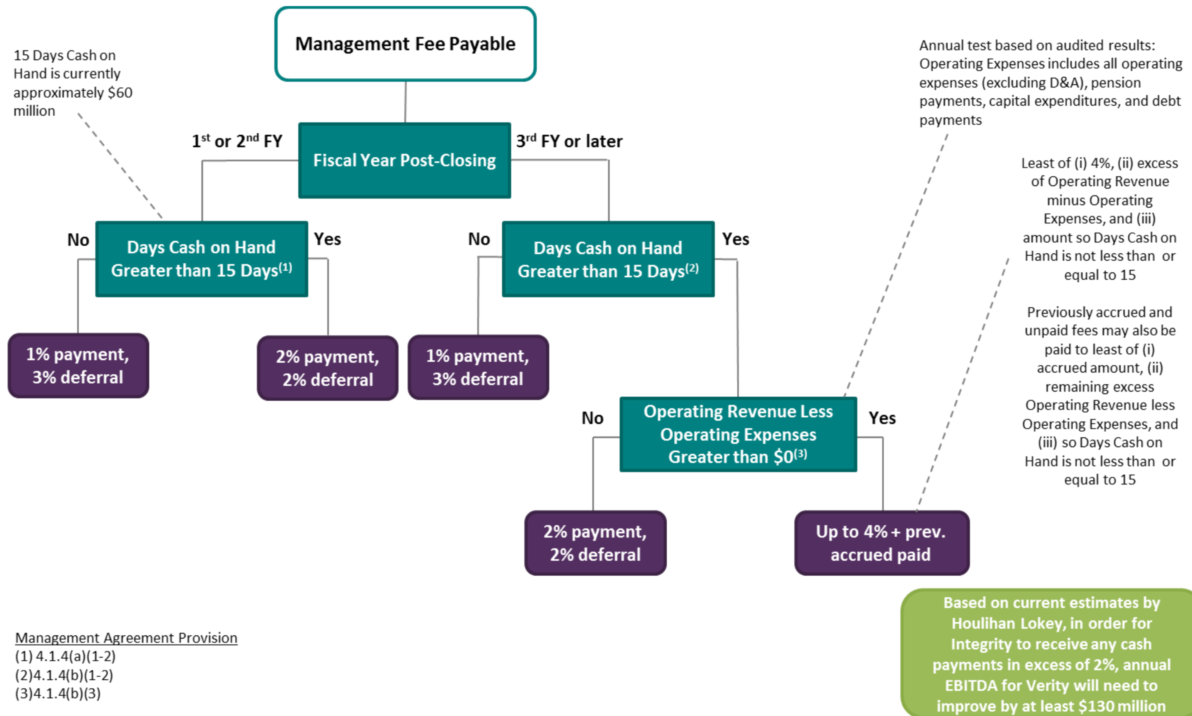
debt service. These payments are made to the extent that they do not result the number of days of cash on hand does not go below 15; and

- 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.

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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 the Hospital, O'Connor Hospital, and Seton Medical Center.

During the 1980s, Daughters of Charity expanded to include Seton Medical Center 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 Los Angeles, St. Francis Medical Center in Lynwood, O'Connor Hospital in San Jose, Seton Medical Center in Daly City, Seton Medical Center Coastside in Moss Beach, and Saint Louise Regional Hospital in Gilroy. Daughters' corporate offices are located in Los Altos Hills, Redwood Shores, and Pasadena.

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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.

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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,

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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.

[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 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.

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- 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.

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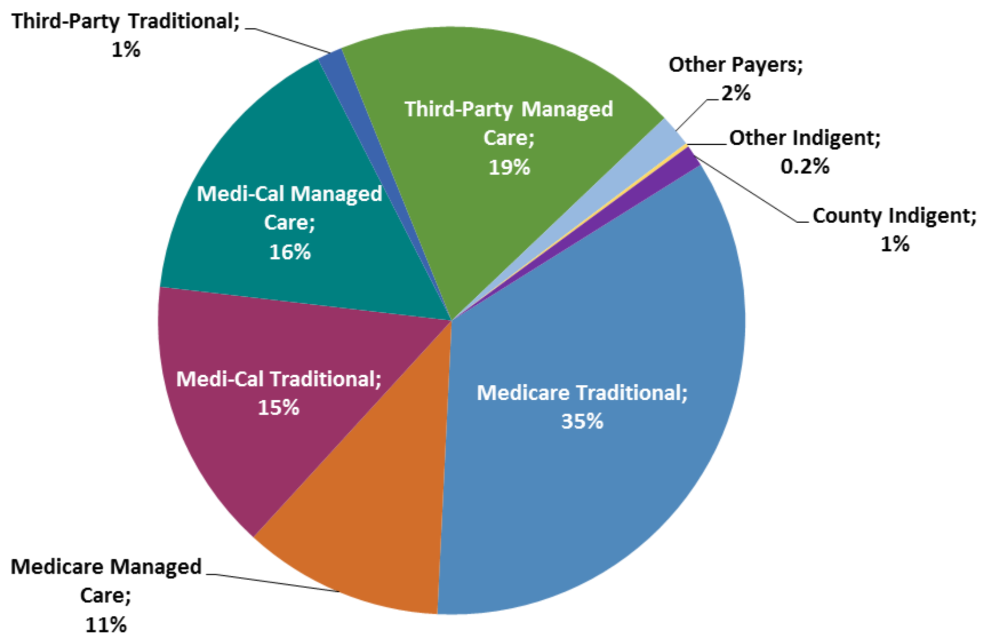
[31] Disproportionate Share Hospitals serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid & Medicare Services to cover the costs of providing care to uninsured patients.

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 ST. VINCENT MEDICAL CENTER

St. Vincent

The Hospital was founded by the Daughters of Charity of St. Vincent De Paul as the first hospital in Los Angeles in 1856. In 1971, a new facility was constructed at the Hospital's current location at 2131 West Third Street, Los Angeles, CA 90057. The Hospital has expanded to a 366 licensed bed, regional acute care, tertiary referral facility, specializing in cardiac care, cancer care, total joint and spine care, and multi-organ transplant services. The Hospital serves both local residents and residents from Los Angeles, San Bernardino, Riverside, and Orange Counties. As a provider of healthcare services for a high percentage of elderly patients, many of the Hospital's services and programs are focused on the treatment of various chronic diseases.

St. Vincent Foundation

St. Vincent Foundation was incorporated in 1989 as a nonprofit public benefit corporation. Charitable donations and endowments raised by St. Vincent Foundation help fund the acquisition of new equipment, the expansion of the Hospital's facilities, healthcare services, and community outreach programs. St. Vincent Foundation raises funds through grants, special events, and individual donors. St. Vincent is governed by a Board of Trustees, and St. Vincent is the sole corporate member of the Foundation.

There are no donor-restricted funds held by either Daughters or any of the Hospital Corporations. Instead, these funds are held by the Philanthropic Foundations, with the exception of St. Vincent. St. Vincent, as well as St. Vincent Foundation, holds donor-restricted funds.

As of May 31, 2015, St. Vincent Foundation had a balance of approximately $2.0 million in temporarily restricted assets and a balance of approximately $1.9 million in permanently restricted assets for the purpose of funding programs such as bone mineral density research, transportation for low-income patients, the organ transplantation program, and oncology research and treatment.

St. Vincent Dialysis Center, Inc.

St. Vincent is the sole corporate member of the St. Vincent Dialysis Center, located on the Hospital's campus. The St. Vincent Dialysis Center provides dialysis services for kidney disease patients, including hemodialysis and isolated ultrafiltration treatments as part of the Hospital's end-stage renal disease program.

Overview of the Hospital

St. Vincent operates a 366 licensed bed, general acute care hospital that primarily serves residents in central Los Angeles.

BED DISTRIBUTION 2015	
Bed Type	**Number of Beds**
General Acute Care	253
Intensive Care	67
Rehabilitation	19
Total Acute Care Beds	**339**
Skilled Nursing (D/P)	27
Total Beds	**366**

Source: Hospital License 2015

As of April 1, 2015, the Hospital's Emergency Department became classified as "basic"[32] with eight treatment stations. Prior to receiving a "basic" designation, the Hospital's Emergency Department was classified as "standby"[33] and could not receive patients via ambulance. The Hospital recently completed the construction of an overhang and a separate ambulance entrance in order to be designated as an ambulance receiving facility by OSHPD. The Hospital shares the same Emergency Medical Services boundary[34] as California Hospital Medical Center and Good Samaritan Hospital – Los Angeles. In addition, the Emergency Department recently added Fast Track services that include six treatment stations, five reclining chairs, and one gurney. The Hospital also has 18 surgical operating rooms, four cardiac catheterization labs, and a helipad.

[32] 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.
[33] 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.
[34] An Emergency Medical Services boundary, also known as a hospital's catchment area, is the defined geographic area from which 911 patients are transported.

Key Statistics

KEY STATISTICS: FY 2012 - 2014			
	2012	2013	2014
Inpatient Discharges	9,651	9,213	8,245
Licensed Beds	366	366	366
Patient Days	55,403	52,960	47,942
Average Daily Census	151	145	131
Occupancy	41.4%	39.6%	35.9%
Average Length of Stay	5.7	5.7	5.8
Emergency Services Visits [1]	14,851	15,580	17,758
Cardiac Catheterization Procedures[1]	1,898	1,716	1,559
Coronary Artery Bypass Graft (CABG) Surgeries[1]	82	70	55
Total Live Births	0	0	0

Physicians on Medical Staff	400
Hospital Employees/Associates [2]	1,026

Sources: OSHPD Disclosure Reports, 2012-2014 and Daughters

[1] OSHPD Alirts Annual Utilization Reports

[2] Includes part-time employees

- Between FY 2012 and FY 2014, patient days decreased by approximately 14%, emergency visits have increased by 20%, and the average daily census has decreased by 13%;
- For FY 2014, the Hospital reported a total of 8.245 discharges, 47,942 patient days, and an average daily census of 131 patients (36% occupancy);
- For FY 2014, the Hospital had 17,758 emergency department visits; and
- The Hospital performed nearly 1,600 cardiac catheterization procedures in FY 2014.

Programs and Services

The Hospital is a provider of specialty and tertiary services with a focus on chronic disease, including oncology, rehabilitation, neurosurgery, nephrology, and multi-organ transplant services. The Hospital's major services include the following:

- Rehabilitation services include: A 19 licensed bed, acute inpatient unit that provides care to stroke, burn, spinal cord injury, trauma, joint replacement, and brain injury patients. Outpatient rehabilitation services include spine stabilization, sports injury rehabilitation, self-care training, and occupational, physical, and speech language therapy;

- Cardiovascular services include: Cardiac catheterization procedures, cardiovascular surgery, including open heart surgery, pacemaker implantation, and treatment for high blood pressure, rapid heart, blocked arteries or veins, and weak valves;

- Emergency services include: 24-hour ambulance receiving emergency services with eight treatment stations. Lower acuity patients can receive Fast Track services that include six treatment stations, five reclining chairs, and one gurney;

- Gastroenterology services include: Diagnosis and treatment services for conditions of the liver, pancreas, and gastrointestinal tract. Services also include endoscopy and preventive education;

    - The Asian Pacific Liver Center, located on the Hospital's campus, focuses on preventive education, early detection, and treatment of chronic hepatitis B patients.

- Imaging and laboratory services include: Radiology and pathology;

- Nephrology services include: Inpatient and outpatient dialysis services, kidney and kidney/pancreas transplants, and an end stage renal disease program for patients with chronic kidney disease. Outpatient dialysis services are available at the St. Vincent Dialysis Center;

- Neurosurgery services include: Treatment of skull-base tumors, vascular disease, primary and metastatic tumors, trigeminal neuralgia, stroke, and stenosis;

- Oncology services include: Surgery, brachytherapy, radiation, and intensity modulation radiation therapy;

- Skilled nursing services include: A 27 licensed bed unit that provides treatment for patients who no longer require acute care, yet require oxygen administration, medication and fluid administration, and physical, speech, and occupational therapy.

The Hospital also operates the following 1206(d)[35] outpatient clinics:

- Cancer Treatment Center provides: Outpatient radiation therapy services;

- Cardiac Care Institute provides: Diagnostic testing, high blood pressure, rapid heart, blocked arteries or veins, and weak valves treatment, electrophysiology studies, angiography, and radiofrequency ablation;

- Joint Replacement Institute provides: Total hip replacement, hip resurfacing, knee resurfacing, and shoulder and elbow replacement;

- Multi-Organ Transplant Center provides: Kidney and kidney/pancreas double transplants, and provides organ donation waiting list and process education. The Hospital also operates an office located in Bakersfield that is open one Thursday every month for pre-transplant and post-transplant appointments; and

- Spine Institute treats: Misalignments, bulging discs, herniated discs, pinched nerves, spine scoliosis, spinal tumors, and bone spurs.

The Hospital is affiliated with the House Ear Clinic, an outpatient facility that provides pre- and post-operative otology and neurotology services for balance disorders, tinnitus, otosclerosis, congenital atresia, and hearing loss. Neurotologists and neurosurgeons from the House Ear Clinic perform complex ear procedures in a private operating suite at the Hospital's Acoustic Neuroma Center.

Accreditations, Certifications, and Awards

The Hospital is accredited by the Joint Commission, effective November 2012 through November 2015. The Hospital has received other accolades and achievements as follows:

- Recognized by Healthgrades as a Top 50 Hospital Nationwide for 2012 and 2013;

- Given a 2012 Silver Level Award for the Multi-Organ Transplant Center by the U.S. Department of Health and Human Services;

[35] A section 1206(d) clinic is exempt from licensure if it is conducted, operated, or maintained as an outpatient department of a hospital.

- Named by U.S. News & World Report as the #5 Best Hospital LA Metropolitan Area in 2011 and 2012;

- Accredited by the Joint Commission for skilled nursing services; and

- Acknowledged by U.S. News & World Report as High Performing in Nephrology, Neurology & Neurosurgery, Orthopedics, and Urology in 2013.

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 the following three sets of measures: measures of timely and effective care, surveys of patient experience, and 30-day mortality rates for heart attack, heart failure, and pneumonia. For FY 2013, Centers for Medicare & Medicaid Services reduced Medicare payments to the Hospital by 0.08%. During FY 2014, the Hospital was rewarded with a 0.35% Medicare payment bonus. For FY 2015, the Hospital will be rewarded with a 0.28% Medicare payment bonus.

