



Effect of the Proposed Change in Control & Governance of ValleyCare Health System on the Availability or Accessibility of Healthcare Services

Prepared for the Office of the California Attorney General

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TABLE OF CONTENTS

INTRODUCTION & PURPOSE	5
BACKGROUND & DESCRIPTION OF THE TRANSACTION	7
ValleyCare Health System	7
History & Description of the Hospital	9
Transaction Process & Timing	9
Affiliation Agreement.....	12
Use of Net Sale Proceeds	14
PROFILE OF THE HOSPITAL	15
Overview of the Hospital	15
Key Statistics	16
Programs & Services	17
Accreditations, Certifications, & Awards	19
Quality Measures	20
Seismic Issues.....	22
Patient Utilization Trends	23
Payer Mix	24
Medi-Cal Managed Care	25
Medical Staff	26
Financial Profile.....	28
Cost of Hospital Services.....	29
Debt Obligations	29
Charity Care.....	30
Community Benefit Services	32
PROFILE OF STANFORD HOSPITAL & CLINICS	38
Stanford Hospital & Clinics.....	38
Key Statistics	40
Payer Mix	41
Profile of Stanford Hospital.....	42
Quality & Awards	43
ANALYSIS OF THE HOSPITAL’S SERVICE AREA.....	45
Service Area Definition	45
Service Area Map.....	46

STEMI Receiving Centers in Alameda and Contra Costa Counties.....	47
Demographic Profile	48
Medi-Cal Eligibility	50
Selected Health Indicators.....	50
2013 Community Health Needs Assessment.....	52
Hospital Supply, Demand & Market Share	53
Hospital Market Share	54
Market Share by Payer Type.....	55
Market Share by Service Line.....	56
Market Share by ZIP Code.....	57
Service Availability by Bed Type.....	58
Medical/Surgical Capacity Analysis.....	58
Intensive Care/Coronary Care Capacity Analysis.....	59
Pediatrics Capacity Analysis.....	60
Obstetrics Capacity Analysis	61
Neonatal Intensive Care Capacity Analysis.....	62
Acute Psychiatric Care Capacity Analysis.....	63
Skilled Nursing Capacity Analysis.....	64
Emergency Department Volume at Hospitals in the Service Area	65
Emergency Department Capacity	66
SUMMARY OF INTERVIEWS.....	67
Reasons for the Proposed Transaction:.....	67
Importance of the Hospital to the Community.....	67
Selection of Stanford for the Proposed Transaction	68
Impact on the Availability & Accessibility of Healthcare Services	69
ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES .	70
Continuation as a General Acute Care Hospital.....	70
Emergency Services	70
Medical/Surgical Services	70
Intensive Care/Coronary Care Services.....	70
Pediatric Services	71
Obstetrics Services.....	71
Neonatal Intensive Care Services.....	71

Behavioral Health Psychiatric Services	71
Skilled Nursing Care Services	72
Reproductive Health Services	72
Effects on Services to Medi-Cal, County Indigent, & Other Classes of Patients	73
Effects on the Level & Type of Charity Care Historically Provided	73
Effects on Community Benefit Programs.....	73
Effects on Staffing & Employee Rights.....	73
Effects on Medical Staff	73
Alternatives.....	74
CONCLUSIONS	75
Potential Conditions for Transaction Approval by the California Attorney General	75
APPENDICES	78
List of Interviewees.....	78
Hospital License	79

INTRODUCTION & PURPOSE

MDS Consulting, a VHA business, a healthcare consulting firm, was retained to prepare a report for the Office of the California Attorney General assessing the potential impact of the proposed Affiliation Agreement between The Hospital Committee for the Livermore-Pleasanton Areas, a California nonprofit public benefit corporation, doing business as ValleyCare Health System (ValleyCare), and Stanford Hospital and Clinics (presently, doing business as Stanford Health Care¹), a California nonprofit public benefit corporation, on the availability and accessibility of healthcare services to the communities served by ValleyCare Medical Center and Valley Memorial Hospital. ValleyCare owns and operates ValleyCare Medical Center, a general acute care hospital located in Pleasanton, California (the Pleasanton Campus), and Valley Memorial Hospital, a general acute care hospital located in Livermore, California (the Livermore Campus). The Pleasanton Campus and the Livermore Campus operate under a single hospital license (collectively, the Hospital).

ValleyCare is the sole corporate member of the following California nonprofit public benefit corporations:

- ValleyCare Senior Housing, Inc. (the Senior Housing Complex) holds real property in Livermore containing an assisted living center;
- ValleyCare Charitable Foundation (the Charitable Foundation) raises funds for and supports programs and activities for ValleyCare and its related entities; and
- ValleyCare Medical Foundation, Inc. (the Medical Foundation), provides medical services to the communities served by ValleyCare and its related entities.

ValleyCare has requested the California Attorney General's consent to enter into an Affiliation Agreement with Stanford Hospital and Clinics (Stanford), whereby control and governance of ValleyCare and its affiliated entities will be transferred to Stanford. ValleyCare and its affiliated entities will remain nonprofit public benefit corporations.

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

- A review of the application submitted by ValleyCare to the California Attorney General on December 2, 2014, and supplemental information and documents subsequently provided by ValleyCare and the Hospital;
- A review of press releases and news articles related to this and other hospital transactions;

¹ On October 9, 2014, Stanford Hospital and Clinics filed amended Articles of Incorporation with the California Secretary of State that changed its name to Stanford Health Care.

- Interviews with community representatives, representatives of the Hospital’s medical staff, management, and employees, members of ValleyCare’s Board of Directors (the Board) and the Philanthropic Foundation’s Board of Trustees, representatives from the Medical Foundation, Stanford representatives, and others listed in the Appendices;
- An analysis of financial, utilization, and service information provided by ValleyCare, 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.

BACKGROUND & DESCRIPTION OF THE TRANSACTION

ValleyCare Health System

ValleyCare is a nonprofit regional healthcare system based in Alameda County. ValleyCare provides healthcare services to the Tri-Valley region, including the communities of Livermore, Pleasanton, Dublin, and San Ramon. ValleyCare's Pleasanton Campus and Livermore Campus operate under one hospital license. ValleyCare also provides urgent care and occupational health services in Dublin, California.



ValleyCare Charitable Foundation

The Charitable Foundation² was established to raise and accept charitable gifts, organize and conduct fundraising events, and allocate funds for new technology, facilities, and services for the benefit of ValleyCare.

² The Charitable Foundation is currently suspended with the Secretary of State as a result of an error involving the Franchise Tax Board. The Charitable Foundation submitted a Form 3500 seeking reinstatement and is awaiting notification.

ValleyCare Medical Foundation, Inc.

The Medical Foundation³ contracts with ValleyCare Physician Associates, Inc. to provide medical services at the Medical Foundation's clinic locations. The current contract between the Medical Foundation and ValleyCare Physician Associates, Inc. is effective through October 31, 2015.

The physician network includes approximately 41 full-time equivalent primary care and specialty care physicians that provide a range of healthcare services, including internal medicine, pediatrics, and women's health services. The Medical Foundation's clinics and facilities are located throughout the communities served by the Hospital.

MEDICAL FOUNDATION: FULL-TIME EQUIVALENTS 2015	
Specialty	Count
Bariatric & General Surgery	2
Cardiology	2
Endocrinology	2
Family Practice	4
Gastroenterology	3
General Surgery	2
Infectious Disease	2
Internal Medicine	12.5
Neurology	1
Obstetrics/Gynecology	6
Pediatrics	1.5
Pulmonary	2
Pulmonary/Sleep Medicine	1
Total Full-Time Equivalents	41

Source: Hospital

ValleyCare Senior Housing, Inc.

The Senior Housing Complex, located across the street from the Livermore Campus, opened in 2004 and provides assisted living apartments and independent living units for the elderly residents of the surrounding communities. The services provided by the Senior Housing Complex are managed by Leisure Care Corporation, a privately held retirement and assisted living company.

³ The Medical Foundation operates under California Health and Safety Code section 1206(l). Under section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than ten board-certified specialties, and not less than two-thirds of whom practice on a full-time basis at the clinic, is not required to be licensed.

History & Description of the Hospital

During the 1950s, St. Paul's Hospital in Livermore was the only general acute care provider of healthcare services for the populations of Livermore and Pleasanton. However, as the communities continued to grow, the residents recognized the need for a new hospital provider to offer additional healthcare services and sustain the growing population. After undergoing fundraising efforts and obtaining assistance from federal grants, the community raised the necessary funds for the Hospital to open the Livermore Campus in 1961. In 1991, ValleyCare opened the Pleasanton Campus to provide additional healthcare services to the Tri-Valley Region.

Today, the Hospital provides inpatient and outpatient services with 242 licensed beds and has a medical staff comprised of approximately 450 physicians. While the Hospital is licensed for a total of 242 patient beds, the acute care beds at the Livermore Campus have been in suspense since 2004 and have not provided acute care services to patients since the suspension.

Transaction Process & Timing

The primary objective stated by the Board for the proposed affiliation is to ensure the continuation of ValleyCare's nonprofit and charitable purposes for the benefit of the communities served by the Hospital. In order to accomplish this goal, the Board determined that any decision regarding the future of the Hospital should consider the following factors:

- The mission, vision, and values of the potential partner;
- Strategic fit between ValleyCare and the potential partner;
- Proposed governance structure for the Hospital and the ability to propose an affiliation structure under which the Board and ValleyCare's current membership would have some continuing input into the ongoing operations of the Hospital;
- Ability to protect ValleyCare's employees and the capability to maintain and continually strive to enhance the workplace environment to foster employee satisfaction;
- Commitments to maintain services currently offered at the Hospital and vision for strategic development in the future;
- Commitments to the Hospital's medical staff and plans for the Medical Foundation; and
- Willingness to commit the capital and other resources necessary to meet the healthcare needs of the communities served by the Hospital.

The Board selected Stanford as an affiliation partner because it believed Stanford's proposal most closely met the transaction objectives and that an affiliation with Stanford was in the best interest of both ValleyCare and its members. Additionally, the Board believed that under the terms and conditions set forth in the Affiliation Agreement, the affiliation would provide the Hospital the opportunity to continue delivering healthcare services while sustaining its mission and commitment to the communities it serves. The events leading up to this transaction are chronologically ordered as follows:

- October 15, 2013 – ValleyCare retains the services of Kaufman, Hall & Associates, Inc. to respond to an unsolicited approach from an outside organization regarding a potential affiliation;
- January 2014 – After an in-depth consideration of future strategic options, the Board determines it is in the best interest of ValleyCare, and the communities served by the Hospital, to broaden the scope of potential partnerships and pursue possible affiliations with additional nonprofit healthcare organizations;
- January 2014 – ValleyCare initiates a Request for Proposal process with the assistance of Kaufman, Hall & Associates, Inc., and identifies additional nonprofit healthcare organizations for a potential partnership, based upon their strategic presence in the Bay Area, demonstrated success with integrating their hospitals and local physicians, and their financial strength. The Board establishes a special Affiliation Committee, composed of Board members and supported by Hospital management, to help manage and oversee the Request for Proposal process, and employs the assistance of its legal counsel to assist in determining the variability of the different strategic options and to review the various proposals;
- January – February 2014 – Stanford, along with five additional potential partners, sign Non-Disclosure Agreements and receive the Request for Proposal materials;
- January 31, 2014 – Three of the six potential partners submit proposals for an affiliation with ValleyCare;
- February 3, 2014 – Stanford presents an "Indication of Interest" to ValleyCare in response to the Request for Proposal;
- February – March 2014 – The final bidders submit proposals to ValleyCare;
- February – April 2014 – The Board, with the assistance of Kaufman, Hall & Associates, Inc. and the Affiliation Committee, review the proposals and schedule a series of onsite interviews with a team of representatives from each of the bidders;

- April – May 2014 – Following the initial reviews and onsite interviews, the Board decides to move forward with four of the six potential partners, and solicits and receives letters of intent from each bidder;
- May 28, 2014 – The Board authorizes the execution of the Letter of Intent with Stanford and the Stanford University School of Medicine and directs its legal counsel and Kaufman, Hall, and Associates, Inc., under the oversight of the Affiliation Committee, to proceed with the negotiation of the Affiliation Agreement;
- May 29, 2014 – ValleyCare issues a press release announcing its plans to affiliate with Stanford;
- September 23, 2014 – The Board passes a resolution authorizing the execution of the Affiliation Agreement between ValleyCare and Stanford, and recommends approval of the proposed amendments to the Bylaws and Articles of Incorporation from the voting community members and authorizes the distribution of written voting ballots;
- September 26, 2014 – ValleyCare enters into the Affiliation Agreement with Stanford;
- September 26, 2014 – ValleyCare and Stanford issue a joint press release announcing the signing of the Affiliation Agreement;
- September 26, 2014 – Ballots are sent to each of the eligible voting community members requesting their written approval by November 14, 2014, of the proposed amendments to the Bylaws and Articles of Incorporation;
- October 2014 – ValleyCare issues a public notice in newspapers regarding information members for its corporate members;
- November 2014 – The voting membership approve the Amended and Restated Bylaws and Articles of Incorporation, enabling the affiliation process with Stanford to move forward;
- November 20, 2014 – ValleyCare issues a press release announcing the approval of the affiliation; and
- December 2, 2014 – “Notice of Submission and Request for Consent” is submitted by ValleyCare to the Office of the California Attorney General.