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	**90.6%**	97.3%	97.6%
Patient Experience of Care Domain	Average of Measures for the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey	**69.4%**	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	**9.5%**	12.5%	12.9%
Efficiency Domain	Medicare Spending per Beneficiary Ratio	**1.03**	0.98	0.98

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

- For the clinical process of care domain, the Hospital scored significantly lower (90.6%) than the statewide and national averages (97.3% and 97.6%, respectively);

- The Hospital scored slightly higher (69.4%) than the California average of 67.2%, but approximately 2% lower than national average (71.0%) for the patient experience of care domain;

- Within the outcome domain, the Hospital has better 30-day mortality rates and central-line bloodstream infection rates (9.5%) than the California and national averages (12.5% and 12.9%, respectively); and

- With a ratio of 1.03, 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, the Hospital was not penalized, and in FY 2014, the Hospital was penalized by a 0.07% reduction in reimbursement. The following graph shows the Hospital's 30-day readmission rate for heart attack, heart failure, pneumonia, and surgical patients:

30-DAY READMISSION RATES			
Condition	Hospital	National Average	California Average
Heart Attack	**19.1%**	17.8%	17.8%
Heart Failure	**21.5%**	22.7%	22.7%
Pneumonia	**16.7%**	17.3%	17.3%
Average 30-Day Readmission Rate	**19.1%**	**19.3%**	**19.3%**

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

- The Hospital has slightly less 30-day readmissions (19.1%) than the national average and statewide average of 19.3%; and

- For FY 2015, the Hospital will be penalized at a reported estimate of 0.10% (not shown on table).

Seismic Issues

Using the HAZUS seismic criteria[36], 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.

SEISMIC OVERVIEW OF THE HOSPITAL		
Building	**SPC Compliance Status**	**NPC Compliance Status**
1) Main Hospital	**SPC-1**	**NPC-2**
2) Central Plant/Parking Garage	**SPC-2**	**NPC-2**
3) Doheny Wing	**SPC-1**	**NPC-2**
4) Catheterization Lab	**SPC-5s***	**NPC-2**
5) ER Ambulance and Entrance Cover	**SPC-5s***	**-**

Source: Daughters & OSHPD

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

- Two of the buildings, the Doheny Wing and the Main Tower, have Voluntary Seismic Improvement projects approved by OSHPD to obtain SPC-2 rating that includes elevator refurbishments to comply with the City of Los Angeles' Elevator Code. Deadlines for completing construction are July 1, 2019 for the Doheny Wing and January 1, 2019 for the Main Tower;

- The Central Plant underwent retrofit construction that was completed in November 2014 and was recently reclassified as SPC-2; and

- Per Daughters, the anticipated cost for the Doheny Wing retrofit is $4.25 million and for the Main Tower is $5.58 million. The total seismic upgrades to these two buildings will reportedly cost $9.83 million in order to comply with current seismic standards through 2030.

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

Patient Utilization Trends

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

SERVICE VOLUMES: FY 2010-2014					
PATIENT DAYS	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Medical/Surgical	38,765	37,613	37,579	35,158	31,128
Intensive Care	4,853	4,131	4,230	3,725	3,506
Physical Rehabilitation	3,478	4,142	5,540	5,434	5,020
Skilled Nursing	4,248	3,327	8,054	8,643	8,288
Total	**51,344**	**49,213**	**55,403**	**52,960**	**47,942**
DISCHARGES					
Medical/Surgical	7,355	7,583	7,705	7,375	6,492
Intensive Care	921	833	867	781	731
Physical Rehabilitation	288	343	454	440	416
Skilled Nursing	563	401	625	617	606
Total	**9,127**	**9,160**	**9,651**	**9,213**	**8,245**
AVERAGE LENGTH OF STAY					
Medical/Surgical	5.3	5.0	4.9	4.8	4.8
Intensive Care	5.3	5.0	4.9	4.8	4.8
Physical Rehabilitation	12.1	12.1	12.2	12.4	12.1
Skilled Nursing	7.5	8.3	12.9	14.0	13.7
Total	**5.6**	**5.4**	**5.7**	**5.7**	**5.8**
AVERAGE DAILY CENSUS					
Medical/Surgical	106.2	103.0	102.7	96.3	85.3
Intensive Care	13.3	11.3	11.6	10.2	9.6
Physical Rehabilitation	9.5	11.3	15.1	14.9	13.8
Skilled Nursing	11.6	9.1	22.0	23.7	22.7
Total	**140.7**	**134.8**	**151.4**	**145.1**	**131.3**
OTHER SERVICES					
Inpatient Surgeries[1]	2,930	2,789	2,717	2,454	2,289
Outpatient Surgeries[1]	3,741	3,501	3,121	2,962	3,032
Emergency Visits[2]	12,238	13,101	14,851	15,580	17,758
Cardiac Catheterization Procedures[2]	2,096	1,979	1,898	1,716	1,559

Sources: OSHPD Disclosure Reports, 2010-2014

[1]The Hospital

[2]OSHPD Alirts Annual Utilization Reports

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

- Total patient days have remained relatively stable. The number of total patient days has decreased by approximately 7% from 51,344 in FY 2010 to 47,942 in FY 2014;

- The average daily census was 131 patients in FY 2014;

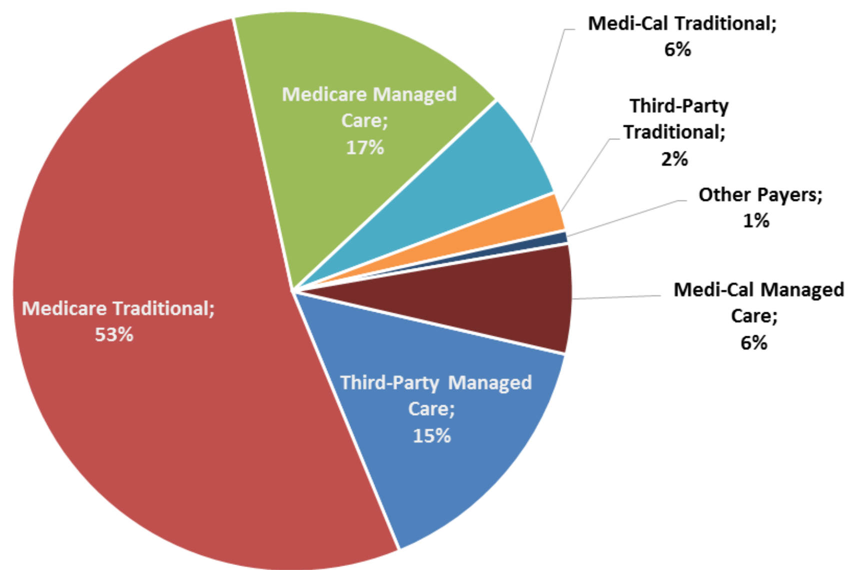
- Intensive care discharges decreased by approximately 21% between FY 2010 and FY 2014; and

- The number of inpatient rehabilitation discharges increased by approximately 44% between FY 2010 and FY 2014.

Payer Mix

In FY 2014, Medicare patients accounted for 70% of all inpatient discharges. Approximately 15% were Third-Party Managed Care patients and 12% were Medi-Cal Traditional and Medi-Cal Managed Care patients. The remaining 3% of the Hospital's inpatient discharges consisted of Third-Party Traditional (2%), and Other Payers* (1%).

Hospital Payer Mix, FY 2014



Total Discharges: 8,245

* "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 inpatient discharge payer mix compared to Los Angeles County and statewide. The comparison shows that the Hospital has higher percentages of Medicare Traditional and Medicare Managed Care patients and lower percentages of Medi-Cal Traditional, Medi-Cal Managed Care, and Third-Party Traditional patients relative to other hospitals in Los Angeles County and the State of California.

PAYER MIX COMPARISON						
	Hospital (FY 2014)		Los Angeles County (FY 2013)		California (FY 2013)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	514	6.2%	157,005	17.4%	444,932	15.0%
Medi-Cal Managed Care	523	6.3%	117,838	13.1%	354,720	12.0%
Medi-Cal Total	**1,037**	**12.6%**	**274,843**	**30.5%**	**799,652**	**27.0%**
Medicare Traditional	4,356	52.8%	252,268	28.0%	863,909	29.1%
Medicare Managed Care	1,352	16.4%	81,638	9.1%	265,857	9.0%
Medicare Total	**5,708**	**69.2%**	**333,906**	**37.1%**	**1,129,766**	**38.1%**
Third-Party Managed Care	1,250	15.2%	183,670	20.4%	657,290	22.2%
Third-Party Managed Care Total	**1,250**	**15.2%**	**183,670**	**20.4%**	**657,290**	**22.2%**
Third-Party Traditional	185	2.2%	33,081	3.7%	127,396	4.3%
Other Payers	63	0.8%	30,928	3.4%	87,399	2.9%
Other Indigent	2	0.0%	11,480	1.3%	50,699	1.7%
County Indigent	0	0.0%	33,290	3.7%	113,812	3.8%
Other Total	**250**	**3.0%**	**108,779**	**12.1%**	**379,306**	**12.8%**
Total	**8,245**	**100%**	**901,198**	**100%**	**2,966,014**	**100%**

Source: OSHPD Disclosure Reports, FY 2013 & FY 2014

Medi-Cal Managed Care

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

Los Angeles County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a "Local Initiative" and a "commercial plan." In 2013, Los Angeles County had approximately 275,000 inpatient discharges from patients with either Medi-Cal Traditional (57%) or Medi-Cal Managed Care coverage (43%). The percentage of Los Angeles County residents with Medi-Cal Managed Care coverage will increase drastically as a result of the ACA and state initiatives to expand managed care.

LA Care Health Plan is the Local Initiative plan for Los Angeles County. Medi-Cal beneficiaries can choose LA Care Health Plan or one of the contracting partners that include Blue Cross of California, Care1st, Community Health Plan, and Kaiser Permanente.

The second Medi-Cal plan in Los Angeles County is a private commercial plan provided by Health Net Community Solutions, Inc. in partnership with Molina Healthcare. Currently, the

Hospital is contracted with both the Local Initiative and commercial Medi-Cal managed care plans.

Medical Staff

The Hospital has 400 physicians on the medical staff representing various specialties. Of the 400 physicians, 205 are considered "active" (representing approximately 51% of the medical staff). Internal medicine, nephrology, and anesthesiology are the three largest specialties, comprising 26% of the active physicians. The 195 "non-active" users of the Hospital include administrative, provisional, courtesy, and other medical staff.

The Hospital also has a relationship with St. Vincent IPA, an Independent Physician Association comprised of more than 200 primary care physicians and over 450 medical specialists.

MEDICAL STAFF PROFILE 2015					
Specialty	Count	% of Total	Specialty	Count	% of Total
Active Physicians					
Anesthesiology	16	8%	Neurological Surgery	4	2%
Cardiology	7	3%	Neurology	3	1%
Cardiovascular Disease	1	0.5%	Nuclear Medicine	1	0.5%
Cardiovascular/Thoracic Surgery	8	4%	Ophthalmology	4	2%
Electrophysiology	3	1%	Orthopedic Surgery	14	7%
Emergency Medicine	6	3%	Otolaryngology	3	1%
Endocrinology	2	1%	Otology	5	2%
Gastroenterology	13	6%	Pathology	2	1%
General Surgery	9	4%	Physical Medicine/Rehabilitation	4	2%
General/Family Practice	9	4%	Podiatry	1	0.5%
Gynecology	2	1%	Pulmonary Diseases	5	2%
Gynecology Oncology	1	0.5%	Radiation Oncology	1	0.5%
Hematology/Oncology	5	2%	Radiology	5	2%
Hepatology	1	0.5%	Rental Transplant Surgery	1	0.5%
Infectious Diseases	4	2%	Rheuamtology	3	1%
Internal Medicine	19	9%	Surgical Assisting	1	0.5%
Interventional Cardiology	11	5%	Urology	9	4%
Nephrology	19	9%	Vascular Surgery	3	1%
Total Active	**205**				
Total Non-Active	195				
Total Physicians	**400**				

Source: Daughters

Unionized Employees/Associates

The Hospital has 375 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 a CBA with California Nurses Association through December 30, 2015. The agreement covers 362 Registered Nurses at the Hospital that are involved in direct patient care.

In total, approximately 72% of the Hospital's employees/associates are covered by CBAs.

EMPLOYEES REPRESENTED BY UNIONS	
Union	**Total**
California Nurses Association	362
Service Employees International Union	375
Total Employees Represented by Unions	**737**
Total Non-Union Employees	289
Total Employees	**1,026**
Total Percentage of Employees Represented by Unions	**72%**

Source: Daughters

Financial Profile

Over the past five years, the Hospital has reported net losses of between $6.8 million in FY 2012 to nearly $31.3 million in FY 2014. Much of the reported losses can be attributed to the marginal increase in net patient revenue compared to significant increases in operating expenses (over the five-year period, net patient revenue increased approximately 1% and operating expenses increased by 14%).

The Hospital's current assets-to-liabilities ratio has decreased over the last five years from 1.41 in FY 2010 to 0.53 in FY 2014 (the State of California average in 2013 was 1.76). The Hospital's average percentage of bad debt is approximately 0.5%, which is lower than the statewide average of 1.7%.

FINANCIAL & RATIO ANALYSIS FY 2010 - 2014		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Patient Days		51,344	49,213	55,403	52,960	47,942
Discharges		9,127	9,160	9,651	9,213	8,245
ALOS		5.6	5.4	5.7	5.7	5.8
Net Patient Revenue		$181,225,683	$199,984,033	$222,402,796	$199,320,268	$183,189,799
Other Operating Revenue		$7,799,255	$1,145,036	$2,620,811	$1,871,745	$3,657,799
Total Operating Revenues		$189,024,938	$201,129,069	$225,023,607	$201,192,013	$186,847,598
Operating Expenses		$202,529,682	$226,198,387	$231,833,697	$239,774,086	$229,806,233
Net from Operations		($13,504,744)	($25,069,318)	($6,810,090)	($38,582,073)	($42,958,635)
Net Non-Operating Revenue		$4,543,170	$4,969,853	$3,593,672	$3,469,002	$11,624,367
Net Income		($8,961,574)	($20,099,465)	($3,216,418)	($35,113,071)	($31,334,268)
	CA Average 2013					
Current Ratio	1.76	1.41	0.98	1.06	0.69	0.53
Days in A/R	59.9	49.6	40.7	42.6	44.0	46.7
Bad Debt Rate	1.7%	0.3%	0.7%	0.9%	0.5%	0.5%
Operating Margin	2.64%	-3.37%	-12.46%	-4.74%	-19.18%	-22.99%

Source: OSHPD Disclosure Reports, 2010-2014

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Capital Expenditures

Between FY 2011 and FY 2015, the Hospital spent approximately $47 million in capital expenditures, including software and infrastructure upgrades, building improvements, and new medical equipment.

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	$0.5	$0.4	$0.3	$4.5	$1.2
Building Improvements	-	$1.0	$2.6	$3.8	$3.4
Leasehold Improvements	-	-	$0.1	-	-
Furniture and Fixtures	$0.2	$0.2	$0.1	-	$0.1
Sub-Total	**$0.7**	**$1.6**	**$3.2**	**$8.3**	**$4.7**
Software and IT					
Software	$0.4	$0.4	$9.9	$3.7	$0.3
Computer Equipment	$0.3	$0.3	$0.0	$0.1	-
Network Equipment	$0.8	$0.4	$0.3	$0.3	-
Telephone Equipment	-	$0.2	-	-	-
Sub-Total	**$1.4**	**$1.2**	**$10.3**	**$4.1**	**$0.3**
Vehicles	-	-	-	-	-
Medical Equipment	$3.5	$2.2	$3.9	$0.8	$0.8
Total	**$5.6**	**$5.0**	**$17.4**	**$13.2**	**$5.8**

Source: Daughters

Cost of Hospital Services

The Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2014, approximately 65% of the Hospital's total costs were associated with Medicare, 20% with Third Party payers, and 14% with Medi-Cal. The remaining 0.2% is attributed to Other Payers.

COST OF SERVICES BY PAYER FY 2010 - FY 2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Expenses	$202,529,682	$226,198,387	$231,833,697	$239,774,086	$229,806,233
Cost of Services by Payer:					
Medicare	$125,489,799	$142,696,193	$148,256,083	$160,378,187	$149,292,458
Medi-Cal	$31,367,767	$32,937,691	$30,475,838	$28,940,494	$33,264,416
County Indigent	$0	$0	$0	$0	$0
Third Party	$44,602,950	$49,091,754	$52,028,214	$49,669,240	$46,804,129
Other Indigent	$572,253	$258,843	$129,329	$0	$56,396
Other Payers	$496,914	$1,213,907	$944,233	$786,165	$388,834

Source: OSHPD Disclosure Reports, FY 2010-2014

Charity Care

According to the Hospital's reports submitted to OSHPD, the Hospital's charity care charges have fluctuated from a high of approximately $4.8 million in FY 2011 to a low of nearly $643,000 in FY 2014. The five-year average for charity care charges was $2.4 million.

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the state. The five-year (FY 2010 - FY 2014) average of charity care and bad debt for the Hospital, as a percentage of gross patient revenue was 0.8%. This is lower than the four-year statewide average of 3.7%. 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)

	2010		2011		2012		2013		2014	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	$915.9	$270,511.0	$949.7	$288,636.7	$1,112.8	$303,278.6	$1,154.0	$317,543.77	$1,040.6	-
Charity	$3.3	$5,587.1	$4.8	$6,171.5	$2.2	$6,251.0	$1.2	$6,209.9	$0.64	-
Bad Debt	$2.3	$4,510.8	$6.8	$4,815.5	$10.3	$5,007.6	$6.0	$5,549.5	$5.5	-
Total	**$5.6**	**$10,097.9**	**$11.7**	**$10,987.0**	**$12.5**	**$11,258.6**	**$7.2**	**$11,759.4**	**$6.2**	**-**
Charity as a % of Gross Rev.	0.4%	2.1%	0.5%	2.1%	0.2%	2.1%	0.1%	2.0%	0.1%	-
Bad Debt as a % of Gross Rev.	0.2%	1.7%	0.7%	1.7%	0.9%	1.7%	0.5%	1.7%	0.5%	-
Total as a % of Gross Rev.	0.6%	3.7%	1.2%	3.8%	1.1%	3.7%	0.6%	3.7%	0.6%	-
Uncompensated Care										
Cost to Charge Ratio	21.3%	25.0%	23.7%	24.6%	20.6%	24.6%	20.6%	24.4%	21.7%	-
Cost of Charity	$0.7	$1,396.2	$1.1	$1,520.9	$0.5	$1,539.1	$0.2	$1,514.6	$0.14	-
Cost of Bad Debt	$0.5	$1,127.3	$1.6	$1,186.8	$2.1	$1,232.9	$1.2	$1,353.5	$1.20	-
Total	**$1.2**	**$2,523.5**	**$2.8**	**$2,707.7**	**$2.6**	**$2,772.0**	**$1.5**	**$2,868.1**	**$1.3**	**-**

Source: OSHPD Disclosure Reports, FY 2010-2014

The table below shows the Hospital's historical costs for charity care as reported by OSHPD using the annual cost-to-charge ratio and multiplying it by the charity care charges. The Hospital's charity care costs decreased from $711,880 in FY 2010 to $139,428 in FY 2014. The average cost of charity care for the last five-year period was $540,046.

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COST OF CHARITY CARE FY 2010 - FY 2014				
Year	Charity Care Charges	Cost-to-Charge Ratio	Cost of Charity Care to the Hospital	% of Total Costs Represented by Charity Care
FY 2014	$642,527	21.7%	$139,428	0.1%
FY 2013	$1,177,170	20.6%	$242,497	0.1%
FY 2012	$2,221,567	20.6%	$457,643	0.2%
FY 2011	$4,847,180	23.7%	$1,148,782	0.5%
FY 2010	$3,342,159	21.3%	$711,880	0.4%
5-Year Average	**$2,446,121**		**$540,046**	

Source: OSHPD Disclosure Reports, FY 2010-2014

The Hospital reported the following 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 Care	$188,669	$45,232	-	$233,901
Visits/Discharges	5	19	-	
2014:				
Cost of Charity Care	$311,842	$34,351	$296,333	$642,526
Visits/Discharges	7	8	63	
2013:				
Cost of Charity Care	$590,374	$56,716	$530,081	$1,177,171
Visits/Discharges	60	20	131	
2012:				
Cost of Charity Care	$1,063,422	$182,066	$976,079	$2,221,567
Visits/Discharges	36	44	141	
2011:				
Cost of Charity Care	$1,266,382	$473,377	$3,107,422	$4,847,181
Visits/Discharges	131	231	597	
2010:				
Cost of Charity Care	$1,131,875	$254,813	$1,955,471	$3,342,159
Visits/Discharges	179	357	864	

Source: 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.

Community Benefit Services

The Hospital has provided an average of $1.0 million per year in community benefit services, as shown in the table below:

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	5-Year Average	Total
Benefits for Persons Living in Poverty	$505,924	$535,049	$987,561	$951,748	$178,075	$631,671	**$3,158,357**
Benefits for the Broader Community	$124,922	$405,634	$469,340	$638,700	$296,857	$387,091	**$1,935,453**
Total	**$630,846**	**$940,683**	**$1,456,901**	**$1,590,448**	**$474,932**	**$1,018,762**	**$5,093,810**

Source: Hospital, FY 2011-2015

- The Hospital's five-year average cost of community benefit services for persons living in poverty is approximately $0.6 million per year. The services for persons living in poverty include traditional charity care, cash and in-kind donations, and community health improvement services;

- The Hospital's five-year average cost of community benefit services to the broader community is approximately $0.4 million per year. These services include cash and in-kind donations and community health improvement services; and

- Between FY 2011 and FY 2015, the Hospital's total community benefits increased from approximately $0.6 million in FY 2011 to nearly $1.6 million in FY 2014, before dropping substantially to $0.5 million in FY 2015.

The Hospital's cost of community benefit services with program expenditures greater than $10,000, over the past five fiscal years, included:

COST OF COMMUNITY BENEFIT SERVICES FY 2011-2015					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Services over $10,000 in cost:					
Asian Pacific Liver Center	$401,479	$474,159	$406,460	$453,618	$357,208
Casa de Amigos	$294,388	$291,784	$341,093	$367,013	$278,139
Community Diabetes Education Program	$126,620	$130,644	$134,563	$134,563	$23,663
Health Benefits Resource Center	$428,789	$440,506	$443,126	$646,210	$161,947
Multicultural Health Awareness and Prevention Center	$394,182	$417,977	$511,068	$454,590	$253,890

Source: Daughters

The Hospital's community benefit services[37] have supported many programs for the community including the Asian Pacific Liver Center, a program that educates Asian Pacific Islanders (Korean, Chinese, Vietnamese, Thai, and Cambodian) about hepatitis and liver complications. The

[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: Casa de Amigos, Health Benefits Resource Center, Community Diabetes Education Program, and the Multicultural Health Awareness and Prevention Center.

program provides screenings and provides Hepatitis B vaccinations for those at risk and relies almost entirely on grant support; and

In addition to the Hospital's community benefit services, the following independently owned community programs operate on the Hospital's campus:

- St. Vincent Meals on Wheels: The program prepares and delivers meals to homebound seniors and other vulnerable residents in the Los Angeles area. During 2014, the program served approximately 800,000 meals (2,214 meals/day). The program also helps seniors with medications, healthcare referrals, and safe housing placement; and

- Hotel Dieu: The hotel is a ministry of Daughters of Charity of St. Vincent de Paul, Province of the West that provides Section 8 Housing for independent senior living.

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

As a provider of specialty services that attract patients from a greater number of ZIP Codes, the Hospital has both a primary and secondary service area. The Hospital's primary service area is comprised of 17 ZIP Codes, from which approximately 45% of its inpatient discharges originated in 2014. In 2014, the Hospital's market share in the primary service area was 6%. The Hospital's secondary service area is comprised of 22 ZIP Codes, from which approximately 18% of its discharges originated in 2014. In 2014, the Hospital's market share in the secondary service area was nearly 2%. In 2014, 63% of the Hospital's discharges originated in the combined primary and secondary service areas and the Hospital's combined market share was nearly 3%.

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
PRIMARY SERVICE AREA						
90057	Los Angeles	546	6.5%	6.5%	5,309	10.3%
90026	Los Angeles	473	5.6%	12.1%	5,239	9.0%
90006	Los Angeles	412	4.9%	16.9%	5,167	8.0%
90004	Los Angeles	332	3.9%	20.9%	4,754	7.0%
90005	Los Angeles	254	3.0%	23.9%	2,694	9.4%
90018	Los Angeles	245	2.9%	26.8%	6,008	4.1%
90020	Los Angeles	225	2.7%	29.4%	2,658	8.5%
90019	Los Angeles	225	2.7%	32.1%	6,062	3.7%
90017	Los Angeles	177	2.1%	34.2%	2,208	8.0%
90029	Los Angeles	170	2.0%	36.2%	3,707	4.6%
90011	Los Angeles	154	1.8%	38.0%	9,625	1.6%
90012	Los Angeles	133	1.6%	39.6%	2,846	4.7%
90014	Los Angeles	122	1.4%	41.1%	1,373	8.9%
90013	Los Angeles	107	1.3%	42.3%	2,431	4.4%
90007	Los Angeles	100	1.2%	43.5%	2,840	3.5%
90015	Los Angeles	86	1.0%	44.5%	1,634	5.3%
90010	Los Angeles	15	0.2%	44.7%	237	6.3%
PSA Subtotal		**3,776**	**44.7%**	**44.7%**	**64,792**	**5.8%**
SECONDARY SERVICE AREA						
90037	Los Angeles	159	1.9%	1.9%	7,234	2.2%
90016	Los Angeles	140	1.7%	3.5%	5,857	2.4%
90044	Los Angeles	129	1.5%	5.1%	11,765	1.1%
90027	Los Angeles	120	1.4%	6.5%	4,433	2.7%
90033	Los Angeles	114	1.3%	7.8%	5,991	1.9%
90008	Los Angeles	97	1.1%	9.0%	4,664	2.1%
90003	Los Angeles	79	0.9%	9.9%	7,920	1.0%
90062	Los Angeles	70	0.8%	10.8%	3,915	1.8%
90031	Los Angeles	68	0.8%	11.6%	3,246	2.1%
90038	Los Angeles	68	0.8%	12.4%	2,136	3.2%
90039	Los Angeles	67	0.8%	13.2%	2,506	2.7%
90028	Los Angeles	64	0.8%	13.9%	2,956	2.2%
90043	Los Angeles	59	0.7%	14.6%	6,246	0.9%
90046	Los Angeles	55	0.7%	15.3%	4,116	1.3%
90047	Los Angeles	53	0.6%	15.9%	6,888	0.8%
90042	Los Angeles	48	0.6%	16.5%	5,606	0.9%
90065	Los Angeles	38	0.4%	16.9%	3,899	1.0%
90041	Los Angeles	37	0.4%	17.3%	2,710	1.4%
90036	Los Angeles	33	0.4%	17.7%	2,980	1.1%
91204	Glendale	14	0.2%	17.9%	2,127	0.7%
90068	Los Angeles	14	0.2%	18.1%	1,482	0.9%
90021	Los Angeles	9	0.1%	18.2%	454	2.0%
SSA Subtotal		**1,535**	**18.2%**	**18.2%**	**99,131**	**1.5%**
PSA + SSA		**5,311**	**62.9%**		**163,923**	**3.2%**
Total		**8,446**	**100.0%**			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

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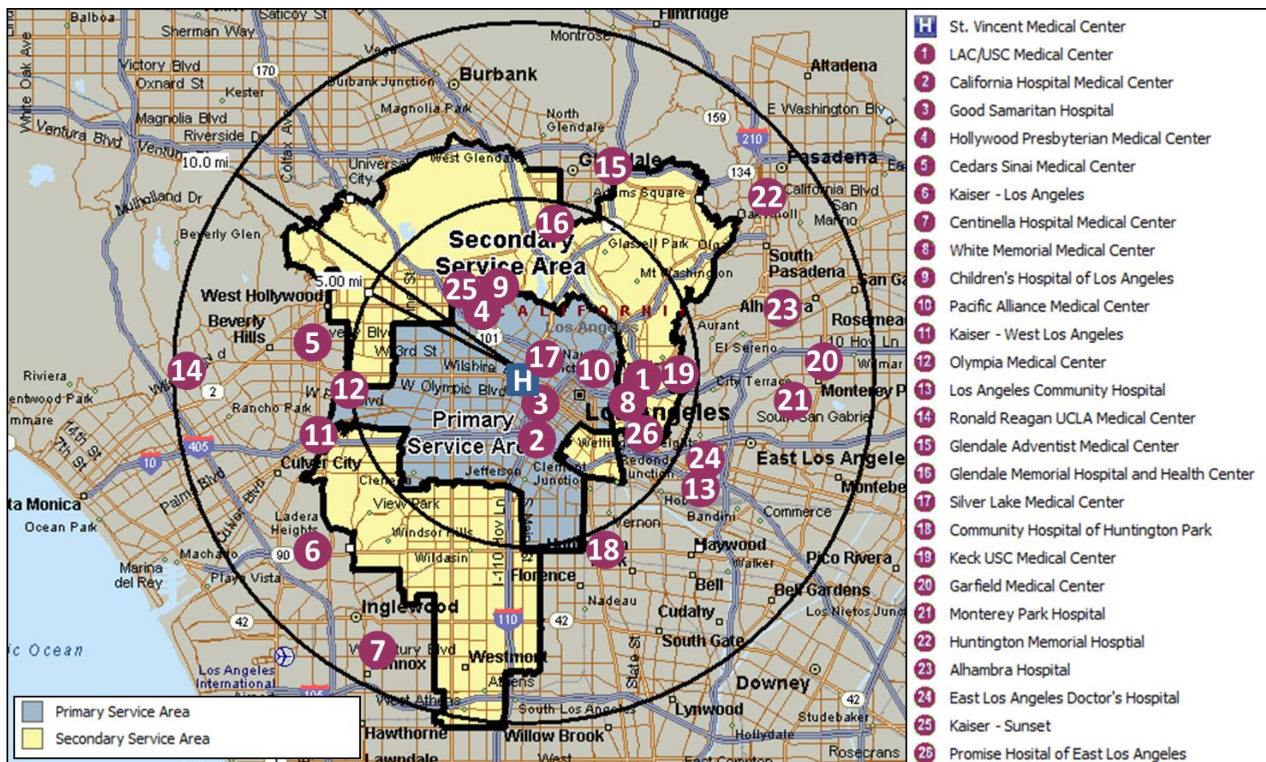
Service Area Map

The Hospital's primary service area, located in Los Angeles, has approximately 734,000 residents. The Hospital's secondary service area, with approximately 923,000 residents, includes communities in Los Angeles and Glendale.