Affiliation Agreement

The proposed Affiliation Agreement, dated September 26, 2014, contains the following major provisions:

- Stanford shall become the sole corporate member of ValleyCare by replacing the current corporate members of ValleyCare;
 - ValleyCare and its affiliated entities shall make the necessary changes to their governing documents to cause them to become members of an affiliated group under the control of Stanford, with the common purpose of furthering the clinical, research, and educational mission of Stanford and the practice of high-quality community medicine by ValleyCare;
- Under the proposed governance structure, ValleyCare's new Board of Directors (the New Board) shall consist of a total of eleven directors, divided into three Class A Directors and eight Class B Directors;
 - Stanford shall select the New Board Chair;
 - Stanford shall appoint a nominating committee, consisting of a minimum of three members of the New Board, at least one of whom shall be a community resident;
 - Initial Class A Directors shall be selected by the Board from among its current members;
 - As vacancies occur, the remaining Class A Directors shall elect successor Class A Directors, whose appointment shall be subject to approval by Stanford.
 - Class B Directors shall be selected by Stanford from candidates submitted by the nominating committee;
 - Members of the New Board shall serve three-year terms, serving no more than three consecutive terms; and
 - The New Board will be responsible for all operations and management of ValleyCare.
- Stanford shall have reserved powers including the following:
 - Appointment and removal of ValleyCare senior leadership;
 - Selection of the auditors of ValleyCare;
 - Amendment of ValleyCare's Bylaws;
 - Approval of the incurrence of debt by ValleyCare;
 - Approval of operating and capital budgets; and
 - Approval of the Hospital's strategic plans.

- The Charitable Foundation shall adopt amended and restated Articles of Incorporation and Bylaws:
 - Current members of ValleyCare shall be provided the opportunity to become the members of the Charitable Foundation with the power to elect the Charitable Foundation’s Board from among nominees approved by the New Board;
 - For the five years following the Closing Date, the Charitable Foundation has the ability to enforce certain terms and covenants made by Stanford, as stated in the Affiliation Agreement, pertaining to the following:
 - Class A Directors;
 - Nonprofit status of the Hospital;
 - Acute care operations of the Hospital;
 - Capital commitments; and
 - ValleyCare’s Revenue Bond⁴ debt.
 - ValleyCare will continue to provide the meeting space necessary for the Charitable Foundation to carry on its responsibilities; and
 - The sole purpose of the Charitable Foundation shall be to support and further the charitable purposes served by ValleyCare.

- Stanford has made the following commitments:
 - Provide quality assurance support to ValleyCare’s leadership and medical staff through the Stanford University School of Medicine;
 - Maintain ValleyCare as a direct nonprofit subsidiary of Stanford that will not be merged into a for-profit entity for at least five years after the Closing Date;
 - Continue acute care operations at the Hospital, and continue providing intensive care, obstetrics, and emergency services for at least five years after the Closing Date;
 - Either Stanford’s medical foundation will assume or enter into a new professional services agreement with ValleyCare Physician Associates, PC or the University Medical Group will enter into employment agreements with all ValleyCare-affiliated physicians who meet credentialing standards;
 - Provide \$50 million in capital commitments for ValleyCare during the first three years following the Closing Date;
 - Provide fundraising expertise and a philanthropic contribution of \$3 million to the Charitable Foundation;
 - ValleyCare’s medical staff membership or privileges shall not be affected as a result of the affiliation;
 - Employment status of substantially all ValleyCare employees will not be negatively impacted; and

⁴ California Statewide Communities Development Authority Revenue Bonds Series 2007, consisting of \$54,310,000 Series 2007A and \$26,165,000 Series 2007B and the \$10,500,000 California Enterprise Development Authority Revenue Bonds Series 2009.

- ValleyCare shall be added as a member to Stanford's Obligated Group⁵ or guarantee the Revenue Bonds in order to resolve the current bond covenant compliance issues.

Use of Net Sale Proceeds

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

⁵ The members of the Obligated Group under the Amended and Restated Master Indenture of Trust dated as of June 1, 2011 between Stanford and The Bank of New York Mellon Trust Company, N.A., as master trustee, as amended and supplemented periodically.

PROFILE OF THE HOSPITAL

Overview of the Hospital

The Pleasanton Campus, a 167 licensed-bed general acute care facility, is located at 5555 West Las Positas Boulevard in Pleasanton. The Livermore Campus, a 75 licensed-bed general acute care facility, is located at 1111 East Stanley Boulevard in Livermore. Together, the facilities have 242 licensed beds. ValleyCare also provides urgent care and occupational health services at its Dublin facility, located at 4000 Dublin Boulevard.

BED DISTRIBUTION 2015			
Bed Type	Pleasanton Campus	Livermore Campus	Total
General Acute Care	116	25	141
Intensive Care	13	3	16
Coronary Care	9	7	16
Neonatal Intensive Care	10	-	10
Pediatric	4	-	4
Perinatal	15	-	15
Total General Acute Care Beds	167	35	202
Acute Psychiatric (D/P)	-	14	14
Skilled Nursing (D/P)	-	26	26
Total Licensed Beds	167	75	242

Source: Hospital License 2015

The Pleasanton Campus has a “basic” Emergency Department⁶ with 18 licensed treatment stations. It also has 11 surgical operating rooms and one cardiac catheterization lab. Since 2004, the 35 licensed general acute care beds at the Livermore Campus have been in suspense. The Livermore Campus provides psychiatric, skilled nursing, and urgent care services with 12,000 to 15,000 visits annually.

⁶ A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

Key Statistics

KEY STATISTICS: FY 2011 - 2013			
	2011	2012	2013
Inpatient Discharges	7,850	8,054	8,260
Licensed Beds	242	242	242
Patient Days	42,324	43,121	43,441
Average Daily Census	116	118	119
Occupancy	47.9%	48.7%	49.2%
Average Length of Stay	5.4	5.4	5.3
Emergency Services Visits ¹	29,275	30,265	30,593
Cardiac Catheterization Procedures*	1,923	904	765
Coronary Artery Bypass Graft (CABG) Surgeries ¹	55	42	35
Total Live Births	1,330	1,273	1,343

Physicians on Medical Staff ¹	476
Hospital Employees (Full-Time Equivalents) ¹	1,140

Sources: OSHPD Disclosure Reports, 2011-2013

¹Hospital

* Reporting of catheterization volumes changed from procedures to cases in FY 2012 (e.g., there can be three procedures on one case)

For Fiscal Year (FY) 2013, the Hospital had a total of 8,260 inpatient discharges, 43,441 patient days, and an average daily census of 119 patients (approximately 49% occupancy on the total licensed beds).

- Since FY 2011, both inpatient discharges and patient days have increased by approximately 5% and 3%, respectively;
- In FY 2013, the Hospital reported 30,600 emergency department visits, a slight increase from previous years;
- The Hospital reported approximately 765 diagnostic cardiac catheterization cases and 35 coronary artery bypass graft surgeries in FY 2013; and
- Between FY 2011 and FY 2013, total live births at the Hospital have remained relatively stable, delivering an average of 1,300 births annually.

Programs & Services

The Hospital offers a broad spectrum of medical services including cardiology, oncology, maternal child health, skilled nursing, and emergency services.

- Cardiology services include: Cardiac surgery, cardiac catheterization procedures, diagnostic services, and cardiac rehabilitation programs. The Pleasanton Campus is a designated STEMI Receiving Center for Alameda County;
- Orthopedic services include: Diagnosis and treatment of ailments of the foot, ankle, hand, and upper limb, including podiatric surgery and microsurgery for hands, wrists, and shoulders. Services also include patient education and rehabilitation;
 - Joint replacement services include: Knee and hip replacement surgery, and educational seminars and classes; and
 - Spine care services include: Inpatient and outpatient surgical procedures, including artificial disc replacement. Services also include pre- and postsurgical-spine care education.
- Oncology services include: Surgical oncology, medical oncology, and radiation therapy services. Through the Hospital's affiliation with UCSF Helen Diller Family Comprehensive Cancer Center, patients receive access to advanced cancer therapies, clinical trials, and telemedicine;
 - Breast Center services include: Advanced breast surgery, chemotherapy, radiation therapy, ultrasound, digital mammography, and biopsy services.
- Maternal child health services include: Neonatal intensive care services, childbirth preparation classes, infant care classes, and lactation consulting. The Hospital collaborates with UCSF Benioff Children's Hospital;
 - Birth Center services include: Labor and delivery services, including labor pain management and 24/7 laborist services.
- Imaging services include: Diagnostic bone density testing, nuclear medicine, CT, PET, X-ray, and MRI. Women's imaging services include mammography and 3D breast ultrasound;
- Laboratory services include: Outpatient comprehensive diagnostic testing, electrocardiogram, microbiology testing, and transfusion services;
- Diabetes services include: Insulin pump therapy, gestational diabetes counseling, and support group education. The Hospital's Diabetes Education Program has been

recognized by the American Diabetes Association for Quality Self-Management Education;

- Gastroenterology services include: Colonoscopy, colon cancer screening, endoscopy, and educational seminars;
- Intensive/critical care services include: Treatment for critically ill patients requiring advanced life support, respiratory therapy, and constant monitoring. Services also include monitoring for open-heart surgery, cardiac catheterization, and heart attack patients;
- Emergency services include: 24-hour “basic” Emergency Department services at the Pleasanton Campus, including 18 treatment stations and a designated STEMI Receiving Center;
- Urgent care services include: Treatment for conditions that require prompt attention, but are not life-threatening, including flu and infection, asthma, and wound care;
- Pediatric services include: Inpatient hospitalist and neonatologist pediatric services in collaboration with UCSF Benioff’s Children Hospital;
- Pulmonary rehabilitation services include: A six-week program consisting of exercise, education, and support for patients with lung disease;
- Osteoporosis services include: Bone density testing, physical therapy, exercise programs, and education seminars;
- Rheumatology services include: Diagnosis and treatment of arthritis and other autoimmune diseases, including educational seminars and warm-water therapy;
- Physical and sports medicine services include: Injury prevention, treatment, running and motion analysis, and lymphedema services including lymph drainage and compression bandaging;
- Bariatric services include: Two programs assisting overweight and obese patients in improving their quality of life:
 - Weight Loss Surgery Program services include: Bariatric surgery, including gastric bypass, sleeve gastrectomy, gastric band surgery, and post-surgery support; and
 - Medical Weight Loss Program services include: Education on diet and lifestyle changes, exercise, behavioral modification, and medical monitoring for weight reduction.

- Senior services include: Flu shots, Coumadin monitoring, behavioral health services, and discharge planning;
 - Senior behavioral health services include: The Legends Program, an inpatient program that provides diagnostic care and treatment for seniors with behavioral health concerns, including Alzheimer’s disease, disorientation, depression, acute psychosis, and adjustment disorders of aging.
- Skilled nursing services include: Skilled nursing and rehabilitation services for patients who are medically stable but no longer require acute hospital care; and
- Surgical services include: Gastroenterological, gynecological, vascular, urological, cardiac, bariatric, and orthopedic surgery. The Livermore Campus operates an ambulatory surgery center that provides outpatient surgical services, including minimally invasive techniques;

In addition to the programs and services provided at the Pleasanton Campus and the Livermore Campyus, ValleyCare’s facility in Dublin offers the following services:

- Urgent care services include: Treatment of medical problems that are non-life-threatening, such as influenza, minor burns, ear infections, rashes, fevers, and mild asthma; and
- Occupational health services include: Treatment and management of work-related illnesses and injuries, including injury care, physical examinations, drug-testing, and physical and occupational therapy.