There are four other hospitals located within the Hospital's primary service area: California Hospital Medical Center, Good Samaritan Hospital – Los Angeles, Pacific Alliance Medical Center, and Silver Lake Medical Center. There are an additional nine hospitals located in the Hospital's secondary service area: Hollywood Presbyterian Medical Center, LAC+USC Medical Center, White Memorial Medical Center, Children's Hospital of Los Angeles, Glendale Memorial Hospital, Olympia Medical Center, Keck Hospital of USC, Kaiser Foundation Hospital – Los Angeles, and Promise Hospital of East Los Angeles. LAC+USC Medical Center is the inpatient market share leader in the Hospital's primary service area.



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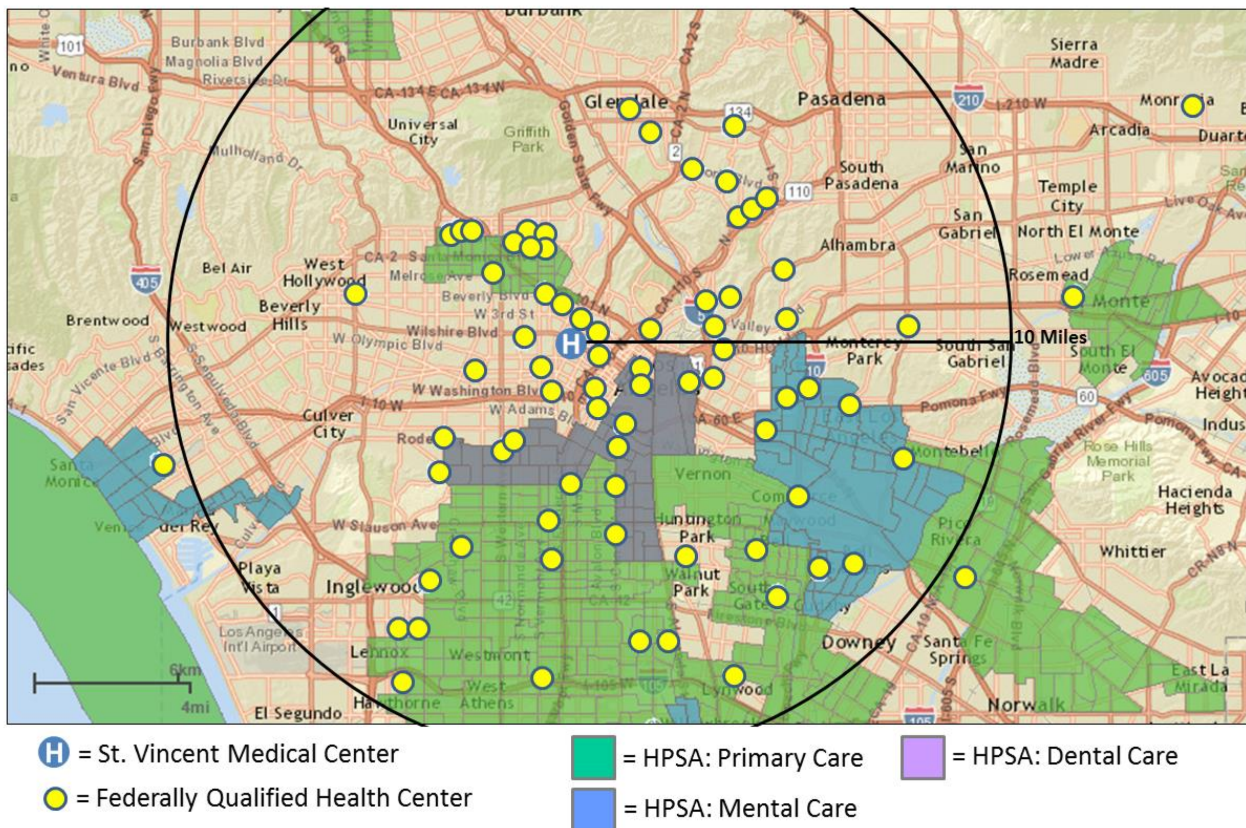
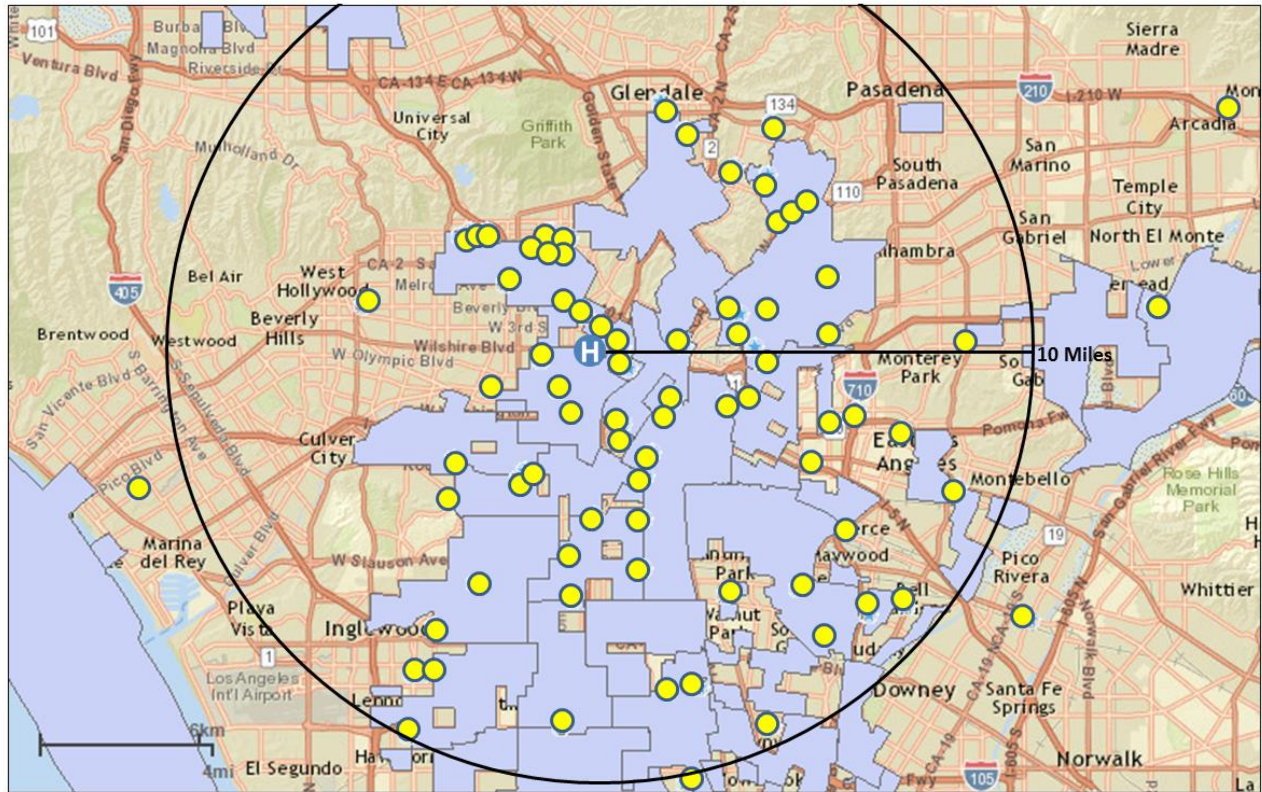
Health Professional Shortage Areas, Medically Underserved Areas, & Medically Underserved Populations

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



Medically Underserved Areas and Medically Underserved Populations are defined by the Federal Government to include areas or population groups that demonstrate a shortage of healthcare services. This designation process was originally established to assist the government in allocating community health center grant funds to the areas of greatest need. Medically Underserved Areas are identified by calculating a composite index of need indicators compiled and compared with national averages to determine an area's level of medical "under service." Medically Underserved Populations are identified based on documentation of unusual local conditions that result in access barriers to medical services. Medically Underserved Areas

and Medically Underserved Populations are permanently set and no renewal process is necessary. The map below depicts the Medically Underserved Areas and Medically Underserved Populations relative to the Hospital's location.



The Hospital, and the majority of its primary and secondary service area are designated as Medically Underserved Area and Medically Underserved Population suggesting there is a shortage of healthcare services in the area. There are also approximately sixty-five Federally Qualified Health Centers within a 10 mile radius of the Hospital. 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.

Demographic Profile

The Hospital's primary service area population is projected to grow by 3.1% over the next five years. This is lower than the expected growth rate for the State of California (3.7%), but higher than the expected growth rate for Los Angeles County (2.5%).

SERVICE AREA POPULATION STATISTICS: 2015-2020			
	2015 Estimate	2020 Projection	% Change
Total Population	733,672	756,685	3.1%
Households	250,219	259,697	3.8%
Percentage Female	48.3%	48.4%	3.2%

Source: Esri

The median age of the population in the Hospital's primary service area is 33.1 years, lower 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 19% between 2015 and 2020. The number of women of child-bearing age is expected to increase slightly over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2015-2020				
	2015 Estimate		2020 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	132,795	18.1%	133,177	17.6%
Age 15-44	368,303	50.2%	370,776	49.0%
Age 45-64	162,142	22.1%	170,254	22.5%
Age 65+	69,699	9.5%	83,235	11.0%
Total	**733,672**	**100%**	**756,685**	**100%**
Female 15-44	170,776	23.3%	172,365	22.8%
Median Age	33.1		34.1	

Source: Esri

The largest population cohorts in the Hospital's service area are Whites (33%), Other Race (32%), and Asian or Pacific Islander (19%). Approximately 40% of the service area is of Non-Hispanic ethnicity. This is lower when compared to the Los Angeles County and California Hispanic ethnic populations of 49% and 61%, respectively.

SERVICE AREA POPULATION RACE/ETHNICITY: 2015-2020		
	2015	2020
White	33.4%	33.4%
Black	10.1%	9.6%
American Indian or Alaska Native	1.0%	1.0%
Asian or Pacific Islander	18.8%	19.3%
Other Race	31.9%	31.9%
Two or More Races	4.7%	4.7%
Total	**100%**	**100%**
Hispanic Ethnicity	59.6%	60.3%
Non-Hispanic or Latino	40.4%	39.7%
Total	**100%**	**100%**

Source: Esri

The average household income in the service area is $47,655. This is significantly lower than both Los Angeles County and the State of California averages for household income. Projections anticipate that the percentage of higher income households ($150,000+) in the Hospital's service area will grow at faster rate than those for Los Angeles County and the State of California, but will represent a much smaller percentage of households.

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2015-2020						
	2015 Estimate			2020 Estimate		
	Primary Service Area	Los Angeles County	California	Primary Service Area	Los Angeles County	California
$0 - $15,000	25.6%	13.2%	11.1%	25.2%	12.2%	10.3%
$15 - $24,999	16.7%	10.2%	9.0%	13.3%	7.6%	6.6%
$25 - $34,999	14.3%	9.9%	9.3%	13.4%	8.4%	7.7%
$35 - $49,999	13.6%	12.5%	12.2%	13.6%	11.7%	11.3%
$50 - $74,999	12.2%	16.7%	16.5%	12.5%	16.3%	15.9%
$75 - $99,999	6.7%	11.3%	12.3%	8.6%	13.1%	14.2%
$100 - $149,999	6.3%	13.1%	14.9%	7.6%	15.0%	16.6%
$150,000+	4.6%	13.3%	14.6%	5.9%	15.5%	17.4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Average Household Income	**$47,655**	**$82,066**	**$87,152**	**$54,649**	**$94,026**	**$99,512**

Source: Esri

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that 36% of the population in the Hospital's primary service area was eligible for Medi-Cal, and 34% of the population in the Hospital's secondary service area was eligible for Medi-Cal. With the implementation of the ACA and the expansion of Medi-Cal in California, the number and percentage of the state's population that is eligible for Medi-Cal has greatly increased. In 2014, more than 2.7 million Californians enrolled in Medi-Cal. Currently, approximately 11 million individuals are covered by Medi-Cal in the State of California. The Hospital's payer mix is only 13% Medi-Cal. However, based on the Hospital's service area's income demographics, many of the service area residents qualify for Medi-Cal coverage under Medi-Cal expansion.

Selected Health Indicators

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

- Los Angeles County's rates of first trimester prenatal care and adequate/adequate plus care are higher than to those statewide and the national goal. The rate of low birth weight infants is higher in Los Angeles County than in the State of California, but is lower than the national goal.

NATALITY STATISTICS: 2015			
Health Status Indicator	**Los Angeles County**	**California**	**National Goal**
Low Birth Weight Infants	7.0%	6.8%	7.8%
First Trimester Prenatal Care	85.1%	83.6%	77.9%
Adequate/Adequate Plus Care	81.2%	79.2%	77.6%

Source: California Department of Public Health

- The overall age-adjusted mortality rate for Los Angeles County is lower than that of the State of California average. Los Angeles County's age-adjusted rates for eleven of the eighteen causes of mortality are lower than the State of California rate. Los Angeles County's age-adjusted rates are higher in colorectal cancer, female breast cancer, diabetes, coronary heart disease, influenza/pneumonia, chronic liver disease and cirrhosis, and homicide. Based on underlying and contributing cause of death statistics, Los Angeles County reported lower age-adjusted death rates for ten out of the fourteen reported national goals.

MORTALITY STATISTICS: 2015 RATE PER 100,000 POPULATION				
	Los Angeles County		(Age Adjusted)	
Selected Cause	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	593.3	609.8	641.1	N/A
- All Cancers	141.2	146.2	151.0	161.4
- Colorectal Cancer	14.0	14.4	13.9	14.5
- Lung Cancer	28.3	29.8	33.6	45.5
- Female Breast Cancer	23.0	21.3	20.7	20.7
- Prostate Cancer	14.7	19.2	20.2	21.8
- Diabetes	22.1	23.0	20.8	N/A
- Alzheimer's Disease	24.9	25.7	30.8	N/A
- Coronary Heart Disease	119.3	122.3	103.8	103.4
- Cerebrovascular Disease (Stroke)	33.4	34.7	35.9	34.8
- Influenza/Pneumonia	21.4	22.3	16.3	N/A
- Chronic Lower Respiratory Disease	29.5	31.2	35.9	N/A
- Chronic Liver Disease And Cirrhosis	12.9	12.7	11.7	8.2
- Accidents (Unintentional Injuries)	20.5	20.3	27.9	36.4
- Motor Vehicle Traffic Crashes	6.7	6.5	7.6	12.4
- Suicide	7.8	7.6	10.2	10.2
- Homicide	6.0	5.8	5.1	5.5
- Firearm-Related Deaths	7.3	7.1	7.8	9.3
- Drug-Induced Deaths	7.3	7.0	11.1	11.3

Source: California Department of Public Health

- Los Angeles County has higher morbidity rates for the reported conditions than California overall. As shown in the table below, the measured Los Angeles County incidence of the following health status indicators is higher than the national goals in all indicators with the exception of gonorrhea among females ages 15-44.