Accreditations, Certifications, & Awards

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

- Accredited by the American College of Surgeon’s Commission on Cancer for the ValleyCare Cancer Program, effective 2012 through 2015;
- Awarded the American College of Cardiology Platinum Performance Award, 2014 by the National Cardiovascular Data Registry;
- Designated STEMI Receiving Center by Alameda County;
- Designated Breast Center of Excellence for 2012 through 2015 by the American College of Radiology;

- Presented the Gold Plus Award, 2013 by the American Heart Association;
- Named a Blue Distinction Center+ for Knee and Hip Replacement and Spine Surgery, 2013 by Anthem Blue Cross and Blue Shield of California; and
- Received an “A” Hospital Safety Score in 2012 by the Leapfrog Group Hospital Safety Score program.

Quality Measures

The Hospital Value-Based Purchasing Program, established by the Patient Protection and Affordable Care Act in 2012, encourages hospitals to improve the quality and safety of care. Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on multiple measures within four domains: clinical process of care, patient experience, outcome, and efficiency. For FY 2013, Centers for Medicare & Medicaid Services penalized the Hospital by 0.18%. During FY 2014, the Hospital was penalized 0.15%.

The following table reports the Hospital’s quality scores for FY 2014 for certain measures including evidence-based care⁷, patient satisfaction, patient willingness to recommend the Hospital, and 30-day mortality rates for heart attack, heart failure, pneumonia, and surgical care patients in comparison to the national average.

QUALITY SCORES COMPARISON: FY 2014				
Domain	Measure	Hospital	California Average	National Average
Clinical Process of Care Domain	Evidence-Based Care	98.3%	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	77.0%	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	81.0%	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	12.0%	12.0%	12.3%

Source: The Commonwealth Fund, WhyNotTheBest.org

- For measures of evidence-based care, the Hospital scored higher than the statewide average and equivalent to the national average;
- In FY 2014, approximately 77% of patients were highly satisfied with the Hospital, compared to 71% of patients nationwide; and

⁷ Applying the current best data-driven clinical expertise and research evidence when making decisions about the care of an individual patient.

- For the measure on patients’ willingness to recommend the Hospital to others (81%), the Hospital scored better than both the statewide and national averages.

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

In FY 2013 and 2014, the Hospital was penalized at 0.07% and 0.19%, respectively. The following graph shows the Hospital’s 30-day readmission rate for heart attack, heart failure, pneumonia, and surgical patients for FY 2014:

30-DAY READMISSION RATES: FY 2014		
Hospital	National Average	California Average
19.7%	19.9%	19.9%

Source: The Commonwealth Fund, WhyNotTheBest.org

- In FY 2014, 19.7% of the Hospital’s heart attack, heart failure, pneumonia, and surgical care patients were readmitted within 30-days, compared to 19.9% nationally and statewide; and
- For FY 2015, the Hospital will be penalized at 0.20%.

Seismic Issues

Using the HAZUS seismic criteria⁸, 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.

HOSPITAL SEISMIC OVERVIEW		
Building	SPC Rating	NPC Rating
Livermore Campus		
Hospital Building	SPC-2	NPC-2
Boiler Building	SPC-2	NPC-2
Emergency Generator Building	SPC-4	NPC-2
Hospital Building - 1967 Addition ¹	-	NPC-1
Hospital Building - 1977 Addition ¹	-	-
Hospital Building - Lobby Addition	SPC-3	NPC-2
Building D: Service Building	SPC-4s*	NPC-2
Pleasanton Campus		
Hospital Ambulatory Care & Inc., II	SPC-3	NPC-2
Central Plant	SPC-5	NPC-2
ValleyCare New Addition	SPC-5	NPC-4
Arcade - Phase I - Portion 1	SPC-2	NPC-2
Arcade - Phase II - Portion 1	SPC-2	NPC-2
Porte Cochere	SPC-5	NPC-4
Arcade - Phase I - Portion 2	SPC-2	NPC-2
Arcade - Phase I - Portion 3	SPC-2	NPC-2
Arcade - Phase II - Portion 2	SPC-2	NPC-2

Source: OSHPD Seismic Compliance Hospital Performance Ratings, 2015

* S indicates rating as self-reported by the Hospital

¹ Not an independent building

- Collectively, the Hospital has seven buildings across its two campuses that are rated as SPC-2. These buildings must be seismically retrofitted by January 1, 2030 in order to continue housing the delivery of acute care services.

⁸ OSHPD uses HAZARDS U.S. (HAZUS), a methodology used to assess the seismic risk of hospital buildings.

Patient Utilization Trends

The following table shows volume trends at the Hospital for FY 2009 through FY 2013:

SERVICE VOLUMES: FY 2009-2013					
PATIENT DAYS	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Intensive Care	4,521	4,257	4,094	3,937	3,612
Neonatal Intensive Care	1,069	1,132	1,151	1,255	1,295
Medical/Surgical	24,894	24,369	22,972	24,072	24,217
Pediatric Acute	460	483	367	308	378
Psychiatric Acute	3,014	3,039	2,859	2,865	2,500
Obstetrics	3,958	3,652	3,691	3,576	3,766
Physical Rehabilitation Care	47	-	-	-	-
Skilled Nursing	6,062	7,194	7,190	7,108	7,673
Total	44,025	44,126	42,324	43,121	43,441
DISCHARGES					
Intensive Care	460	297	327	284	274
Neonatal Intensive Care	180	185	178	166	194
Medical/Surgical	5,076	5,420	5,114	5,441	5,566
Pediatric Acute	206	203	158	127	148
Psychiatric Acute	232	233	205	211	192
Obstetrics	1,476	1,318	1,359	1,296	1,354
Physical Rehabilitation Care	8	-	-	-	-
Skilled Nursing	378	470	509	529	532
Total	8,016	8,126	7,850	8,054	8,260
AVERAGE LENGTH OF STAY					
Intensive Care	9.8	14.3	12.5	13.9	13.2
Neonatal Intensive Care	5.9	6.1	6.5	7.6	6.7
Medical/Surgical	4.9	4.5	4.5	4.4	4.4
Pediatric Acute	2.2	2.4	2.3	2.4	2.6
Psychiatric Acute	13.0	13.0	13.9	13.6	13.0
Obstetrics	2.7	2.8	2.7	2.8	2.8
Physical Rehabilitation Care	5.9	-	-	-	-
Skilled Nursing	16.0	15.3	14.1	13.4	14.4
Total	5.5	5.4	5.4	5.4	5.3
AVERAGE DAILY CENSUS					
Intensive Care	12	12	11	11	10
Neonatal Intensive Care	3	3	3	3	4
Medical/Surgical	68	67	63	66	66
Pediatric Acute	1	1	1	1	1
Psychiatric Acute	8	8	8	8	7
Obstetrics	11	10	10	10	10
Physical Rehabilitation Care	0.1	-	-	-	-
Skilled Nursing	17	20	20	19	21
Total	121	121	116	118	119
OTHER SERVICES					
Inpatient Surgeries	2,106	1,978	1,897	2,183	2,099
Outpatient Surgeries	3,214	3,027	2,944	2,951	2,823
Outpatient Surgeries - Ambulatory Surgery Center	1,592	1,448	1,515	1,382	1,507
Emergency Visits ¹	29,826	30,278	29,275	30,265	30,593
Cardiac Catheterization Procedures*	1,633	1,981	1,923	904	765
Coronary Artery Bypass Graft (CABG) Surgeries ¹	-	34	55	42	35
Obstetric Deliveries	1,426	1,294	1,330	1,273	1,343

Sources: OSHPD Disclosure Reports, 2009-2013

¹Hospital

* Catheterization lab volumes changed from procedures to cases in FY 2012 (e.g., there can be three procedures on one case)

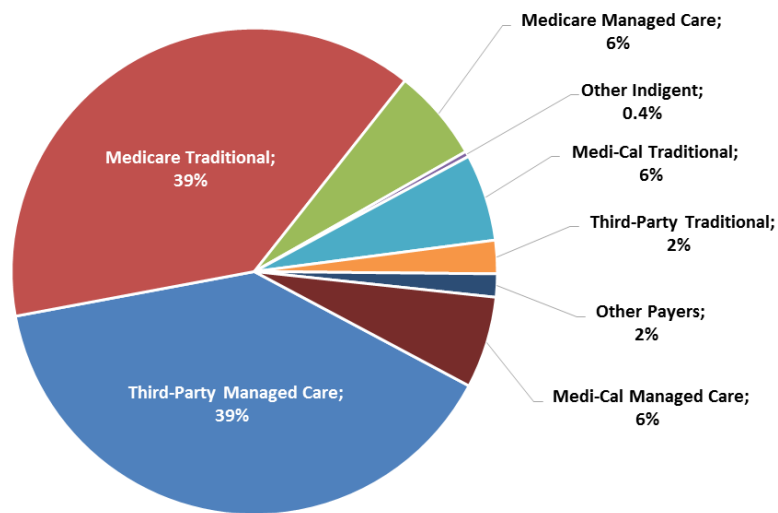
A review of historical utilization trends between FY 2009 and FY 2013 supports the following conclusions:

- Total patient days have remained relatively stable over the five-year period;
- Inpatient discharges have increased 3% from 8,016 in FY 2009 to 8,260 in FY 2013;
- The average daily census has decreased slightly from 121 patients in FY 2009 to 119 patients in FY 2013;
- In FY 2013, excluding the skilled nursing services, the Hospital reported an average daily census of 98 patients; and
- Obstetric deliveries have decreased 6% from 1,426 in FY 2009 to 1,343 in FY 2013.

Payer Mix

In FY 2013, approximately 45% of the Hospital’s inpatient payer mix consisted of Medicare Traditional (39%) and Medicare Managed Care (6%) patients. Approximately 41% of the Hospital’s inpatient payer mix consisted of Third-Party Managed Care (39%) and Third-Party Traditional (2%) patients. The remaining 14% of the inpatient discharges consisted of Medi-Cal Managed Care (6%), Medi-Cal Traditional (6%), Other Payers* (2%), and Other Indigent (0.4%) patients.

Hospital Payer Mix: FY 2013



Total Discharges: 8,260

* Other Payers includes self-pay, workers’ compensation, other government, and other payers

Source: OSHPD Financial Disclosure Report, FY 2013 (based on inpatient discharges).

The following table illustrates the Hospital's inpatient discharge payer mix compared to Alameda County and the State of California for FY 2013. The comparison shows that the Hospital has higher percentages of Medicare Traditional and Third-Party Managed Care patients and lower percentages of Medi-Cal Traditional, Medi-Cal Managed Care, and indigent patients relative to other hospitals in Alameda County and statewide.

PAYER MIX COMPARISON						
	Hospital (2013)		Alameda County (2013)		California (2013)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	477	5.8%	17,295	16.8%	444,932	15.0%
Medi-Cal Managed Care	503	6.1%	14,475	14.1%	354,720	12.0%
Medi-Cal Total	980	11.9%	31,770	30.9%	799,652	27.0%
Medicare Traditional	3,187	38.6%	30,419	29.6%	863,909	29.1%
Medicare Managed Care	508	6.2%	5,001	4.9%	265,857	9.0%
Medicare Total	3,695	44.7%	35,420	34.5%	1,129,766	38.1%
Third-Party Managed Care	3,245	39.3%	25,462	24.8%	657,290	22.2%
Third-Party Managed Care Total	3,245	39.3%	25,462	24.8%	657,290	22.2%
Third-Party Traditional	183	2.2%	2,202	2.1%	127,396	4.3%
Other Payers	127	1.5%	2,613	2.5%	87,399	2.9%
Other Indigent	30	0.4%	1,228	1.2%	50,699	1.7%
County Indigent	0	0.0%	4,112	4.0%	113,812	3.8%
Other Total	340	4.1%	10,155	9.9%	379,306	12.8%
Total	8,260	100%	102,807	100%	2,966,014	100%

Source: OSHPD Disclosure Reports, 2013

Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Approximately 8.8 million Medi-Cal beneficiaries in all 58 counties of California receive their healthcare through six models of managed care: County Organized Health Systems, Geographic Managed Care, Two-Plan Model, Regional Model, Imperial Model, and the San Benito Model.

Alameda County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a Local Initiative Plan and a Commercial Plan. In 2013, Alameda County reported approximately 31,770 inpatient discharges from patients with either Medi-Cal Traditional (54%) or Medi-Cal Managed Care coverage (46%). The percentage of Alameda County residents with Medi-Cal Managed Care coverage will largely increase as a result of the Patient Protection and Affordable Care Act and California initiatives to expand managed care.

In Alameda County, the Local Initiative plan is provided by Alameda Alliance for Health and the Commercial Plan is provided by Anthem Blue Cross. Currently, the Hospital is contracted with Alameda Alliance for Health, the Local Initiative plan, to provide services for Medi-Cal Managed Care patients. Alameda Alliance for Health has been placed under a conservator by the State of California due to financial and operational difficulties.

Medical Staff

The Hospital has 453 physicians on the medical staff representing multiple specialties. Anesthesiology, pediatrics, tele-radiology, radiology, and internal medicine are the five largest specialties, comprising 42% of the physicians.

MEDICAL STAFF PROFILE BY SPECIALTY: 2015			
Specialty	Total	Specialty	Total
Anesthesiology	63	Pain Management	2
Breast Surgical Oncology	3	Pathology	5
Cardiology	12	Pediatric Anesthesiology	1
Cardiothoracic Surgery	5	Pediatric Cardiology	3
Dentistry	2	Pediatric Dentistry	2
Dermatology	5	Pediatric Gastroenterology	2
Emergency Medicine	12	Pediatric Hospitalist	11
Endocrinology	2	Pediatric Ophthalmology	1
Family Practice	23	Pediatric Sports Medicine	2
Foot & Ankle Surgery	1	Pediatrics	44
Gastroenterology	10	Perfusionist	2
General Surgery	8	Perinatology	2
Gynecology	1	Physical Medicine & Rehabilitation	5
Gynecology Oncology	4	Plastic Surgery	7
Hand Surgery	5	Podiatry	8
Infectious Diseases	9	Psychiatry	2
Internal Medicine	26	Psychology	1
Medical Oncology/Hematology	10	Pulmonary Medicine	7
Neonatology	5	Radiation Oncology	3
Nephrology	5	Radiology	28
Neurology	5	Rheumatology	2
Obstetrics/Gynecology	13	Spine Surgery	6
Occupational Health	2	Teleradiology	29
Ophthalmology	4	Thoracic Surgery	1
Oral and Maxillofacial Surgery	3	Urgent Care	5
Orthopedic Surgery	17	Urology	10
Otorhinolaryngology	1	Vascular Surgery	6
Total = 453*			

Source: Hospital

* Does not include nurse practitioners, physician assistants, and surgical assistants

Of the 453 physicians, 192 physicians are considered “active” users of the Hospital (representing approximately 42% of the medical staff). The 173 “non-active” users of the Hospital include affiliate, allied health professional, honorary, provisional, courtesy, and other medical staff.

MEDICAL STAFF PROFILE BY STATUS: 2015	
Status	Total
Active	192
Affiliate	18
Allied Health Professional	17
Allied Health Professional Employee	5
Consulting	9
Courtesy	171
Honorary	26
Provisional	34
Telemedicine	31
Total = 503	

Source: Hospital

Financial Profile

Over the five reported fiscal years, the Hospital has maintained positive net income ranging from \$7.4 million to \$4.4 million. Net patient revenue has increased by nearly 18% from \$208.1 million in FY 2009 to \$244.5 million in FY 2013. Over the same period, the Hospital's total operating expenses have increased by 20% from \$212.1 million to \$254.6 million. Other operating revenue, totaling more than \$56 million over the course of the five-year period has served to offset these increased operating expenses. Other operating revenue represents amounts received for services that are central to the provision of healthcare services, but are not directly related to patient care.

The Hospital's Current Ratio has decreased over the last five years from 2.13 in FY 2009 to 2.09 in FY 2013 (the California average in 2013 was 1.76). The Hospital's average percentage of bad debt is approximately 2.5%, which is higher than the statewide average of 1.7%.

FINANCIAL AND RATIO ANALYSIS: FY 2009-2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Patient Days	44,025	44,126	42,324	43,121	43,441
Discharges	8,016	8,126	7,850	8,054	8,260
ALOS	5.5	5.4	5.4	5.4	5.3
Net Patient Revenue	\$208,121,602	\$207,648,757	\$221,393,463	\$227,915,756	\$244,514,175
Other Operating Revenue	\$9,805,385	\$10,429,151	\$12,300,536	\$9,596,020	\$14,265,519
Total Operating Revenues	\$217,926,987	\$218,077,908	\$233,693,999	\$237,511,776	\$258,779,694
Operating Expense	\$212,132,233	\$214,402,487	\$226,460,784	\$230,973,823	\$254,656,074
Net from Operations	\$5,794,754	\$3,675,421	\$7,233,215	\$6,537,953	\$4,123,620
Net Non-Operating Revenue	\$688,959	\$738,735	\$239,759	\$153,375	\$339,618
Net Non-Operating Expense	\$111,438	\$126,405	\$127,825	\$127,825	\$257,240
Net Income	\$6,483,713	\$4,414,156	\$7,472,974	\$6,691,328	\$4,463,238
California Average 2013					
Current Ratio	1.76	2.13	2.20	2.41	2.33
Days in A/R	59.9	68.9	67.3	66.9	70.7
Bad Debt Rate	1.7%	2.6%	2.8%	2.7%	2.0%
Operating Margin	2.64%	2.66%	1.69%	3.10%	1.59%

Source: OSHPD Disclosure Reports, 2009-2013

Cost of Hospital Services

The Hospital's operating cost of services includes both inpatient and outpatient care. In FY 2013, approximately 45% of total costs were associated with Medicare patients, 40% with Third Party payers, 8% with Medi-Cal patients, and 6% with Other Payers. The remaining 1% is attributed to Other Indigent.

COST OF SERVICES					
BY PAYER CATEGORY: FY 2009-2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Operating Expenses	\$212,132,233	\$214,402,487	\$226,460,784	\$230,973,823	\$254,656,074
Cost of Services By Payer:					
Medicare	\$90,511,706	\$92,455,257	\$100,153,836	\$103,652,873	\$115,549,529
Medi-Cal	\$13,587,423	\$14,991,547	\$15,174,598	\$16,114,160	\$19,358,739
County Indigent	-	-	-	-	-
Third Party	\$96,209,640	\$91,034,090	\$94,288,473	\$94,112,794	\$102,384,365
Other Indigent	\$978,917	\$1,189,320	\$1,046,104	\$1,424,015	\$2,441,167
Other Payers	\$10,844,547	\$14,732,273	\$15,797,773	\$15,669,980	\$14,922,274

Source: OSHPD Disclosure Reports, 2009-2013

Debt Obligations

The Hospital carries long term debt obligations consisting of revenue bonds, bank notes payables, and a capital lease obligation as outlined in the Report of Independent Auditors. Total long term debt obligation, less current portion due in 2014, amounts to \$80.2 million.

The Hospital has defaulted on its bond obligations for which bondholders are entitled to exercise their rights and remedies specified in the bond documents. Defaults include the failure to: maintain a specified debt service coverage ratio, maintain a certain level of days cash on hand, and to deliver an audit as of the specified date. Default provisions are deferred until June 30, 2015 or upon the termination or discontinuation of affiliation with Stanford.

Per terms of the proposed affiliation, Stanford either will add the Hospital as a member of its obligated group or guarantee its debt, thus satisfying these debt obligations.

Charity Care

According to OSHPD, the Hospital's charity care charges have increased from a low of \$4.5 million in FY 2009 to a high of approximately \$10.8 million in FY 2013. The five-year average for charity charges was approximately \$6.4 million.

CHARITY CARE TOTAL CHARGES: FY 2009-2013	
Year	OSHPD Disclosure Reports
2013	\$10,792,533
2012	\$6,684,753
2011	\$4,611,032
2010	\$5,391,252
2009	\$4,463,087
5-Year Average	\$6,388,531

Source: OSHPD Disclosure Reports 2009-2013

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the State of California. The five-year (FY 2009-2013) average of charity care and bad debt, as a percentage of gross patient revenue, was 3.2%. This is slightly lower than the five-year statewide average of 3.5%. According to OSHPD, "...the determination of what is classified as charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

CHARITY CARE COMPARISON: FY 2009 to FY 2013 (Millions)										
	2009		2010		2011		2012		2013	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	\$967.2	\$252,629.7	\$971.9	\$270,511.0	\$998.2	\$288,636.7	\$1,084.3	\$303,278.6	\$1,125.8	\$317,543.8
Charity	\$4.5	\$2,314.3	\$5.4	\$5,587.1	\$4.6	\$6,171.5	\$6.7	\$6,251.0	\$10.8	\$6,209.9
Bad Debt	\$26.8	\$4,333.2	\$28.4	\$4,510.8	\$28.4	\$4,815.5	\$22.7	\$5,007.6	\$27.1	\$5,549.5
Total	\$31.2	\$6,647.5	\$33.8	\$10,097.9	\$33.0	\$10,987.0	\$29.4	\$11,258.6	\$37.9	\$11,759.4
Charity as a % of Gross Rev.	0.5%	0.9%	0.6%	2.1%	0.5%	2.1%	0.6%	2.1%	1.0%	2.0%
Bad Debt as a % of Gross Rev.	2.8%	1.7%	2.9%	1.7%	2.8%	1.7%	2.1%	1.7%	2.4%	1.7%
Total as a % of Gross Rev.	3.2%	2.6%	3.5%	3.7%	3.3%	3.8%	2.7%	3.7%	3.4%	3.7%
Uncompensated Care										
Cost to Charge Ratio	20.9%	25.1%	21.0%	25.0%	21.5%	24.6%	20.4%	24.6%	21.4%	24.4%
Cost of Charity	\$0.9	\$579.8	\$1.1	\$1,396.2	\$1.0	\$1,520.9	\$1.4	\$1,539.1	\$2.3	\$1,514.6
Cost of Bad Debt	\$5.6	\$1,085.7	\$6.0	\$1,127.3	\$6.1	\$1,186.8	\$4.6	\$1,232.9	\$5.8	\$1,353.5
Total	\$6.5	\$1,665.5	\$7.1	\$2,523.5	\$7.1	\$2,707.7	\$6.0	\$2,772.0	\$8.1	\$2,868.1

Source: OSHPD Disclosure Reports, 2009-2013

The table below shows the Hospital's historical costs for charity care as reported by OSHPD. The Hospital's charity care costs have increased from approximately \$900,000 in FY 2009 to \$2.3 million in FY 2013. The average cost of charity care for the last five-year period was approximately \$1.3 million.