MORBIDITY STATISTICS: 2015 RATE PER 100,000 POPULATION			
Health Status Indicator	Los Angeles County	California	National Goal
AIDS	12.1	8.1	12.4
Chlamydia	514.5	442.6	N/A
Gonorrhea Female 15-44	169.9	152.8	251.9
Gonorrhea Male 15-44	305.7	213.1	194.8
Tuberculosis	7.0	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 assessment was completed in 2013 as part of a collaboration between three hospitals in metropolitan Los Angeles, California Hospital Medical Center, Good Samaritan Hospital, and St. Vincent Medical Center. The assessment utilized consultative services and targeted Los Angeles County Service Planning Areas, including the primary and secondary service areas served by the Hospital.

The Hospital defined its service area for purposes of the assessment to include the communities that correspond to Service Planning Area 4 and Service Planning Area 6.

- The communities of Service Planning Area 4 include: Boyle Heights, Central City, Downtown LA, Echo Park, El Sereno, Hollywood, Mid-City Wilshire, Monterey Hills, Mount Washington, Silver Lake, West Hollywood, and Westlake

- The communities of Service Planning Area 6 include: Athens, Compton, Crenshaw, Florence, Hyde Park, Lynwood, Paramount, and Watts

Based upon the defined service area, the study included a summary of population and household demographics measures related to access to healthcare, mortality, and findings from community interviews as provided below:

- 23.2% of adults and 7.6% of children within the service area are uninsured, compared to 17.4% of adults and 5.0% of children in Los Angeles County;

- A much larger percentage of adults (41.3%) within the Hospital's service area reported feeling that obtaining medical care is somewhat or very difficult when compared to Los Angeles County (31.7%);

- The Hospital's service area reported the highest percentage of residents in Los Angeles County (27.7%) who did not obtain dental care in the past year due to inability to afford dental services;

- 16.1% of children ages 2-11 years are overweight compared to 13.3% in Los Angeles County overall;

- The rate of mental health adult hospitalizations per 100,000 population (715.1) is higher than the statewide rate (551.7), and the rate of mental health youth hospitalizations per 100,000 population (308.5) is higher than the statewide rate (256.4); and

- The Hospital's service area rate per 100,000 population has very high prevalence rates of chlamydia (793.6) and gonorrhea (218.3) when compared to Los Angeles County (512.9 and 103.4, respectively).

The most important healthcare needs in the community were identified to be the following in prioritized order:

- Mental health;
- Oral health;
- Substance abuse;
- Diabetes;
- Obesity/overweight;
- Alzheimer's Disease;
- Cardiovascular disease;
- Alcoholism;
- Sexually transmitted diseases;
- Allergies;
- Asthma;
- Hypertension;
- Vision;
- Cholesterol;
- Cancer, general;
- Colorectal cancer;
- Arthritis;
- Breast cancer;
- HIV/AIDS; and
- Community and Social Issues.

Hospital Supply, Demand, and Market Share

There are 13 other general acute care hospitals within the Hospital's service area, four within the Hospital's primary service area, and nine within the Hospital's secondary service area. The Hospital and the other hospitals located in the primary and secondary service areas, have a combined total of 4,969 licensed beds and an aggregate occupancy rate of 56%, indicating a large area-wide surplus of hospital beds. Hospitals in the service area have occupancy rates that range between 38% at Good Samaritan Hospital – Los Angeles to 79% at LAC+USC Medical Center.

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: 2014

Hospital	Ownership/Affiliation	City	Within Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
St. Vincent Medical Center	**Daughters of Charity Health System**	**Los Angeles**	**X**	**PSA**	**366**	**8,245**	**47,942**	**131**	**35.9%**	**-**
Silver Lake Medical Center - Downtown*	Success Healthcare	Los Angeles	X	PSA	88	2,013	14,408	39	44.9%	0.9
Good Samaritan Hospital - Los Angeles	Good Samaritan Hospital	Los Angeles	X	PSA	408	13,003	56,625	155	38.0%	1.0
Pacific Alliance Medical Center*	PAMC, LTD	Los Angeles	X	PSA	142	6,945	27,468	75	52.9%	2.5
California Hospital Medical Center	Catholic Healthcare West	Los Angeles	X	PSA	318	16,148	66,484	182	57.3%	2.6
PSA SUB-TOTAL					**1,322**	**46,354**	**212,927**	**583**	**44.1%**	
Hollywood Presbyterian Medical Center*	CHA Medical Group	Los Angeles	X	SSA	434	13,643	84,813	232	53.5%	3.0
Children's Hospital of Los Angeles	Childrens Hospital Los Angeles	Los Angeles	X	SSA	568	14,601	100,954	277	48.7%	3.0
Kaiser - Los Angeles*	Kaiser Foundation Hospitals	Los Angeles	X	SSA	464	25,596	126,177	346	74.5%	3.3
White Memorial Medical Center*	Adventist Health	Los Angeles	X	SSA	353	20,498	89,825	246	69.7%	3.9
LAC+USC Medical Center	County of Los Angeles	Los Angeles	X	SSA	676	31,067	194,088	532	78.7%	4.5
Keck Hospital of USC	University of Southern California	Los Angeles	X	SSA	401	11,072	79,490	218	54.3%	5.0
Glendale Memorial Hospital and Health Center	Catholic Healthcare West	Glendale	X	SSA	334	9,849	50,271	138	41.2%	5.3
Promise Hospital of East Los Angeles	Promise Healthcare	Los Angeles	X	SSA	213	1,867	54,315	149	69.9%	5.3
Olympia Medical Center*	Olympia Medical Center	Los Angeles	X	SSA	204	6,051	29,294	80	39.3%	5.9
PSA + SSA SUB-TOTAL					**4,969**	**180,598**	**1,022,154**	**2,800**	**56.4%**	
Cedars-Sinai Medical Center	Cedars-Sinai Medical Center	Los Angeles			886	45,343	234,271	642	72.4%	6.4
Community Hospital of Huntington Park*	Avanti Hospitals	Huntington Park			108	4,038	14,382	39	36.5%	7.0
Los Angeles Community Hospital	Alta Hospital Systems, LLC	Los Angeles			180	9,133	53,153	146	80.9%	7.3
Glendale Adventist Medical Center*	Adventist Health	Glendale			515	20,082	104,263	286	55.5%	7.5
East Los Angeles Doctors Hospital*	Avanti Hospitals	Los Angeles			127	3,796	25,116	69	54.2%	7.8
Kaiser - West Los Angeles*	Kaiser Permanente Hospitals	West Los Angeles			305	11,871	39,089	107	35.1%	8.1
Brotman Medical Center**	Brotman Medical Center, Inc.	Culver City			406	2,215	16,127	44	10.9%	8.9
Garfield Medical Center	Garfield Medical Center	Monterey Park			210	12,430	55,365	152	72.2%	10.1
Alhambra Hospital Medical Center	Alhambra Hospital Medical Center LP	Alhambra			144	4,393	28,204	77	53.7%	10.2
Monterey Park Hospital	Monterey Park Hospital	Monterey Park			101	4,595	15,614	43	42.4%	10.7
TOTAL					**9,599**	**383,071**	**2,043,569**	**5,599**	**58.3%**	

Source: OSHPD Disclosure Reports, 2014

* 2013 ** 2012

- The Hospital's 366 licensed beds represent approximately 7% of the primary and secondary service area beds, and its inpatient volume accounts for approximately 5% of discharges and 5% of patient days.

- The four largest providers of inpatient services to the service area by market share, LAC+USC Medical Center, Good Samaritan Hospital, Hollywood Presbyterian Medical Center, and California Hospital Medical Center, operate at a combined average occupancy rate of 60%.

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Hospital Market Share

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

PRIMARY SERVICE AREA: HOSPITAL MARKET SHARE: 2010-2014						
Hospital	**2010**	**2011**	**2012**	**2013**	**2014**	**Trend**
LAC+USC Medical Center	11.0%	10.3%	10.2%	10.4%	10.9%	↔
Good Samaritan Hospital - Los Angeles	12.2%	11.4%	10.0%	10.3%	10.3%	↘
Hollywood Presbyterian Medical Center	10.1%	9.7%	9.9%	9.7%	9.6%	↘
California Hospital Medical Center - Los Angeles	9.0%	9.0%	9.4%	9.2%	9.4%	↔
Cedars Sinai Medical Center	6.6%	6.7%	7.0%	6.8%	6.7%	↔
St. Vincent Medical Center	**5.3%**	**5.9%**	**6.2%**	**5.9%**	**5.8%**	↔
Kaiser Fnd Hosp - Los Angeles	4.7%	4.9%	4.6%	4.9%	4.8%	↔
White Memorial Medical Center	3.8%	3.9%	4.0%	3.8%	3.9%	↔
Children's Hospital of Los Angeles	2.5%	2.5%	2.7%	3.1%	3.1%	↗
Pacific Alliance Medical Center	2.4%	2.6%	2.7%	2.6%	2.6%	↔
Other Discharges	32.5%	33.1%	33.5%	33.3%	32.9%	↗
Total Percentage	**100%**	**100%**	**100%**	**100%**	**100%**	
Total Discharges	**70,868**	**70,345**	**69,160**	**65,457**	**64,792**	↘

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database, 2010-2014

- The overall number of discharges in the primary service area decreased by nearly 9% from 2010 to 2014;
- The Hospital has consistently ranked sixth in terms of overall market share for its service area based on discharges (approximately 6% in 2014). LAC+USC Medical Center ranked first in market share with 11% in 2014; and
- Good Samaritan Hospital – Los Angeles and Hollywood Presbyterian Medical Center have both seen slight declines in service area market share since 2010.

Market Share by Payer Type

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

HOSPITAL MARKET SHARE BY PAYER TYPE: 2014											
Payer Type	Total Discharges	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	California Hospital Medical Center - Los Angeles	Cedars Sinai Medical Center	St. Vincent Medical Center	Kaiser Foundation Hospital - Los Angeles	White Memorial Medical Center	All Others	Total
Medi-Cal	30,685	19.0%	9.1%	11.7%	14.6%	2.8%	1.1%	1.1%	4.2%	36.3%	100%
Medicare	19,242	3.9%	10.2%	9.7%	5.3%	8.7%	10.7%	5.4%	3.8%	42.3%	100%
Private Coverage	11,120	1.2%	14.7%	2.2%	2.4%	14.5%	12.0%	14.1%	1.8%	37.0%	100%
All Other	2,148	10.8%	9.4%	12.2%	2.8%	2.1%	2.0%	0.1%	12.5%	48.1%	100%
Self Pay	1,597	5.4%	5.7%	15.8%	15.8%	7.5%	0.0%	8.2%	2.4%	39.1%	100%
Grand Total	**64,792**	**10.9%** **7,033**	**10.3%** **6,666**	**9.6%** **6,215**	**9.4%** **6,082**	**6.7%** **4,329**	**5.8%** **3,776**	**4.8%** **3,079**	**3.9%** **2,546**	**38.7%** **25,066**	**100%**

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest categories of service area inpatient discharges are Medi-Cal at nearly 31,000 discharges (47%), followed by Medicare at approximately 19,000 discharges (30%), and Private Coverage at over 11,000 discharges (17%);

- The Hospital is the market share leader for Medicare at 11%;

- LAC+USC Medical Center is the market share leader for Medi-Cal at 19%;

- Hollywood Presbyterian Medical Center and California Hospital Medical Center rank first in self-pay (both at 16%); and

- Good Samaritan Hospital – Los Angeles is the market share leader for Private Coverage at 15%.

Market Share by Service Line

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

HOSPITAL MARKET SHARE BY SERVICE LINE: 2014

Service Line	Total Discharges	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	California Hospital Medical Center - Los Angeles	Cedars Sinai Medical Center	St. Vincent Medical Center	Kaiser Foundation Hospital - Los Angeles	White Memorial Medical Center	All Others	Total
General Medicine	20,331	12.3%	9.9%	8.7%	8.4%	5.8%	7.4%	4.6%	3.8%	39.1%	100%
Obstetrics	9,803	3.5%	20.9%	19.4%	15.7%	7.8%	0.0%	5.3%	4.1%	23.2%	100%
Cardiac Services	6,338	11.1%	12.7%	8.7%	8.0%	6.4%	9.7%	5.7%	4.1%	33.6%	100%
Behavioral Health	6,023	7.9%	0.7%	0.5%	0.8%	0.5%	0.4%	3.2%	5.4%	80.6%	100%
General Surgery	4,481	16.9%	6.1%	7.8%	9.8%	9.2%	6.4%	4.6%	3.2%	36.2%	100%
Orthopedics	2,813	13.5%	7.7%	6.4%	10.3%	8.2%	8.8%	6.2%	3.3%	35.6%	100%
Neonatology	2,784	7.0%	17.7%	14.9%	16.4%	12.6%	0.0%	6.6%	3.2%	21.7%	100%
Neurology	2,688	10.2%	8.7%	9.1%	10.2%	7.0%	5.6%	4.4%	4.2%	40.6%	100%
Oncology/Hematology (Medical)	2,329	19.2%	5.6%	6.7%	6.6%	6.6%	7.1%	4.4%	2.1%	41.6%	100%
Rehabilitation	1,195	0.0%	0.0%	16.9%	7.0%	3.5%	31.3%	0.0%	8.3%	33.0%	100%
Vascular Services	1,028	8.4%	10.0%	8.9%	7.4%	7.3%	12.7%	3.0%	5.7%	36.5%	100%
ENT	951	20.0%	4.9%	4.2%	8.7%	7.8%	4.9%	4.2%	3.9%	41.3%	100%
Gynecology	938	23.9%	5.7%	5.1%	10.7%	9.2%	2.8%	3.6%	2.3%	36.8%	100%
Other	909	18.6%	8.1%	6.3%	17.3%	10.9%	4.8%	4.7%	1.8%	27.5%	100%
Spine	810	6.3%	7.3%	8.6%	4.4%	14.0%	11.1%	6.4%	4.8%	37.0%	100%
Urology	734	15.7%	5.2%	8.7%	10.1%	7.8%	5.6%	6.1%	2.3%	38.6%	100%
Neurosurgery	406	17.2%	4.7%	5.7%	7.6%	11.6%	5.7%	9.9%	3.4%	34.2%	100%
All others	231	25.1%	4.3%	6.1%	9.1%	6.9%	3.5%	3.5%	3.9%	37.7%	100%
		10.9%	**10.3%**	**9.6%**	**9.4%**	**6.7%**	**5.8%**	**4.8%**	**3.9%**	**38.7%**	**100%**
Grand Total	**64,792**	**7,033**	**6,666**	**6,215**	**6,082**	**4,329**	**3,776**	**3,079**	**2,546**	**25,066**	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the service line leader in two of sixteen service lines: rehabilitation (31%) and vascular services (13%);

- Other service lines where the Hospital has a notable market share include spine (11%), cardiac services (10%), and orthopedics (9%);

- In 2014, LAC+USC Medical Center was the market share leader for 10 service lines including general medicine (12%), behavioral health (8%), general surgery (17%), orthopedics (14%), neurology (10%), oncology/hematology (19%), ear, nose, and throat (20%), gynecology (24%), urology (16%), and neurosurgery (17%);

- Good Samaritan Hospital – Los Angeles had the highest market share in obstetrics (21%), cardiac services (13%), and neonatology (18%); and

- Cedars Sinai Medical Center had the highest market share in spine services (14%).