COST OF CHARITY CARE			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2013	\$10,792,533	21.4%	\$2,304,206
FY 2012	\$6,684,753	20.4%	\$1,365,027
FY 2011	\$4,611,032	21.5%	\$989,066
FY 2010	\$5,391,252	21.0%	\$1,131,624
FY 2009	\$4,463,087	20.9%	\$933,678
5-Year Average	\$6,388,531		\$1,344,720

Source: OSHPD Disclosure Reports 2009-2013

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

COST OF CHARITY CARE BY SERVICE: FY 2010-2014				
	Inpatient	Outpatient	Emergency Room	Total Charges
2014:				
Cost of Charity	\$4,583,548	\$2,188,472	\$5,150,248	\$11,922,268
Visits/Discharges	121	1,212	1,639	
2013:				
Cost of Charity	\$3,627,277	\$1,692,419	\$5,472,837	\$10,792,533
Visits/Discharges	158	1,074	1,620	
2012:				
Cost of Charity	\$3,760,304	\$668,154	\$2,256,295	\$6,684,753
Visits/Discharges	143	396	525	
2011:				
Cost of Charity	\$2,445,987	\$757,618	\$1,407,427	\$4,611,032
Visits/Discharges	106	309	392	
2010:				
Cost of Charity	\$3,385,475	\$712,297	\$1,293,481	\$5,391,253
Visits/Discharges	151	432	421	

Source: Hospital

Community Benefit Services

The Hospital has consistently provided a contribution to community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been \$3,868,381 per year.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	5-Year Average	Total
Benefits for Vulnerable Populations*	\$959,497	\$1,005,272	\$1,570,116	\$1,989,306	\$1,448,344	\$1,394,507	\$6,972,535
Benefits for Broader Community	\$762,771	\$839,053	\$880,948	\$1,157,648	\$992,504	\$926,585	\$4,632,925
Health Research, Education, & Training Programs	\$1,677,645	\$1,390,394	\$1,477,765	\$1,623,121	\$1,567,519	\$1,547,289	\$7,736,443
Total	\$3,399,913	\$3,234,719	\$3,928,829	\$4,770,074	\$4,008,367	\$3,868,381	\$19,341,903

Source: Hospital

* This excludes the Hospitalist Program for FY 2009 - 2013

- The Hospital's five-year average cost of community benefit services for vulnerable populations is approximately \$1.4 million annually. The services for vulnerable populations include support groups, training, rehabilitation, and healthcare education;
- The Hospital's five-year average cost of community benefit services to the broader community is \$926,585 per year. These services include educational seminars, wellness programs, prenatal education, and health information;
- The Hospital's five-year average cost of community benefit services for health research, education, and training is approximately \$1.5 million per year. These services include healthcare internships and shadowing, preceptorships, and education for students pursuing careers in healthcare; and
- Over the five-year period, the Hospital's combined total average community benefits have fluctuated from a low of \$3.2 million in FY 2010 to a high of \$4.7 million in FY 2012.

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

COST OF COMMUNITY BENEFIT SERVICES: SERVICES OVER \$10,000 IN COST (FY 2010-2014)						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Support Group and Education Classes:						
Athletic Training/Youth Fitness	\$95,503	\$68,266	\$95,983	\$95,804	\$87,176	\$79,188
Cancer Support Group	\$34,600	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Cancer Survivorship Wellness	-	-	-	\$12,472	-	-
Infant CPR	\$10,905	-	-	-	-	-
My Heart's Content	\$37,146	\$69,394	\$71,093	\$127,266	\$114,738	\$71,218
Pre-Operative Total Hip, Knee and Spine Classes	\$17,647	\$27,661	\$32,227	\$29,146	\$38,146	\$33,754
Orthopedic Community Seminars	\$60,715	-	-	-	-	-
Childbirth Preparation Class - English	\$10,080	\$14,960	-	-	-	-
Educational Seminars	\$13,650	\$30,750	\$24,500	\$22,500	\$17,430	-
Lactation Program / Pre Natal Education	\$155,210	\$178,404	\$176,328	\$166,976	\$187,179	\$190,509
Lamaze Prepared Childbirth Series	\$10,950	\$18,600	\$18,600	\$13,000	\$13,425	\$10,375
New Mom's support group	\$14,040	\$14,040	\$14,040	\$14,040	\$14,040	\$12,740
Bariatric Pre-Op Education and Support Group Meetings	\$22,200	\$10,100	\$12,100	-	-	-
Healing Touch	-	-	\$41,780	-	-	-
Specific Professional Medical Services Benefiting the Community:						
Chabot College Student Health Center	\$12,000	\$103,340	\$50,160	\$17,785	\$23,612	-
Laborist Program	-	-	\$484,000	\$730,000	\$726,500	\$784,250
Las Positas Student Health Center	\$33,000	\$84,000	\$55,497	\$28,503	\$11,683	\$18,409
Outpatient Anticoagulation Clinic	\$103,500	\$106,000	\$106,000	\$112,800	\$112,800	\$85,368
Pulmonary Rehabilitation Program Phase III	\$131,414	\$117,157	\$14,257	\$102,900	\$151,626	\$148,479
Pulmonary Rehabilitation, Phase II	\$99,505	\$82,561	\$112,492	\$125,960	\$126,757	\$123,577
Sexual Assault Response Team (SART) Program	\$67,849	-	-	-	-	-
ValleyCare Mobile Health Unit	\$250,055	\$238,418	\$11,637	\$201,835	\$166,070	\$213,295
Breast Cancer Program/Patient Navigator	-	-	\$93,000	\$93,000	\$103,000	\$103,000
Public Health Nurse for Pleasanton School District	-	-	-	\$160,000	\$160,000	\$160,000
Regional Cancer Center at ValleyCare	\$187,434	\$187,434	\$187,434	\$187,434	\$187,434	\$187,434
ValleyCare Health Information & Physician Network	\$138,689	\$122,352	\$113,618	\$141,027	\$131,510	\$131,964
Operation Walk USA	-	-	-	-	\$41,900	\$51,159
UCSF Clinical Trials	-	-	-	-	-	\$65,000
Education Support Programs for Healthcare Professionals:						
Bioethics Consulting Program	\$25,000	\$25,000	\$15,000	\$15,000	\$15,000	\$23,463
Dietetic Internship Supervised Practice Experience	\$13,920	\$18,080	\$28,630	\$26,080	\$48,480	\$35,720
Graduate Student Preceptorship	\$61,600	\$53,900	\$53,900	\$53,900	\$54,500	\$54,500
Lactation Mentoring Program	-	\$22,000	\$33,000	\$33,000	\$11,000	\$11,000
Las Positas Surgical Technology program/Pharmacy	-	-	\$38,400	-	-	-
Medical/Surgical Clinical Experience for Nursing Students	\$979,553	\$584,740	\$584,740	\$584,740	\$584,740	\$584,740
Nursing School	\$291,273	\$273,524	\$17,749	\$246,055	\$159,561	\$134,149
Student Internships in Physical and Sports Medicine	\$164,600	\$263,468	\$221,007	\$274,145	\$229,066	\$223,527
Student Shadowing/Mentoring Healthcare	-	\$10,000	\$70,000	\$70,000	\$70,000	\$10,000
Surgical Technology Student Preceptorship	\$15,680	\$78,400	\$134,400	\$280,000	\$270,000	\$270,000
College Senior Student Preceptorship	-	-	-	-	-	\$24,960
High School ROP Students	-	-	-	-	-	\$176,800
Other Miscellaneous Community Benefits:						
Beautiful Beginnings/Beginnings and Beyond	-	\$52,480	\$49,470	\$61,685	\$69,804	-
E-Health Newsletter	\$21,000	\$21,000	\$22,050	\$22,050	\$22,050	-
Healthways	\$39,955	\$32,500	\$35,500	\$92,601	\$61,275	\$52,050
LifeStyleRx Donation Program	\$14,941	\$14,812	\$31,500	\$52,100	\$30,743	\$23,110
LifeStyleRx Scholarship Program	\$83,932	-	-	-	\$33,778	\$20,070
Regarding Women/Simply Health	\$63,942	\$63,942	\$63,942	\$67,940	\$45,294	-
ValleyCare Health Library	\$76,334	\$76,335	\$76,335	\$76,569	\$50,473	\$36,278
Translation/Interpretation Services	\$39,119	\$27,499	\$28,087	\$25,410	\$45,250	\$31,523
Meals on Wheels	-	-	\$111,577	\$191,463	\$111,708	\$260,451
Simply Health for Women	-	-	-	-	-	\$69,150

Source: Hospital

* This excludes the Hospitalist Program for FY 2009 - 2013

The Hospital's community benefit services have supported many programs, including support groups and education classes, specific professional medical services, education support programs for healthcare professionals, and other miscellaneous community programs, as follows:

Support Groups and Education Classes

- Cancer Support Group: Provides support to cancer patients and their families;
- Cancer Survivorship Wellness: Educates cancer survivors on disease management, exercise, nutrition, stress reduction, and pain management;
- Infant CPR: Teaches parents and caregivers how to resuscitate an infant;
- My Heart's Content: Offers a multi-disciplinary education program for cardiac patients;
- Pre-Operative Total Hip, Knee, and Spine Classes: Provides education and information regarding specific orthopedic issues to improve patient recovery;
- Childbirth Preparation Class – English: The program provides information on the physiology of the birth process, natural childbirth, labor and delivery coaching techniques, labor pain management and interventions;
- Educational Seminars: The program, provided by physicians, offers information and education to the public regarding a number of health topics;
- Lactation Program/Prenatal Education: The program educates women about breastfeeding through the assistance of a certified lactation specialist;
- Lamaze Prepared Childbirth Series: The program consists of five classes about breathing and relaxation techniques, the physiology of the birth process, labor and delivery coaching techniques, and an overview of breastfeeding;
- New Mom's Support Group: The program offers a forum for new mothers to meet with other new mothers in the community and receive support from lactation services and other agencies; and
- Bariatric Pre-Op Education and Support Group Meetings: The program educates patients about diet and lifestyle for the management of health following weight loss surgery.

Specific Professional Medical Services Benefiting the Community

- Chabot College Student Health Center: The program offers on-site health services for the college population, including treatment of minor illnesses and injuries, physicals, and immunizations;
- Laborist Program: The program provides care to obstetric and gynecological patients who are unassigned, as well as care for patients who are experiencing obstetric emergencies;
- Outpatient Anticoagulation Clinic: The clinic provides patient education on the usage of medications and their potential complications. Monitoring and therapeutic intervention is provided to outpatients to optimize their anticoagulation therapy;
- Pulmonary Rehabilitation Program, Phase III: The program provides information and education to patients regarding chronic lung disease through a six-week outpatient program designed to train individuals in self-management skills;
- Pulmonary Rehabilitation, Phase II: The program provides outpatient diagnosis, treatment, and education to patients regarding chronic lung disease;
- Breast Cancer Program/Patient Navigator: The patient navigator directs patients in the Breast Cancer Program through the continuum of care to help reduce barriers to healthcare;
- Regional Cancer Center at ValleyCare: The program provides access to an infusion center and medical and radiation oncology services through its affiliation with UCSF Helen Diller Family Comprehensive Cancer Center; and
- ValleyCare Health Information & Physician Network: The program provides physician referral services and information and registration for education seminars.

Education Support Programs for Healthcare Professionals

- Bioethics Consulting Program: The program offers educational sessions, consultation, and bioethics rounds to members of the medical, nursing, and administrative staff;
- Dietetic Internship Supervised Practice Experience: The program offers a site for obtaining the supervised practice experience required for nutrition/dietetics students to enter into the profession;
- Graduate Student Preceptorship: The program trains new healthcare professionals in nursing administration and clinical nurse specialist positions;

- Lactation Mentoring Program: The program provides students the opportunity to shadow a lactation consultant in patient rounds, mother support group, office consultations and call backs, and breastfeeding class;
- Las Positas Surgical Technology Program/Pharmacy: The program provides support for the local community college program by providing space and utilities for courses in surgical technology and pharmacy technology;
- Medical/Surgical Clinical Experience for Nursing Students: The program offers 380 hours per semester of clinical experience for nursing students with RN supervision;
- Student Internships in Physical and Sports Medicine: The program provides experiences as required by physical and sports medicine programs for full-time and part-time students;
- Student Shadowing/Mentoring Healthcare: The program allows high school and college students to shadow healthcare staff in various areas of the Hospital; and
- Surgical Technology Student Preceptorship: The program offers clinical training in the operating room for surgical technology students.

Other Miscellaneous Community Benefits

- Beautiful Beginnings: The program disseminates an educational publication to approximately 24,000 women in the Tri-Valley area about pregnancy and available obstetrics services at the Hospital;
- E-Health Newsletter: The program provides online access to individualized health information as well as health reminders for screenings and exams;
- Healthways: The program provides health information to the community through a printed publication mailed out to service area residents;
- LifeStyleRx Donation Program: The program provides the community with donations of memberships to the Hospital's wellness center, LifeStyleRx, massages, and apparel;
- Regarding Women: The program mails a publication to approximately 48,000 women in the Tri-Valley area to educate them about subjects relevant to their health;
- ValleyCare Health Library: The program provides health and medical information to physicians, health professionals, and the general public free of charge;

- Translation and Interpretation Services: The program provides translation services for patients who are non-English speaking or deaf; and
- Meals on Wheels: The program prepares more than 900 meals a day, five days a week for homebound seniors in Pleasanton, Livemore, Dublin, and Sunol.