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	LAC+USC Medical Center	Good Samaritan Hospital-Los Angeles	Hollywood Presbyterian Medical Center	California Hospital Medical Center - Los Angeles	Cedars Sinai Medical Center	St. Vincent Medical Center	Kaiser Foundation Hospital - Los Angeles	White Memorial Medical Center	All Others	Total
90011	Los Angeles	9,625	15.9%	6.4%	2.5%	20.4%	1.4%	1.6%	2.9%	12.2%	36.6%	100%
90019	Los Angeles	6,062	4.9%	4.3%	5.2%	5.0%	19.5%	3.7%	3.1%	1.0%	53.3%	100%
90018	Los Angeles	6,008	6.8%	5.1%	4.4%	12.5%	9.3%	4.1%	3.2%	1.7%	53.0%	100%
90057	Los Angeles	5,309	10.2%	23.6%	9.9%	3.9%	2.3%	10.3%	3.4%	2.3%	34.1%	100%
90026	Los Angeles	5,239	8.6%	11.6%	10.8%	3.5%	5.4%	9.0%	10.4%	2.8%	38.0%	100%
90006	Los Angeles	5,167	8.7%	13.4%	10.5%	12.9%	4.0%	8.0%	4.3%	2.4%	35.8%	100%
90004	Los Angeles	4,754	7.4%	6.1%	22.5%	3.1%	13.3%	7.0%	9.0%	1.7%	29.9%	100%
90029	Los Angeles	3,707	7.3%	2.7%	33.0%	1.6%	5.7%	4.6%	9.5%	2.4%	33.1%	100%
90012	Los Angeles	2,846	20.4%	10.0%	3.1%	2.1%	3.0%	4.7%	3.1%	8.1%	45.4%	100%
90007	Los Angeles	2,840	9.1%	9.3%	4.2%	25.7%	5.3%	3.5%	4.1%	2.0%	36.7%	100%
90005	Los Angeles	2,694	8.1%	18.0%	15.0%	4.1%	10.4%	9.4%	4.3%	1.3%	29.3%	100%
90020	Los Angeles	2,658	7.6%	12.5%	17.3%	3.4%	8.1%	8.5%	7.0%	1.4%	34.3%	100%
90013	Los Angeles	2,431	30.6%	6.4%	2.3%	7.3%	2.4%	4.4%	0.9%	4.9%	40.9%	100%
90017	Los Angeles	2,208	11.2%	27.9%	7.3%	4.9%	2.9%	8.0%	3.0%	2.1%	32.7%	100%
90015	Los Angeles	1,634	8.5%	14.7%	5.0%	25.5%	3.1%	5.3%	3.7%	3.8%	30.4%	100%
90014	Los Angeles	1,373	23.5%	10.0%	5.0%	7.2%	3.4%	8.9%	2.5%	3.6%	35.9%	100%
90010	Los Angeles	237	5.5%	11.4%	11.8%	3.0%	18.1%	6.3%	2.5%	1.3%	40.1%	100%
Grand Total		**64,792**	**10.9%** **7,033**	**10.3%** **6,666**	**9.6%** **6,215**	**9.4%** **6,082**	**6.7%** **4,329**	**5.8%** **3,776**	**4.8%** **3,079**	**3.9%** **2,546**	**38.7%** **25,066**	**100%**

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- During 2014, the Hospital was not a market share leader in any of the seventeen primary service area ZIP Codes. The Hospital had a notable market share in three nearby Los Angeles ZIP Codes, including 90057 (10%), 90005 (9%), and 90014 (9%); and

- Good Samaritan Hospital – Los Angeles is the market share leader in five of the 17 Los Angeles ZIP Codes.

Service Availability by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, intensive care/coronary care, skilled nursing, physical rehabilitation, and emergency services using FY 2014 data. The Hospital's primary and secondary service areas have a large number of hospital beds and unused capacity. Many hospitals, including the Hospital, operate at low occupancy rates.

Medical/Surgical Capacity Analysis

The overall occupancy rate for medical/surgical beds in the primary and secondary service area is 57%. The occupancy rates range from 34% at the Hospital to 91% at LAC+USC Medical Center.

AREA HOSPITAL DATA: 2014								
Hospital	Miles from Hospital	Wihtin Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	**-**	**X**	**PSA**	**253**	**6,492**	**31,128**	**85.3**	**33.7%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	76	1,924	12,519	34.3	45.0%
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	121	4,276	16,728	45.8	37.9%
Pacific Alliance Medical Center*	2.5	X	PSA	100	4,335	14,994	41.0	41.0%
California Hospital Medical Center	2.6	X	PSA	132	7,225	25,624	70.2	53.2%
PSA SUB-TOTAL				**682**	**24,252**	**100,993**	**277**	**40.6%**
Hollywood Presbyterian Medical Center*	3.0	X	SSA	197	1,585	30,213	82.5	41.9%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	192	14,240	55,370	151.7	78.8%
White Memorial Medical Center*	3.9	X	SSA	78	4,607	17,318	47.4	60.7%
LAC+USC Medical Center	4.5	X	SSA	310	20,971	103,263	282.9	91.3%
Keck Hospital of USC	5.0	X	SSA	192	7,941	37,498	102.7	53.5%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	118	3,709	19,337	53.0	44.9%
Promise Hospital of East Los Angeles	5.3	X	SSA	192	1,707	49,011	134.3	69.9%
Olympia Medical Center*	5.9	X	SSA	133	5,452	22,748	62.3	46.7%
PSA + SSA SUB-TOTAL				**2,094**	**84,464**	**435,751**	**1,193**	**57.0%**
Cedars-Sinai Medical Center	6.4			383	26,437	119,302	326.9	85.3%
Community Hospital of Huntington Park*	7.0			69	2,442	7,399	20.3	29.4%
Los Angeles Community Hospital	7.3			94	8,100	35,900	98.4	104.6%
Glendale Adventist Medical Center*	7.5			143	6,419	23,532	64.5	45.0%
East Los Angeles Doctors Hospital*	7.8			54	1,665	12,241	33.5	62.1%
Kaiser - West Los Angeles*	8.1			227	9,516	29,724	81.4	35.8%
Brotman Medical Center**	8.9			245	1,285	5,948	16.3	6.6%
Garfield Medical Center	10.1			71	2,923	17,888	49.0	69.0%
Alhambra Hospital Medical Center	10.2			54	1,286	4,693	12.9	23.7%
Monterey Park Hospital	10.7			85	3,036	10,021	27.5	32.3%
TOTAL				**4,444**	**207,783**	**961,634**	**2634.6**	**59.3%**

Source: OSHPD Disclosure Reports, 2014

* 2013 ** 2012

- The Hospital reported approximately 6,492 inpatient hospital discharges and 31,128 patient days resulting in an occupancy rate of 34%;
- The Hospital's 253 medical/surgical beds represented 12% of the beds in this category for the primary and secondary service areas overall; and
- Nine of the thirteen providers of medical/surgical beds within the service areas have occupancy rates less than 60%.

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Intensive Care/Coronary Care Unit Capacity Analysis

There are 663 intensive care unit/coronary care beds within the service area with an overall occupancy rate of approximately 57%. The Hospital has 67 licensed intensive care beds with a 14% average occupancy rate in 2014 (average daily census of 10).

AREA HOSPITAL DATA: 2014								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	**-**	**X**	**PSA**	**67**	**731**	**3,506**	**9.6**	**14.3%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	12	89	1,889	5.2	43.0%
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	68	651	8,162	22.4	32.9%
Pacific Alliance Medical Center*	2.5	X	PSA	9	120	1,502	4.1	45.6%
California Hospital Medical Center	2.6	X	PSA	36	797	7,625	20.9	58.0%
PSA SUB-TOTAL				**192**	**2,388**	**22,684**	**62**	**32.4%**
Hollywood Presbyterian Medical Center*	3.0	X	SSA	36	417	6,132	16.8	46.5%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	112	3,411	31,682	86.8	77.3%
White Memorial Medical Center*	3.9	X	SSA	42	1,617	11,176	30.6	72.7%
LAC+USC Medical Center	4.5	X	SSA	120	2,246	32,131	88.0	73.4%
Keck Hospital of USC	5.0	X	SSA	84	540	22,800	62.5	74.4%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	24	508	4,183	11.5	47.8%
Promise Hospital of East Los Angeles	5.3	X	SSA	16	160	5,304	14.5	90.8%
Olympia Medical Center*	5.9	X	SSA	37	184	2,858	7.8	21.1%
PSA + SSA SUB-TOTAL				**663**	**11,471**	**138,950**	**381**	**57.4%**
Cedars-Sinai Medical Center	6.4			118	1,057	25,604	70.1	59.4%
Community Hospital of Huntington Park*	7.0			4	132	1,343	3.7	92.0%
Los Angeles Community Hospital	7.3			12	255	3,911	10.7	89.3%
Glendale Adventist Medical Center*	7.5			52	424	8,935	24.5	46.9%
East Los Angeles Doctors Hospital*	7.8			10	109	2,064	5.7	56.5%
Kaiser - West Los Angeles*	8.1			33	276	3,782	10.4	31.3%
Brotman Medical Center**	8.9			20	80	1,114	3.0	15.2%
Garfield Medical Center	10.1			22	398	5,924	16.2	73.8%
Alhambra Hospital Medical Center	10.2			13	641	2,337	6.4	49.1%
Monterey Park Hospital	10.7			4	74	1,150	3.2	78.8%
TOTAL				**1,147**	**19,815**	**258,628**	**708.6**	**61.8%**

Source: OSHPD Disclosure Reports, 2014

* 2013 ** 2012

- The Hospital had the lowest occupancy rate of all primary and secondary service area hospitals (14%) and represented 10% of the service area's intensive care/coronary care beds in 2013;

- The three closest hospitals, all within 2.5 miles of the Hospital, had occupancy rates less than 50% in 2014. These low occupancy rates reflect the surplus of licensed hospitals beds in the service area; and

- The Hospital has recently received designation as an ambulance receiving facility. As a result, the percentage of admitted patients through the Emergency Department is expected to increase. Therefore, the demand for medical/surgical and intensive care beds may increase. At current volumes, the intensive care unit occupancy is 14%. With 46 intensive care beds, the occupancy rate would be 21%. With 30 beds, the occupancy rate would be 32%. Therefore, a reduction to 30 beds would adequately provide services to support existing volume and meet the anticipated volume of the Emergency Department.

Skilled Nursing Capacity Analysis

Hospitals in the primary and secondary service areas are licensed for 204 hospital-based skilled nursing beds with an aggregate occupancy rate of 58%. The Hospital reported that its 27 licensed skilled nursing beds were near-capacity with an occupancy rate of 84%.

There are numerous long-term care facilities in the Hospital's primary service area that are collectively licensed for an additional 3,201 skilled nursing beds. While the long-term care facilities had a high occupancy rate of 92%, there are nearly 300 available beds within the Hospital's service area. If there were any reduction or elimination of these services, the Hospital's average daily census of 23 skilled nursing patients could adequately be accommodated elsewhere.

SKILLED NURSING BEDS 2014								
Hospital	Miles from Hospital	Wihtin Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
General Acute Care Hospitals								
St. Vincent Medical Center	**-**	**X**	**PSA**	**27**	**606**	**8,288**	**22.7**	**84.1%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	-	-	-	-	-
Pacific Alliance Medical Center*	2.5	X	PSA	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	31	318	3,635	10.0	32.1%
Hollywood Presbyterian Medical Center*	3.0	X	SSA	89	361	25,206	68.9	77.4%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	-	-	-	-	-
White Memorial Medical Center*	3.9	X	SSA	27	351	6,357	17.4	64.5%
LAC+USC Medical Center	4.5	X	SSA	-	-	-	-	-
Keck Hospital of USC	5.0	X	SSA	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	30	-	-	-	-
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center*	5.9	X	SSA	-	-	-	-	-
SUB-TOTAL				**204**	**1,636**	**43,486**	**119**	**58.4%**
Long-Term Care Facilities								
31 Long-Term Care Facilities	-	X	PSA	3,201	9,010	1,068,637	2927.8	91.5%
TOTAL				**3,405**	**10,646**	**1,112,123**	**3,047**	**89.5%**

Source: OSHPD Disclosure Reports, 2014

* 2013

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Rehabilitation Capacity Analysis

There are 132 rehabilitation beds within the Hospital's service area with an overall occupancy rate of approximately 47%. The Hospital has 19 licensed rehabilitation beds that were 72% occupied on average in 2014 (average daily census of 14). The Hospital accepts rehabilitation patients from surrounding healthcare providers including patients from Good Samaritan Hospital – Los Angeles.

AREA HOSPITAL DATA: 2014								
Hospital	Miles from Hospital	Wihtin Service Area	PSA/SSA	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
St. Vincent Medical Center	**-**	**X**	**PSA**	**19**	**416**	**5,020**	**13.8**	**72.4%**
Silver Lake Medical Center - Downtown*	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	-	-	-	-	-
Pacific Alliance Medical Center*	2.5	X	PSA	23	225	2,641	7.2	31.4%
California Hospital Medical Center	2.6	X	PSA	-		-	-	-
PSA SUB-TOTAL				**42**	**641**	**7,661**	**21**	**50.0%**
Hollywood Presbyterian Medical Center*	3.0	X	SSA	28	403	5,373	14.7	52.4%
Children's Hospital of Los Angeles	3.0	X	SSA	-	-	-	-	-
Kaiser - Los Angeles*	3.3	X	SSA	-	-	-	-	-
White Memorial Medical Center*	3.9	X	SSA	16	324	3,977	10.9	67.9%
LAC+USC Medical Center	4.5	X	SSA	-	-	-	-	-
Keck Hospital of USC	5.0	X	SSA	32	288	3,545	9.7	30.4%
Glendale Memorial Hospital and Health Center	5.3	X	SSA	14	163	2,009	5.5	39.3%
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center*	5.9	X	SSA	-	-	-	-	-
PSA + SSA SUB-TOTAL				**132**	**1,819**	**22,565**	**62**	**46.8%**
Cedars-Sinai Medical Center	6.4			29	723	7,723	21.2	73.0%
Community Hospital of Huntington Park*	7.0			-	-	-	-	-
Los Angeles Community Hospital	7.3			-	-	-	-	-
Glendale Adventist Medical Center*	7.5			28	606	6,694	18.3	65.3%
East Los Angeles Doctors Hospital*	7.8			-	-	-	-	-
Kaiser - West Los Angeles*	8.1			-	-	-	-	-
Brotman Medical Center**	8.9			32	105	1,357	3.7	11.6%
Garfield Medical Center	10.1			28	430	6,194	17.0	60.6%
Alhambra Hospital Medical Center	10.2			17	248	3,772	10.3	60.6%
Monterey Park Hospital	10.7			-	-	-	-	-
TOTAL				**298**	**4,230**	**52,022**	**142.5**	**47.8%**

Source: OSHPD Disclosure Reports, 2014

* 2013 ** 2012

- The average daily census for all rehabilitation beds in area acute care hospitals in the primary and secondary service area was 62 based on approximately 22,565 patient days; and

- The Hospital provided 14% of the primary and secondary service area's rehabilitation beds in 2014 and had an occupancy rate of 72%.