PROFILE OF STANFORD HOSPITAL & CLINICS

Stanford Hospital & Clinics

Stanford operates Stanford Hospital, a licensed general acute care facility located in Palo Alto, California that provides a comprehensive range of healthcare services, including cardiac, oncology, organ transplantation, neuroscience, and orthopedics services. Stanford also operates the Stanford Cancer Institute and numerous outpatient clinics across the San Francisco Bay Area.

Stanford is the principal teaching affiliate of the Stanford University School of Medicine, and is the clinical setting, along with Lucile Salter Packard Children’s Hospital at Stanford, through which the Stanford University School of Medicine educates medical and graduate students, trains residents and fellows, and conducts medical and biological research.

In collaboration with its affiliates, Stanford provides a network of physicians and health clinics that offer primary and specialty care healthcare services.



Source: Apple Maps

University HealthCare Alliance

Stanford and the Stanford University School of Medicine are members of University HealthCare Alliance, a physician practice management organization that supports Stanford in providing quality care to the surrounding communities and conducting research and education. As members of University HealthCare Alliance, Stanford and the Stanford University School of Medicine appoint directors to the governing board. University HealthCare Alliance leads the development of a clinical delivery network that is built on collaboration and sponsorship of community hospitals on behalf of the Stanford Hospital, Stanford University School of Medicine, and University HealthCare Alliance physicians.

Stanford Emanuel Radiation Oncology Center, LLC

Stanford Emanuel Radiation Oncology Center, located in Turlock, is a joint venture between Stanford and Emanuel Medical Center. Stanford Emanuel Radiation Oncology Center operates an outpatient clinic that provides radiation oncology services to patients in Turlock and its surrounding communities.

CareCounsel, LLC

In July 2012, Stanford acquired CareCounsel, LLC, an employer-sponsored health advocacy and healthcare assistance services organization. CareCounsel was established in 1996 to help employees, retirees, and their families navigate the healthcare environment through an employer-sponsored benefit program that provides education, advocacy, and access to healthcare resources and information.

SUMIT Holding International, LLC

Stanford and Lucile Packer Salter Children's Hospital are the owners of SUMIT Holding International, LLC. SUMIT Holding International, LLC is the sole owner of SUMIT Insurance Company Ltd., a captive insurance carrier, and Stanford University Medical Network Risk Authority, LLC, an organization that provides risk services to SUMIT Holding International and other affiliated and unaffiliated parties.

Professional Exchange Assurance Company

Stanford has nearly 80% interest in Professional Exchange Assurance Company, a captive insurance carrier that provides insurance coverage to University HealthCare Alliance, Packard Children's Healthcare Alliance, and other affiliated parties.

Accountable Care

In 2013, Stanford launched Stanford HealthCare Alliance Accountable Care Organization, a group of healthcare providers that coordinate care for Medicare patients. Currently, Stanford HealthCare Alliance Accountable Care Organization covers approximately 10,000 university and medical center members and is under consideration for expansion to large employers. Additionally, as of January 1, 2015, Stanford launched University Health Care Advantage, a Medicare Advantage Health Maintenance Organization.

Information Systems and Technology

Stanford has developed and implemented advanced information systems and technology, including the implementation of Epic electronic health records platform and other telecommunication capabilities. Stanford Hospital was the first hospital to provide direct-to-patient telemedicine visits fully integrated into Epic.

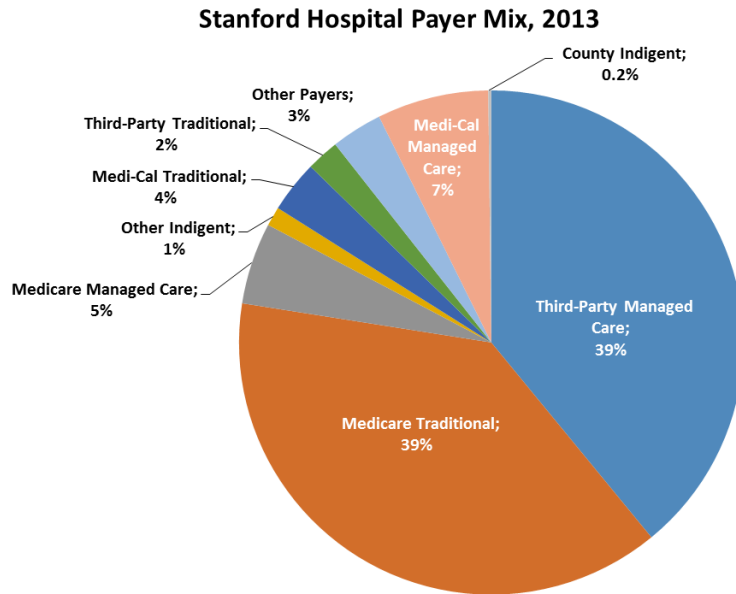
Key Statistics

Key statistics for Stanford Hospital include the following:

- In FY 2013, Stanford Hospital operated 613 licensed beds with an average occupancy rate of 63% and an average daily census of 385 patients;
- In FY 2013, Stanford Hospital reported nearly 58,000 emergency visits;
- In FY 2013, Stanford Hospital reported approximately 12,300 diagnostic cardiac catheterization procedures and 114 coronary artery bypass graft surgeries;
- From FY 2009 to FY 2013, Stanford Hospital's inpatient discharges increased by 7%; and
- In FY 2013, Stanford Hospital reported a net income of nearly \$468 million.

Payer Mix

In FY 2013, Stanford Hospital's inpatient payer mix consisted of predominantly Medicare Traditional (39%) and Third-Party Managed Care (39%). The remaining 22% of Stanford's inpatient discharges was comprised of Medi-Cal Managed Care (7%), Medicare Managed Care (5%). Medi-Cal Traditional (4%), Other Payers* (3%), Third-Party Traditional (2%), Other Indigent (1%), and County Indigent (0.2%) patients.



Total Discharges: 25,572

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

Source: OSHPD Disclosure Reports, 2013

Profile of Stanford Hospital

STANFORD HOSPITAL PROFILE: FY 2013	
City	Palo Alto
Licensed Beds	613
Patient Days	140,483
Discharges	25,572
ALOS	5.5
Average Daily Census	385
Occupancy	62.8%
ED Visits	57,606
Inpatient Surgeries	12,548
Outpatient Surgeries	9,289
Births	0
Payer Mix (Based on Discharges):	
Medicare Traditional	38.4%
Managed Medicare	5.2%
Medi-Cal Traditional	3.3%
Managed Medi-Cal	7.2%
County Indigent	0.2%
Traditional Third-Party	2.1%
Managed Third-Party	39.1%
Other Indigent	1.2%
Other	3.3%
Total	100%
Income Statement:	
Gross Patient Revenue	\$9,464,846,750
Net Patient Revenue	\$2,451,977,473
Other Operating Revenue	\$138,170,707
Total Operating Revenue	\$2,590,148,180
Total Operating Expenses	\$2,333,867,676
Net From Operations	\$256,280,504
Non-Operating Revenue	\$236,527,502
Non-Operating Expenses	\$25,346,647
Provision for Taxes	\$0
Net Income	\$467,461,359
Other Financial:	
Charity Care Charges	\$79,500,225
Bad Debt Charges	\$114,492,252
Total Uncompensated Care	\$193,992,477
Cost to Charge Ratio	23.2%
Cost of Charity	\$18,442,813
Uncompensated Care as % of Chgs.	2.0%
State of Calif. Uncompensated Care ¹	3.5%

¹ Statewide average for hospitals

Source: OSHPD Disclosure Reports, FY 2013

- Stanford recorded a positive net operating income of \$256.2 million in FY 2013. Net patient service revenue amounted to \$2.45 billion with total operating expenses of \$2.33 billion. Stanford appears to maintain positive net earnings based on current operations.

Quality & Awards

Stanford Hospital is accredited by the Joint Commission, effective July 2013 through July 2016. Stanford has received several accolades and achievements, some of which include the following:

- Designated Level I Trauma Center by Santa Clara County Emergency Medical Services;
- Designated Comprehensive Stroke Center by the Joint Commission;
- Named the Top Hospital in the San Jose Region for 2014-2015 by *U.S. News & World Report*;
- Awarded the Human Services Gold Medal of Honor by the U.S. Department of Health and Human Services;
- Received “Senior Friendly” status by Nurses Improving Care for Healthsystem Elders; and
- Named one of the first four hospitals in the United States to achieve “Stage 7” designation, the highest distinction in electronic medical records implementation, by Healthcare Information and Management Systems.

The following table reports Stanford Hospital’s quality scores for FY 2014 on measures of evidence-based care, patient satisfaction, patient willingness to recommend the hospital, and 30-day mortality rates for heart attack, heart failure, pneumonia, and surgical care patients in comparison to national averages.

QUALITY SCORES COMPARISON: FY 2014				
Domain	Measure	Hospital	California Average	National Average
Clinical Process of Care Domain	Evidence-Based Care	99.4%	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	79.0%	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	85.0%	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	11.2%	12.0%	12.3%

Source: The Commonwealth Fund, WhyNotTheBest.org

- For measures of evidence-based care, Stanford Hospital scored higher (99.4%) than California and National averages (98.1% and 98.3%, respectively);
- Stanford Hospital scored 11% higher than the statewide average for the percentage of patients who were highly satisfied with the hospital;
- The percentage of patients willing to recommend Stanford Hospital’s facilities to others (95%) was significantly higher than both the statewide and national averages (70.0% and 71.0%, respectively);
- Stanford Hospital had a lower 30-day mortality rate (11.2%) for heart failure, heart attack, pneumonia, and surgical care patients than the statewide average of 12.0% and the national average of 12.3%; and
- For FY 2013, the Centers for Medicare & Medicaid Services rewarded Stanford Hospital with a 0.06% bonus. During FY 2014, Centers for Medicare & Medicaid Services rewarded Stanford Hospital with a 0.24% bonus.

The Hospital Readmissions Reduction Program, implemented in 2012, penalizes hospitals for excessive 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.

The following graph shows Stanford Hospital’s 30-day readmission rate for heart attack, heart failure, pneumonia, and surgical patients for FY 2014:

30-DAY READMISSION RATES: FY 2014		
Hospital	National Average	California Average
21.2%	19.9%	19.9%

Source: The Commonwealth Fund, WhyNotTheBest.org

- Stanford Hospital had a slightly higher 30-day readmission rate (21.2%) than the statewide and national average of 19.9%;
- During FY 2013, Stanford Hospital was not penalized for its rate of 30-day readmissions, and during FY 2014, Stanford Hospital was penalized at a rate of 0.18%; and
- For FY 2015, Stanford Hospital will be penalized at 0.15%.

ANALYSIS OF THE HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 15 ZIP Codes, from which approximately 83% of its discharges originated in FY 2013. Approximately 64% of the Hospital's discharges came from the top four ZIP Codes, located in Livermore, Pleasanton, and Dublin. In FY 2013, the Hospital's market share in the service area was 21% based on inpatient discharges.

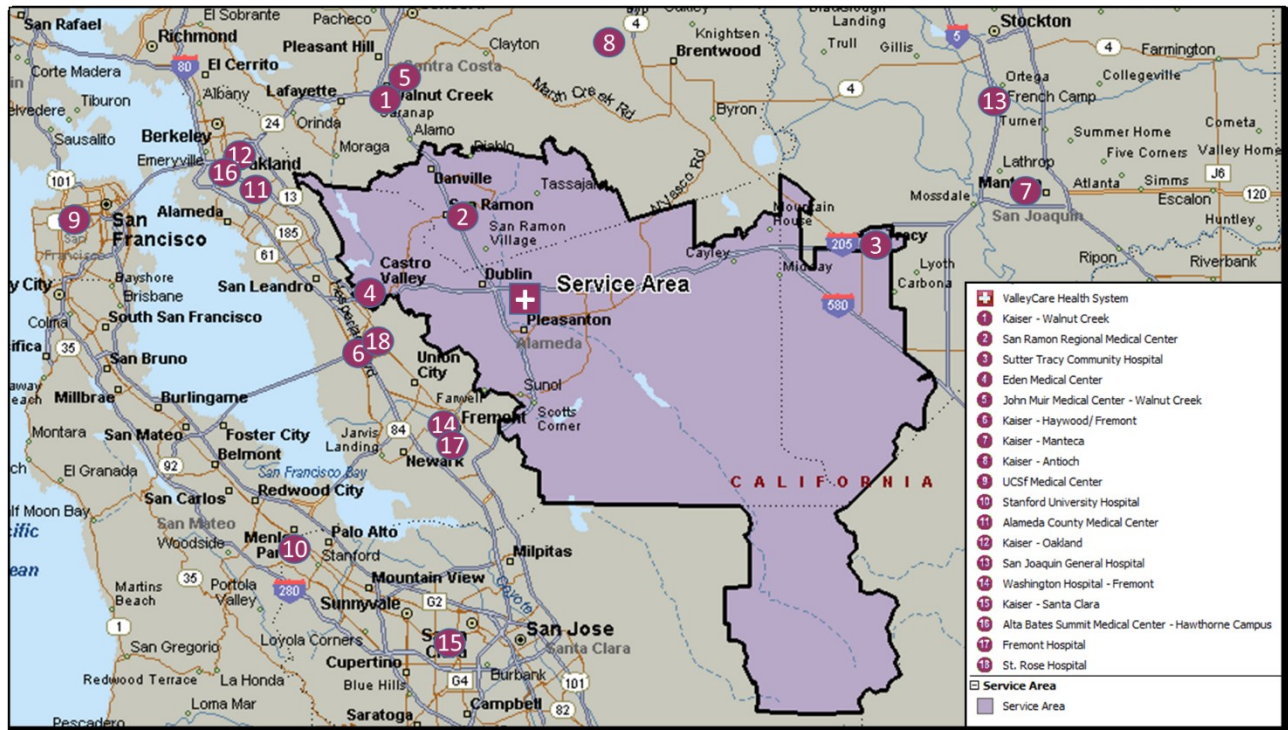
SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94550	Livermore	1,876	22.0%	22.0%	4,063	46.2%
94566	Pleasanton	1,291	15.2%	37.2%	2,877	44.9%
94551	Livermore	1,214	14.3%	51.5%	2,868	42.3%
94568	Dublin	1,087	12.8%	64.2%	3,253	33.4%
94588	Pleasanton	721	8.5%	72.7%	1,769	40.8%
94583	San Ramon	182	2.1%	74.8%	2,418	7.5%
94582	San Ramon	141	1.7%	76.5%	1,725	8.2%
95376	Tracy	114	1.3%	77.8%	4,051	2.8%
94546	Castro Valley	83	1.0%	78.8%	3,855	2.2%
95391	Tracy	82	1.0%	79.8%	686	12.0%
95377	Tracy	80	0.9%	80.7%	1,765	4.5%
94526	Danville	75	0.9%	81.6%	2,251	3.3%
94506	Danville	59	0.7%	82.3%	1,319	4.5%
94552	Castro Valley	54	0.6%	82.9%	802	6.7%
94586	Sunol	16	0.2%	83.1%	82	19.5%
Sub-Total		7,075	83.1%		33,784	20.9%
All Other		1,438	16.9%			
Total		8,513	100%			

Source: OSHPD Patient Discharge Database, 2013

Service Area Map

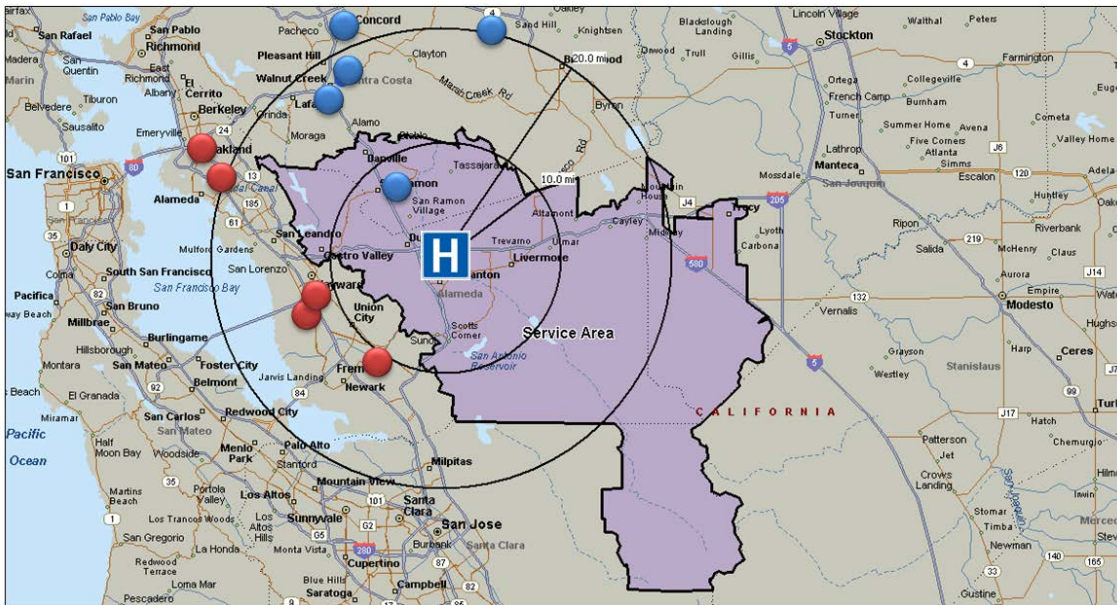
The Hospital's service area, with approximately 503,000 residents, includes the communities of Livermore, Pleasanton, Dublin, San Ramon, Tracy, Castro Valley, Danville, and Sunol.

In addition to the Hospital, San Ramon Regional Medical Center, Eden Medical Center, and Sutter Tracy Community Hospital are located within the Hospital's service area. The Hospital is the inpatient market share leader in the service area.



STEMI Receiving Centers in Alameda and Contra Costa Counties

Within Alameda County and Contra Costa County, there are ten STEMI Receiving Centers that administer percutaneous coronary intervention for patients experiencing an acute heart attack. The Hospital and San Ramon Regional Medical Center are the only two STEMI Receiving Centers within the Hospital's service area, making them important providers of percutaneous coronary intervention treatment services for area residents.



- H** = ValleyCare Health System
- = STEMI Receiving Center – Alameda County
- = STEMI Receiving Center – Contra Costa County

Demographic Profile

The Hospital's service area population is projected to grow by nearly 7.0% over the next five years. This is higher than both the expected growth rate for Alameda County (5.6%) and statewide (4.0%).

SERVICE AREA POPULATION STATISTICS 2014-2019			
	2014 Estimate	2019 Projection	% Change
Total Population	502,819	537,681	6.9%
Households	171,827	183,687	6.9%
Percentage Female	50.5%	50.5%	0.8%

Source: Esri

The median age of the population in the Hospital's service area is 38.6 years, higher than the statewide median age of 35.5 years. The percentage of adults over the age of 65 is the fastest growing age cohort, increasing by approximately 22% between 2014 and 2019. The number of women of child-bearing age is expected to increase slightly over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2014-2019				
	2014 Estimate		2019 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	108,367	21.6%	115,395	21.5%
Age 15-44	192,583	38.3%	202,669	37.7%
Age 45-64	144,755	28.8%	150,093	27.9%
Age 65+	57,114	11.4%	69,524	12.9%
Total	502,819	100%	537,681	100%
Female 15-44	96,743	19.2%	101,715	18.9%
Median Age	38.6		38.8	

Source: Esri

The largest population cohorts in the Hospital's service area are White (60%) and Asian (22%). Approximately 82% of the service area population is of non-Hispanic origin. This is slightly higher than Alameda County (77%), but considerably higher than the California non-Hispanic population of 61%.

SERVICE AREA POPULATION RACE/ETHNICITY: 2014-2019		
Race	2014	2019
White	60.0%	57.1%
Black	4.0%	3.8%
American Indian	0.5%	0.5%
Asian	22.3%	24.6%
Pacific Islander	0.4%	0.5%
Other Race	6.7%	7.2%
Two or More Races	6.1%	6.4%
Total	100%	100%
Ethnicity	2014	2019
Hispanic Origin	18.2%	19.5%
Non-Hispanic or Latino Origin	81.8%	80.5%
Total	100%	100%

Source: Esri

The Hospital's service area households have an average household income of \$136,021. This is nearly 30% higher than the county average of \$95,484 and approximately 36% higher than the state average of \$87,521. The percentage of higher-income households (\$150,000+) in the Hospital's service area are projected to grow at a faster rate (24%) than the State of California (23%), but a lower rate than those for Alameda County (26%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2014-2019						
	2014 Estimate			2019 Estimate		
	Service Area	Alameda County	California	Service Area	Alameda County	California
\$0 - \$15,000	4.7%	11.2%	11.3%	3.8%	10.2%	9.3%
\$15 - \$24,999	3.6%	7.4%	10.1%	2.3%	5.3%	9.0%
\$25 - \$34,999	4.7%	7.9%	9.3%	3.3%	6.2%	8.4%
\$35 - \$49,999	7.6%	11.0%	12.7%	6.6%	10.5%	11.5%
\$50 - \$74,999	12.4%	14.4%	17.0%	10.7%	13.5%	15.7%
\$75 - \$99,999	11.5%	12.2%	12.2%	11.2%	13.0%	12.8%
\$100 - \$149,999	22.2%	18.2%	14.8%	20.9%	19.0%	17.9%
\$150,000+	33.3%	17.7%	12.5%	41.2%	22.3%	15.4%
Total	100%	100%	100%	100%	100%	100%
Average Household Income	\$136,021	\$95,484	\$87,251	\$160,449	\$111,077	\$100,285

Source: Esri

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that only 7% of the population in the Hospital’s service area was eligible for Medi-Cal coverage (compared to the statewide average of 21%). With the implementation of the Patient Protection and Affordable Care Act and the statewide expansion of Medi-Cal, the number and percentage of the State of California’s population that is currently eligible for Medi-Cal have greatly increased, reporting more than 2.7 million total enrollees in the Medi-Cal program in 2014. By 2015, California’s total number of Medi-Cal beneficiaries is expected to increase to approximately 11.5 million individuals. Based on the Hospital’s small percentage of Medi-Cal inpatient discharges and Alameda County’s low percentage of Medi-Cal eligible residents, a lower percentage of service area residents will qualify for Medi-Cal coverage under the expansion than seen on average statewide.

Selected Health Indicators

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

- Health indicators in Alameda County are superior to health indicators statewide in first trimester prenatal care. However, health indicators in Alameda County are inferior to health indicators statewide in low birth weight infants and adequate/adequate plus care. Measures for all three indicators are better than the national goals.

NATALITY STATISTICS: 2014			
Health Status Indicator	Alameda County	California	National Goal
Low Birth Weight Infants	7.4%	6.8%	7.8%
First Trimester Prenatal Care	88.7%	83.6%	77.9%
Adequate/Adequate Plus Care	78.9%	79.5%	77.6%

Source: California Department of Public Health, 2014

- The overall age-adjusted mortality rate for Alameda County is lower than that of the State of California. Alameda County’s rates for 13 out of the 18 reported causes are lower than the statewide rate. Alameda County has higher mortality rates for female breast cancer, cerebrovascular disease, homicide, and firearm-related deaths than the statewide rate. Alameda County’s rate of mortality by diabetes is equal to the statewide rate; and
- Alameda County achieved nine out of the 14 reported national goals based on underlying and contributing cause of death.

MORTALITY STATISTICS: 2014				
RATE PER 100,000 POPULATION				
Selected cause	Alameda County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	599.4	606.8	641.5	n/a
- All Cancers	146.6	149.3	153.3	160.6
- Colorectal Cancer	13.7	13.7	14.2	14.5
- Lung Cancer	31.7	32.9	34.8	45.5
- Female Breast Cancer	22.9	21.0	20.9	20.6
- Prostate Cancer	15.9	20.3	20.5	21.2
- Diabetes	20.4	20.7	20.4	n/a
- Alzheimer's Disease	26.3	26.7	30.5	n/a
- Coronary Heart Disease	80.0	80.8	106.2	100.8
- Cerebrovascular Disease (Stroke)	37.0	38.0	36.6	33.8
- Influenza/Pneumonia	13.7	14.0	16.1	n/a
- Chronic Lower Respiratory Disease	27.4	28.9	36.2	n/a
- Chronic Liver Disease And Cirrhosis	9.8	9.1	11.5	8.2
- Accidents (Unintentional Injuries)	21.8	20.9	27.3	36.0
- Motor Vehicle Traffic Crashes	4.4	4.3	7.3	12.4
- Suicide	8.9	8.6	10.1	10.2
- Homicide	8.7	8.5	5.2	5.5
- Firearm-Related Deaths	10.3	10.1	7.7	9.2
- Drug-Induced Deaths	9.6	8.8	10.8	11.3

Source: California Department of Public Health, 2014

- Alameda County has higher morbidity rates for each of the health status indicators than the State of California overall. The rate of incidence of tuberculosis is much higher than both the statewide rate and national goal.