Emergency Department Volume at Hospitals in the Service Area

Prior to April 2015, the Emergency Department was designated as “standby.” However, the Emergency Department recently received designation as an ambulance receiving facility from OSHPD and, as of April 1, 2015, is currently classified as “basic” with eight treatment stations. Within the Emergency Department’s ambulance receiving catchment area, two other service area hospitals, Good Samaritan Hospital – Los Angeles and California Hospital Medical Center, also receive 911 patients via ambulance. The table below shows the visits by category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System. [38]

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2014

Hospital	Miles from Hospital	Within Service Area	PSA/SSA	ER Level	Stations	Total Visits	Minor	Low/ Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
St. Vincent Medical Center*	**-**	**X**	**PSA**	**Standby**	**8**	**17,758**	**174**	**1,435**	**5,816**	**5,412**	**4,921**	**25.0%**	**0**
Silver Lake Medical Center - Downtown	0.9	X	PSA	-	-	-	-	-	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	Basic	12	**34,291**	253	2,238	8,161	11,176	12,463	**14.3%**	1,614
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	Basic	35	**75,846**	5,151	10,531	39,134	14,735	6,295	**10.5%**	1,323
Hollywood Presbyterian Medical Center	3.0	X	SSA	Basic	20	**34,482**	4,483	6,493	7,567	4,464	11,475	**17.5%**	125
PSA SUB-TOTAL					**75**	**162,377**	**10,061**	**20,697**	**60,678**	**35,787**	**35,154**	**14.4%**	**3,062**
Children's Hospital of Los Angeles	3.0	X	SSA	Basic	39	**74,195**	13,812	21,953	25,518	12,165	747	**9.2%**	19
Kaiser - Los Angeles	3.3	X	SSA	Basic	45	**66,365**	487	11,082	47,799	6,123	873	**12.4%**	3,349
White Memorial Medical Center	3.9	X	SSA	Basic	28	**56,221**	623	7,106	16,554	18,680	13,258	**15.1%**	22
LAC+USC Medical Center	4.5	X	SSA	Comprehensive	106	**164,542**	7,290	36,018	90,088	29,168	1,968	**13.4%**	0
Keck Hospital of USC	5	X	SSA	-	-	-	-	-	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	Basic	15	**36,183**	1,710	6,798	14,931	10,995	1,749	**14.8%**	495
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-	-	-	-	-	-
Olympia Medical Center	5.9	X	SSA	Basic	16	**27,382**	466	6,414	13,025	6,492	985	**18.2%**	19
PSA + SSA SUB-TOTAL					**324**	**587,265**	**34,449**	**110,068**	**268,593**	**119,410**	**54,734**	**13.5%**	**6,966**
Cedars-Sinai Medical Center	6.4			Basic	51	**87,061**	3,319	13,778	23,771	18,919	27,274	**24.4%**	97
Community Hospital of Huntington Park	7.0			Basic	14	**37,015**	18	412	14,506	13,949	8,130	**8.9%**	224
Los Angeles Community Hospital	7.3			Standby	3	**8,492**	1,433	2,553	1,663	1,191	1,652	**28.8%**	0
Glendale Adventist Medical Center	7.5			Basic	36	**52,097**	756	6,509	15,297	14,822	14,713	**24.1%**	889
East Los Angeles Doctors Hospital	7.8			Basic	8	**13,835**	14	1,678	5,007	4,363	2,773	**12.7%**	2
Kaiser - West Los Angeles	8.0			Basic	53	**66,707**	285	8,708	44,332	11,275	2,107	**9.5%**	596
Brotman Medical Center	8.9			Basic	27	**25,294**	4,645	7,599	4,709	2,816	5,525	**28.4%**	254
Garfield Medical Center	10.1			Basic	21	**25,937**	49	2,072	7,842	7,234	8,740	**23.2%**	427
Alhambra Hospital Medical Center	10.2			Basic	8	**19,034**	295	2,063	5,585	3,592	7,499	**21.1%**	311
Monterey Park Hospital	10.7			Basic	6	**15,849**	44	2,412	5,601	4,758	3,034	**13.0%**	374
TOTAL					**699**	**1,150,191**	**60,785**	**178,953**	**449,604**	**255,811**	**205,027**	**16.5%**	**14,428**

Source: OSHPD Alirts Annual Utilization Reports

* The Hospital's 2014 data is reported with standby designation (prior to basic designation achievement on April 1, 2015)

- In 2014, the Hospital had 17,758 visits, accounting for 11% of the total visits among primary service area hospitals (approximately 162,000 total visits);

- Primary and secondary service area emergency departments had nearly 7,000 hours of diversion[39] with approximately 3,300 of these hours attributable to Kaiser – Los Angeles; and

- In 2014, 15% of primary and secondary service area emergency department visits resulted in an inpatient admission. The Hospital had the highest emergency department admission rate of the primary and secondary service area hospitals at 25%.

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[38] The Automated Licensing Information and Report Tracking System contains license and utilization data information of healthcare facilities in California.

[39] 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.

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 111% of its eight bed capacity. Emergency department capacity at other area facilities is also very high, with service area hospitals operating at an aggregate rate of approximately 91%.

EMERGENCY DEPARTMENT CAPACITY 2014								
Hospital	Miles from Hospital	Within Service Area	PSA/SSA	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
St. Vincent Medical Center	**-**	**X**	**PSA**	**Standby**	**8**	**17,758**	**16,000**	**(1,758)**
Silver Lake Medical Center - Downtown	0.9	X	PSA	-	-	-	-	-
Good Samaritan Hospital - Los Angeles	1.0	X	PSA	Basic	12	**34,291**	24,000	(10,291)
Pacific Alliance Medical Center	2.5	X	PSA	-	-	-	-	-
California Hospital Medical Center	2.6	X	PSA	Basic	35	**75,846**	70,000	(5,846)
Hollywood Presbyterian Medical Center	3.0	X	SSA	Basic	20	**34,482**	40,000	5,518
PSA SUB-TOTAL					**75**	**162,377**	**150,000**	**(12,377)**
Children's Hospital of Los Angeles	3.0	X	SSA	Basic	39	**74,195**	78,000	3,805
Kaiser - Los Angeles	3.3	X	SSA	Basic	45	**66,365**	90,000	23,635
White Memorial Medical Center	3.9	X	SSA	Basic	28	**56,221**	56,000	(221)
LAC+USC Medical Center	4.5	X	SSA	Comprehensive	106	**164,542**	212,000	47,458
Keck Hospital of USC	5	X	SSA	-	-	-	-	-
Glendale Memorial Hospital and Health Center	5.3	X	SSA	Basic	15	**36,183**	30,000	(6,183)
Promise Hospital of East Los Angeles	5.3	X	SSA	-	-	-	-	-
Olympia Medical Center	5.9	X	SSA	Basic	16	**27,382**	32,000	4,618
PSA + SSA SUB-TOTAL					**324**	**587,265**	**648,000**	**60,735**
Cedars-Sinai Medical Center	6.4			Basic	51	**87,061**	102,000	14,939
Community Hospital of Huntington Park	7.0			Basic	14	**37,015**	28,000	(9,015)
Los Angeles Community Hospital	7.3			Standby	3	**8,492**	6,000	(2,492)
Glendale Adventist Medical Center	7.5			Basic	36	**52,097**	72,000	19,903
East Los Angeles Doctors Hospital	7.8			Basic	8	**13,835**	16,000	2,165
Kaiser - West Los Angeles	8.0			Basic	53	**66,707**	106,000	39,293
Brotman Medical Center	8.9			Basic	27	**25,294**	54,000	28,706
Garfield Medical Center	10.1			Basic	21	**25,937**	42,000	16,063
Alhambra Hospital Medical Center	10.2			Basic	8	**19,034**	16,000	(3,034)
Monterey Park Hospital	10.7			Basic	6	**15,849**	12,000	(3,849)
TOTAL					**699**	**1,150,191**	**1,398,000**	**247,809**

Source: OSHPD Alirts Annual Utilization Reports, 2014

* The Hospital's 2014 data is reported with standby designation (prior to basic designation achievement on April 1, 2015)

- Four primary and secondary service area hospitals, Good Samaritan Hospital, California Hospital Medical Center, White Memorial Medical Center, and Glendale Memorial Hospital and Health Center, were at or above capacity in FY 2013 (143%, 108%, 100%, and 121%, respectively); and

- Any reduction in emergency treatment stations and services at the Hospital and primary and secondary service area hospitals could impact the availability and accessibility of emergency services.

Multi-Organ Transplantation in Los Angeles County

As part of the Hospital's end-stage renal disease program, the Hospital provides comprehensive kidney transplant services, kidney/pancreas double transplant services, and kidney dialysis services. In addition to the transplant services provided at the Hospital, the Hospital also operates an office located in Bakersfield that is open one Thursday every month for pre-transplant and post-transplant appointments.

The Hospital is one of six facilities in Los Angeles County that provides kidney transplant services, including Children's Hospital of Los Angeles, Keck Hospital of USC, Cedars-Sinai Medical Center, Ronald Reagan UCLA Medical Center, and Harbor-UCLA Medical Center. In 2014, the Hospital performed 6% of the kidney transplants and 29% of the kidney/pancreas double transplants in Los Angeles County.

The following table reports CY 2014 kidney transplant center data for each of the six facilities:

KIDNEY TRANSPLANT CENTERS IN LOS ANGELES COUNTY					
Name of Facility	Miles from Hospital	Number of Candidates	Number of Transplants Performed	Expected Transplant Rate[1]	1 Year Post-Transplant Outcomes[2]
St. Vincent Medical Center	-	366	41	0.15	97%
Children's Hospital of Los Angeles	3.0	28	24	0.59	100%
Keck Hospital of USC	5.0	930	123	0.16	98%
Cedars-Sinai Medical Center	6.4	1,156	171	0.16	97%
Ronald Reagan UCLA Medical Center	10.3	2,194	302	0.16	98%
Harbor-UCLA Medical Center	17.0	342	29	0.16	98%

Source: Scientific Registry of Transplant Recipients, December 2014

[1] Estimate of what to expect at each program if it were performing transplants at rates similar to other programs in the US

[2] Adult patient survival rate

In addition to kidney transplantation, the Hospital, Ronald Reagan UCLA Medical Center, Keck Hospital of USC, and Cedars-Sinai Medical Center also provide kidney/pancreas double transplant services. As of December 2014, the four facilities had a combined total of 49 kidney/pancreas transplant candidates. The Hospital's seven candidates made up approximately 14% of the total number of candidates.

The following table reports kidney/pancreas double transplant center data for each of the four facilities:

KIDNEY/PANCREAS DOUBLE TRANSPLANT CENTERS IN LOS ANGELES COUNTY					
Name of Facility	Miles from Hospital	Number of Candidates	Number of Transplants Performed	Expected Transplant Rate[1]	1 Year Post-Transplant Outcomes[2]
St. Vincent Medical Center	-	7	5	39.5	92%
Keck Hospital of USC	5.0	24	1	34.9	100%
Cedars-Sinai Medical Center	6.4	3	9	44.9	100%
Ronald Reagan UCLA Medical Center	10.3	15	2	29.0	100%

Source: Scientific Registry of Transplant Recipients, December 2014

[1] Estimate of what to expect at each program if it were performing transplants at rates similar to other programs in the US

[2] Adult patient survival rate

As part of the end-stage renal disease program, the Hospital offers dialysis services at the St. Vincent Dialysis Center. Within the Hospital's primary service area, there are nine additional dialysis centers: Gala Dialysis, DaVita Silver Lake Dialysis, Kidney Care Institute, DaVita Wilshire Dialysis Center, Kidney Center of Los Angeles, FMC – Mid Wilshire, California Kidney Care Center, DaVita Los Angeles Downtown Dialysis, and DaVita Washington Plaza Dialysis. Further, there are 9 dialysis centers within the Hospital's secondary service area: Los Angeles Medical Center Kaiser Permanente Dialysis Unit, DaVita Los Angeles Dialysis, DaVita Carabello Dialysis, DaVita Hollywood Dialysis, DaVita East LA Plaza Dialysis, DaVita University Park Dialysis, DaVita Boyle Heights Dialysis, DaVita TRC/USC Kidney Center, and Baldwin Hills Dialysis Center.

Nephrologists on the Hospital's medical staff are in the process of constructing an outpatient dialysis center at 2511 West 3rd Street, Los Angeles, CA 90057. The outpatient dialysis center will include 24 chairs and provide hemodialysis and peritoneal dialysis services and is expected to provide services to the majority of the Hospital's dialysis patients after opening and achieving licensure.

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, Los Angeles County 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's managed team, medical staff, and St. Vincent's 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 under-insured 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;

- 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;

- Some of those interviewed believed that the Health Facilities needed to be sold as a group rather than individually, stating some of the following reasons:

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- Individual sale of the Health Facilities may result in the closure of some of Daughters' hospitals or in reduced services;
- The Health Facilities are an obligated group for liabilities associated with the bonds and pension plans;
- Daughters' commitment to services and patients is more likely to continue with a single buyer;
- Selling individual Health Facilities has additional complications and would not result in the highest potential value; and
- The timeframe required to sell individual Health Facilities would extend beyond the time that Daughters could financially sustain continuous losses on operations.

Importance of the Hospital to the Community

According to all those who were interviewed, the Hospital is an important provider of specialty and tertiary healthcare services to both the local community and surrounding communities, including the elderly population. Interviewees believed that the Hospital is especially important to the local community for its emergency services. Some of the programs and services that were mentioned as important include the following:

- Emergency services;
- Oncology services;
- Nephrology services;
- Rehabilitation services;
- Neurology, neurotology, and neurosurgery services;
- Organ transplantation services, including kidney and kidney/pancreas transplants;
- Joint replacement and spine care services; and
- Cardiac services.

While the majority of those interviewed believed that all or most of the hospital programs and services were important, a small minority of those interviewed believed that there were sufficient healthcare alternatives in the community and that closing the Hospital would not have a significant impact on availability and accessibility of healthcare services.

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 St. Vincent's Board who were interviewed explained that a number of factors were considered 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 St. Vincent'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;

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

- Integrity may reduce necessary staffing and other types of expenses that 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.

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. Some of those interviewed expressed concerns about a possible reduction or elimination of the transplant services. 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 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 would ensure the future financial sustainability and operations of the Health Facilities, and the continuation of the Health Facilities as general acute care hospitals.

Some of those interviewed believed that if the Hospital closed, the other acute-care area hospital providers could absorb the Hospital's inpatient volume without a serious negative impact to patient access.

Assessment of Potential Issues Associated With the Availability or Accessibility of Healthcare Services

Importance of the Hospital to the Community

The Hospital is an important provider of comprehensive inpatient and outpatient care, including specialty surgical services to the surrounding communities. The Hospital also provides tertiary care services to a significant number of patients residing in communities outside of the primary and secondary service area. Many of the Hospital's specialty services and programs are built around providing treatment for renal and other chronic diseases. The Hospital offers nephrology and end-stage renal disease program services, including both inpatient and outpatient dialysis services. The Hospital is also important for its provision of emergency services, oncology services, cardiac services, multi-organ transplant services, and orthopedic services, including total joint replacement and spine care, as well as other programs and services.

In addition to the provision of these services, the Hospital is also an important provider of acute rehabilitation services for the Medi-Cal and Medicare populations.

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

The Hospital is an important provider of emergency services to the residents of the surrounding communities. With only eight emergency beds and nearly 18,000 visits reported for 2014, the Hospital's Emergency Department operates at 111% capacity, based on a standard of 2,000 visits per station per year. Emergency departments at other area facilities are also greatly overburdened, with Good Samaritan Hospital (143%), California Hospital Medical Center (108%), and Glendale Memorial Hospital and Health Center (121%) were at capacity or over capacity.

Over the last several years, the Hospital underwent the process of constructing the overhang and separate ambulance entrance that are required in order to be an ambulance receiving facility and to be classified as a "basic" emergency department. The Hospital recently received OSHPD approval, and as of April 1, 2015, the Emergency Department is classified as "basic" with eight treatment stations.

Additionally, as a result of the ACA and California's participation in Medi-Cal expansion, more individuals are now eligible for healthcare coverage, and this, along with a growing shortage of primary care physicians and other factors, is expected to further increase emergency department utilization in the service area. Therefore, keeping the Hospital's Emergency Department open is critical to providing adequate emergency services in the primary and secondary service area.

Medical/Surgical Services

With 253 licensed medical/surgical beds and an average daily census of approximately 85 patients, the Hospital is an important provider of medical/surgical services. However, the Hospital's primary and secondary service areas are highly saturated with hospitals that have a surplus of medical/surgical beds, and the Hospital does not have a large market share presence as a result. The Hospital's occupancy rate (34%) and occupancy rates of other service area hospitals are relatively low with an aggregate rate of 41%. Silver Lake Medical Center – Downtown and Good Samaritan Hospital – Los Angeles, both located approximately one mile from the Hospital, had a combined occupancy rate of 41%.

As a result of OSHPD's approval of the Hospital's Emergency Department to become a 911 Receiving Hospital and "basic" emergency department, the Hospital's overall average daily census is expected to rise, thus potentially increasing utilization of the available medical/surgical beds.

Intensive Care/Coronary Care Services

The Hospital is licensed for 67 intensive care beds that have a low occupancy rate of only 14%. Additionally, in FY 2014, Silver Lake Medical Center – Downtown and Good Samaritan Hospital – Los Angeles, both located within one mile of the Hospital, had a combined occupancy rate of only 34%.

Although the average daily census is low, the provision of intensive care/coronary care services is important for the high-risk specialty services and procedures that the Hospital provides (e.g., multi-organ transplant procedures). Further, the Hospital anticipates an increase in volume with the recent designation as an ambulance receiving center and "basic" emergency department. Therefore, it is important that the Hospital continues the provision of intensive care/critical care services. However, the number of licensed intensive care/critical care services at the Hospital is more than is needed based upon the availability of such services in the primary service area.

Skilled Nursing Services

The Hospital is licensed for 27 skilled nursing beds and has an occupancy rate of 84%. Within the Hospital's primary and secondary service areas, three other hospitals provided an additional 147 licensed skilled nursing beds that, together with the Hospital, had an aggregate occupancy rate of 58% during FY 2014. In addition to the combined total of 204 skilled nursing beds provided by hospitals within the primary and secondary service areas, there are numerous long-term care facilities within the Hospital's service area that have a combined total of 3,201 skilled nursing beds at an occupancy rate of approximately 92%. While the long-term care facilities had a high occupancy rate, there are approximately 270 available beds at the long-term care facilities within the Hospital's service area. If there was any reduction or elimination of these services, the Hospital's average daily census of 23 skilled nursing patients could adequately be accommodated elsewhere.

Multi-Organ Transplantation Services

As part of the Hospital's end-stage renal disease program, the Hospital provides comprehensive kidney transplant services, kidney/pancreas double transplant services, and kidney peripheral services. The Hospital is one of six facilities in Los Angeles County that provides kidney transplant services, including Children's Hospital of Los Angeles, Keck Hospital of USC, Cedars-Sinai Medical Center, Ronald Reagan UCLA Medical Center, and Harbor-UCLA Medical Center. In 2014, the Hospital performed 6% of the kidney transplants and 29% of the kidney/pancreas double transplants in Los Angeles County, making it an important provider of these services.

Orthopedics, Joint Replacement, and Spine Care Services

In 2014, the Hospital held the third highest orthopedic market share in the primary service area with approximately 9%. The Spine Institute provides treatment for various spinal conditions, including bulging discs, herniated discs, misalignments, pinched nerves, spine scoliosis, spinal stenosis, spinal tumors, and bone spurs. The Hospital held the second highest spine care market share in the primary service area with approximately 11% in 2014. Additionally, the Joint Replacement Institute provides services including total hip replacement, hip resurfacing, knee resurfacing, and shoulder and elbow replacement.

Physical Rehabilitation Services

The Hospital's inpatient and outpatient rehabilitation services are important to the surrounding community and play a supportive role for many of the other specialty services. The Hospital has an occupancy rate of 72% on its 19 licensed physical rehabilitation beds. Service area hospitals had a combined occupancy rate of nearly 47%. The Hospital provided 14% of the primary and secondary service area's rehabilitation beds in FY 2014. Rehabilitation services currently offered at the Hospital include neurological, orthopedic spine stabilization, sports injury rehabilitation, self-care training, and occupational, physical, and speech language therapy.

Reproductive Health Services

The Hospital does not provide 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 these services could improve.

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

Approximately 82% of the Hospital's inpatient discharges are reimbursed through Medicare (70%) and Medi-Cal (12%). The Hospital currently participates in the Medicare program and the Medi-Cal managed care program, and also has contracts for these types of patients.

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

The Hospital provides a significantly lower percentage of charity care than the statewide average (0.1% of the Hospital's gross patient revenue, as compared to 2.0% for the State of California). The Hospital has historically provided an average of approximately $540,046 in charity care costs per year over the five-year period between FY 2010 and FY 2014. The significantly low percentage of charity care reported at the Hospital can largely be attributed to

its predominantly Medicare patient base. 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 community benefit services, averaging $1.0 million per year in cost over the last five years (on a cost basis). The Hospital supports community benefit programs that serve residents from the surrounding lower-income communities. 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.

A large portion of the funding for the support of community benefit programs at the Hospital is provided through several grants. Without these grants, the community benefit programs would only be maintained if alternative funding was obtained. If the current grants were not continued, or additional funding was not secured, the loss of financial support for these community benefit programs could have a negative impact on the residents of the surrounding communities that utilize these programs.

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'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 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 five years from closing, the Hospital shall continue to operate as a general acute care hospital;

2. For at least five years from closing, the Hospital shall provide 24-hour emergency medical services at no less than current licensure and designation, with the same types and/or levels of services as follows:

    a. At a minimum, continue eight emergency treatment stations and six Fast Track treatment stations; and
    b. Maintain the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals for at least five years.

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

    a. Acute rehabilitation services;
    b. Intensive care/critical care services, including a minimum of 30 licensed intensive care beds;
    c. Cardiac services, including cardiac surgery and a minimum of four cardiac catheterization labs;
    d. Cancer services, including radiation therapy;
    e. Gastroenterology services;
    f. Imaging and laboratory services;
    g. Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments;
    h. Neurology and neurotology services, including neurosurgery;
    i. Orthopedics, joint replacement, and spine care services;
    j. Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants; and
    k. Rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds.

4. The Hospital shall maintain the St. Vincent Dialysis Center at the same type and/or level of services for at least five years or until the opening and licensing of the new outpatient dialysis center located at 2511 West 3rd Street, Los Angeles, CA 90057;

5. For at least five years, the Hospital shall retain the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation). Alternatively, the Hospital can arrange and support access to similar services being provided at a different site within a two-mile radius of the clinic's current location and/or utilizing an alternative structure (e.g., Federally Qualified Health Center, physician office practice, etc.):

    a. Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles;
    b. Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles;
    c. Spine Institute, located at 2200 West 3rd Street in Los Angeles;
    d. Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and
    e. Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles.

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 $540,046 (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 Los Angeles-Riverside-Orange County, California;

7. For at least five years from closing, the Hospital shall continue to expend an average of no less than $1,018,762 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles-Riverside-Orange County, California. The following community benefit programs and services shall continue to be offered:

    a. Health Benefits Resource Center or similar services; and
    b. Asian Pacific Liver Center.

8. For at least five 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 following contracts or their successors:

a. LA Care Health Plan; and
b. Health Net.

9. For at least five 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;

10. For at least five years from closing, the Hospital shall maintain its current contracts, subject to the request of the County of Los Angeles, for services, including the following:

    a. Hospital Preparedness Program Agreement;
    b. Radiation Therapy Services Agreement; and
    c. Physician Post-Graduate Training Agreement.

11. 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 in good standing for the remainder of their tenure;

12. BlueMountain, Integrity, Certain Funds Managed by BlueMountain, and Verity and shall commit the necessary investments required to meet and 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);

13. Within three years, BlueMountain, Integrity, Certain Funds Managed by BlueMountain, and Verity and shall commit the necessary capital investment required to refurbish the Hospital's elevators in order to meet the City of Los Angeles' Elevator Code; and

14. BlueMountain, Integrity, Certain Funds Managed by BlueMountain, and Verity and 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
Arase, MD	Randal	General Surgeon	St. Vincent Medical Center
Barrett, Jr.	Wili	Board Member, St. Vincent's Board	St. Vincent Medical Center
Battles	Stephanie	Vice President, Human Resources	Daughters of Charity Health System
Creem	Mitch	Chief Executive Officer	Integrity Healthcare
Fickes	Cathy	President & Chief Executive Officer	St. Vincent Medical Center
Fishbach, MD	Ronald	Infectious Disease	St. Vincent Medical Center
Gammage-Rogers	Jacqueline	Representative	California Nurses Association
Garko	Mike	Vice President & Chief Financial Officer	St. Vincent Medical Center
Hernandez, MD	Sergio	Medical Director, Emergency Department	St. Vincent Medical Center
Hines	Barbara	Chief Executive Officer	QueensCare
Ilhardt	Ben	Associate, Financial Restructuring	Foley & Lardner LLP
Issai	Robert	President & Chief Executive Officer	Daughters of Charity Health System
Itagaki, MD	Brian	Orthopedic Surgeon	St. Vincent Medical Center
Jackson	Scott	Senior Vice President, Financial Restructuring	Houlihan Lokey
Kahn, MD	Brian	Internal Medicine & Pulmonology	St. Vincent Medical Center
McCurdy	Judy	Vice President, Patient Services & Chief Nursing Officer	St. Vincent Medical Center
Melikian	Annie	Chief Financial Officer	Daughters of Charity Health System
Meyers	Mark	Chief Operating Officer	Integrity Healthcare
Pak	Erin	Chief Executive Officer	LA KHEIR Center
Pieri	James	Portfolio Manager	BlueMountain Capital Management
Rabin	Gaynor	Vice President, Managed Care Contracting	Daughters of Charity Health System
Schieble	Mark	Partner	Foley & Lardner LLP
Sheffler	Susan	Associate	Ropes and Gray
Slattery, MD	William	House Ear Clinic	St. Vincent Medical Center
Takahasi, MD	Patrick	Chief Medical Informatics Officer	St. Vincent Medical Center
Trejo	Polo	Chief Steward	Service Employees International Union
Turnbull	Andrew	Managing Director	Houlihan Lokey
Waxman	Mark	Partner	Foley & Lardner LLP
Whitman	Katherine	Board Chair, St. Vincent Foundation	St. Vincent Medical Center
Whitman	Jeff	Board Member, St. Vincent's Board	St. Vincent Medical Center

Hospital License

License: 930000161
Effective: 01/01/2015
Expires: 12/31/2015
Licensed Capacity: 366

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Saint Vincent Medical Center

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

SAINT VINCENT MEDICAL CENTER
2131 W 3rd St
Los Angeles , CA 90057-1901

Bed Classifications/Services
- 339 General Acute Care
  - 67 Intensive Care
  - 19 Rehabilitation
  - 253 Unspecified General Acute Care
- 27 Skilled Nursing (D/P)

Other Approved Services
- Cardiovascular Surgery
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services at Cardiac Care Institute, 201 South Alvarado Street, Suite 321, Los Angeles
- Outpatient Services at Transplant Medical Office, 8501 CAMINO MEDIA, SUITE 100 , BAKERSFIELD,
- Outpatient Services - Cancer treatment Center at 201 S. ALVARADO STREET, SUITE A, LOS ANGELES
- Outpatient Services - Multi-Organ Transplant at 2200 W. THIRD STREET, 5TH FLOOR, LOS ANGELES
- Outpatient Services - Orthopedic Svs (Joint) at 2200 W. THIRD STREET, 4TH FLOOR, LOS ANGELES
- Outpatient Services - Orthopedic Svs (Spine) at 2200 W. THIRD STREET, FLOOR, SUITE 120, LOS ANGELES
- Outpatient Services - Radiology at 201 S. ALVARADO STREET, SUITE 311, LOS ANGELES
- Physical Therapy
- Renal Transplant
- Respiratory Care Services
- Social Services
- Standby Emergency Medical Services

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

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State of California
Department of Public Health
License Addendum

License: 930000161
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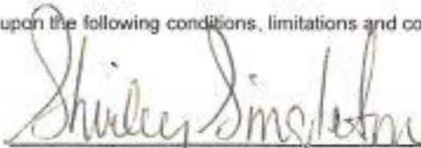
SAINT VINCENT MEDICAL CENTER (Continued)
2131 W 3rd St
Los Angeles, CA 90057-1901

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



Ron Chapman, MD, MPH
Director & State Health Officer

Shirley Singleton, District Supervisor

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