MORBIDITY STATISTICS: 2014			
RATE PER 100,000 POPULATION			
Health Status Indicator	Alameda County	California	National Goal
AIDS	10.6	8.6	12.4
Chlamydia	441.0	434.5	n/a
Gonorrhea Female 15-44	212.0	139.6	251.9
Gonorrhea Male 15-44	241.0	186.6	194.8
Tuberculosis	10.1	6.1	1.0

Source: California Department of Public Health, 2014

2013 Community Health Needs Assessment

In an effort to understand the communities served by the Hospital, their most critical healthcare needs, and the resources available to meet those needs, the Hospital conducts a Community Health Needs Assessment every three years. The Hospital's most recent 2013 assessment was conducted in collaboration with Kaiser Foundation Hospital – Walnut Creek through community conversations with members of the vulnerable populations within the Hospital's service area.

For the purposes of the assessment, the Hospital defined its service area to include the areas of Livermore, Pleasanton, Dublin, and San Ramon in the Tri-Valley region. Based upon the Community Health Needs Assessment's defined service area, the study included a summary of population and household demographics measures related to access to healthcare, mortality, and findings from community conversations as provided below:

- Approximately 15% of adults within the Hospital's defined service area reported poor mental health compared to a Health Outcomes benchmark of 14%;
- Nearly 16% of service area residents have asthma compared to a Healthy Outcomes benchmark of 13%;
- Approximately 18-22% of adults are considered heavy drinkers compared to 17% statewide;
- Adults within the Hospital's defined service area are at high-risk for breast, colorectal, and prostate cancer; and
- Within the Hospital's defined service area, between 25% and 30% of adults do not have a high school diploma.

As a result of the above findings, the most important healthcare needs with particular relevance for vulnerable populations in the Hospital's service area were identified to be the following, in order of priority:

- Primary care services and information, including adequate Spanish capacity;
- Economic security;
- Affordable, local mental health services;
- Affordable, local substance abuse treatment services;
- Asthma prevention;
- Healthy eating;
- Specialty care; and
- Parenting skills and support.

Hospital Supply, Demand & Market Share

There are four general acute care hospitals within the Hospital's service area: the Hospital, San Ramon Regional Medical Center, Eden Medical Center, and Sutter Tracy Community Hospital. Together, they have a combined total of 581 licensed beds and an aggregate occupancy rate of approximately 53%. The Hospital runs at an occupancy rate of nearly 49%. The Hospital's 242 licensed beds represent approximately 42% of the area's beds, and its inpatient volume accounts for approximately 32% of discharges and 39% of patient days.

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

AREA HOSPITAL DATA: FY 2013										
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital	
ValleyCare Medical Center ¹	The Hospital Committee of Livermore	Pleasanton	X	242	8,260	43,441	119	49.2%	-	
San Ramon Regional Medical Center	Tenet Healthcare Corporation	San Ramon	X	123	4,291	16,377	45	36.5%	10.1	
Eden Medical Center*	Sutter Health	Castro Valley	X	134	9,527	41,596	114	85.0%	13.4	
Sutter Tracy Community Hospital*	Sutter Central Valley Hospitals	Tracy	X	82	3,606	11,339	31	37.9%	25.8	
SUB-TOTAL				581	25,684	112,753	309	53.2%		
San Leandro Hospital	Sutter Health	San Leandro		93	2,538	10,724	29	31.6%	16.7	
Kaiser Foundation Hospital - Hayward/Fremont*	Kaiser Foundation Hospitals	Hayward		319	12,483	45,324	124	38.9%	17.9	
Kaiser Foundation Hospital - Walnut Creek*	Kaiser Foundation Hospitals	Walnut Creek		233	14,528	55,488	152	65.2%	18.9	
Washington Hospital - Fremont	Washington Township Health Care District	Fremont		389	11,810	58,392	160	41.1%	19.4	
St. Rose Hospital	Hayward Sisters Hospital	Hayward		217	6,153	27,371	75	34.6%	20.9	
John Muir Medical Center - Walnut Creek*	John Muir Health	Walnut Creek		572	17,239	84,442	231	40.4%	22.4	
Alameda Hospital*	City of Alameda Healthcare District	Alameda		273	3,103	66,645	183	66.9%	24.8	
Highland Hospital*	Alameda County	Oakland		475	14,605	115,560	317	66.7%	25.1	
Kaiser Foundation Hospital - Manteca*	Kaiser Foundation Hospitals	Manteca		239	9,169	33,986	93	39.0%	33.7	
Kaiser Foundation Hospital - Antioch*	Kaiser Foundation Hospitals	Antioch		150	7,548	23,923	66	43.7%	36.9	
TOTAL				3,541	124,860	634,608	1,739	49.1%		

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

- The aggregate occupancy rate for all area hospitals is 53%. Eden Medical Center, located 13.4 miles from the Hospital, runs at a high occupancy rate (85%); and
- The four largest providers of inpatient services to the service area by market share (the Hospital, Kaiser Foundation Hospital – Walnut Creek, San Ramon Regional Medical Center, and Sutter Tracy Community Hospital) operate at a combined average occupancy rate of 51%.

Hospital Market Share

The table below illustrates market share discharges by individual hospital within the Hospital's service area from FY 2009 to FY 2013.

HOSPITAL MARKET SHARE: FY 2009-2013						
Hospital	2009	2010	2011	2012	2013	Trend
ValleyCare Medical Center*	19.5%	19.7%	19.5%	20.5%	20.9%	↗
Kaiser Foundation Hospital - Walnut Creek	13.7%	13.0%	12.9%	13.5%	13.1%	↔
San Ramon Regional Medical Center	10.9%	10.8%	10.7%	10.0%	10.0%	↘
Sutter Tracy Community Hospital	8.7%	8.2%	8.4%	8.0%	7.6%	↘
Eden Medical Center	7.0%	7.0%	7.2%	6.6%	6.4%	↘
John Muir Medical Center-Walnut Creek Campus	5.3%	5.1%	5.3%	5.2%	5.5%	↔
Kaiser Foundation Hospital - Hayward/Fremont	4.8%	4.8%	4.7%	4.3%	4.0%	↘
Kaiser Foundation Hospital - Manteca	2.2%	2.6%	2.4%	2.3%	2.9%	↗
Kaiser Foundation Hospital - Antioch	1.5%	1.9%	2.0%	2.0%	2.3%	↗
UCSF Medical Center	1.9%	2.0%	2.1%	2.0%	2.0%	↔
Other Discharges	24.5%	24.9%	24.9%	25.5%	25.3%	↔
Total Percentage	100%	100%	100%	100%	100.0%	
Total Discharges	35,568	35,278	34,680	34,516	33,784	↘

Note: Excludes normal newborns

* Includes Valley Memorial Hospital under the consolidated license

Source: OSHPD Patient Discharge Database

- The number of discharges in the Hospital's service area has decreased by 5% between FY 2009 and FY 2013;
- From FY 2009 to FY 2013, the Hospital has consistently ranked first in terms of overall market share for its service area based on discharges (21% in FY 2013);
- San Ramon Regional Medical Center, Sutter Tracy Community Hospital, and Eden Medical Center decreased their market share between FY 2009 and FY 2013; and
- The four Kaiser Foundation Hospitals had a combined market share of approximately 22% in FY 2013.

Market Share by Payer Type

The following table illustrates hospital market share by payer type as reported by OSHPD for FY 2013.

HOSPITAL MARKET SHARE BY PAYER TYPE: FY 2013											
Payer Type	Total Discharges	ValleyCare Medical Center*	Kaiser Foundation Hospital - Walnut Creek	San Ramon Regional Medical Center	Sutter Tracy Community Hospital	Eden Medical Center	John Muir Medical Center - Walnut Creek	Kaiser Foundation Hospital - Hayward/Fremont	Kaiser Foundation Hospital - Manteca	All Others	Total
Private Coverage	16,478	16.5%	16.2%	12.1%	4.0%	4.6%	6.9%	4.1%	4.1%	31.5%	100.0%
Medicare	11,997	25.4%	13.7%	9.9%	9.0%	8.5%	5.0%	5.5%	2.5%	20.5%	100.0%
Medi-Cal	3,302	28.9%	2.1%	3.4%	16.9%	6.5%	2.0%	0.5%	0.0%	39.7%	100.0%
All Other	1,200	19.9%	0.4%	6.3%	7.1%	7.3%	2.8%	0.3%	0.1%	55.8%	100.0%
Self Pay	807	14.4%	3.3%	0.2%	23.3%	11.3%	2.0%	1.1%	1.1%	43.2%	100.0%
Grand Total	33,784	20.9%	13.1%	10.0%	7.6%	6.4%	5.5%	4.0%	2.9%	29.5%	100.0%

Note: Excludes normal newborns

* Includes Valley Memorial Hospital under the consolidated license

Source: OSHPD Patient Discharge Database

- For FY 2013, the largest payer types, based on nearly 34,000 service area inpatient discharges, are Private Coverage at 49% and Medicare at 36%;
- The Hospital is the market share leader for Private Coverage (17%), Medicare (25%), and Medi-Cal at (29%); and
- Sutter Tracy Community Hospital is the market share leader for Self Pay (11%).

Market Share by Service Line

The following table illustrates the service area's hospital market share by service line for FY 2013.

HOSPITAL MARKET SHARE BY SERVICE LINE: FY 2013											
Service Line	Total Discharges	ValleyCare Medical Center*	Kaiser Foundation Hospital - Walnut Creek	San Ramon Regional Medical Center	Sutter Tracy Community Hospital	Eden Medical Center	John Muir Medical Center - Walnut Creek	Kaiser Foundation Hospital - Hayward/ Fremont	Kaiser Foundation Hospital - Manteca	All Others	Total
General Medicine	9,311	22.5%	14.8%	12.6%	11.7%	7.5%	3.7%	5.0%	3.5%	18.6%	100.0%
Obstetrics	5,603	23.0%	20.3%	11.3%	8.2%	4.1%	7.6%	3.1%	4.5%	17.9%	100.0%
Cardiac Services	3,188	20.5%	11.0%	8.8%	8.8%	6.5%	2.6%	5.2%	2.2%	34.4%	100.0%
General Surgery	2,813	18.5%	11.7%	12.8%	7.0%	5.2%	4.8%	5.9%	2.6%	31.5%	100.0%
Orthopedics	2,600	21.2%	10.4%	5.6%	4.8%	6.5%	7.5%	5.1%	3.1%	35.7%	100.0%
Neonatology	2,010	25.5%	22.5%	7.6%	3.3%	4.6%	7.8%	4.0%	4.2%	20.5%	100.0%
Behavioral Health	1,871	9.0%	1.9%	2.6%	0.8%	2.0%	0.6%	0.5%	0.4%	82.3%	100.0%
Neurology	1,283	16.1%	9.8%	14.7%	7.9%	13.7%	5.5%	5.1%	1.4%	25.8%	100.0%
Oncology/Hematology (Medical)	940	18.1%	10.5%	5.6%	11.0%	5.4%	5.6%	3.5%	2.0%	38.2%	100.0%
Spine	851	21.6%	1.4%	14.9%	0.7%	11.4%	7.4%	0.2%	0.0%	42.3%	100.0%
Rehabilitation	631	56.9%	0.0%	0.0%	0.0%	0.0%	16.0%	0.0%	0.0%	27.1%	100.0%
Other	585	10.4%	9.7%	8.0%	2.4%	19.8%	8.5%	3.2%	2.4%	35.4%	100.0%
Gynecology	493	15.2%	6.9%	4.7%	10.5%	5.5%	20.5%	1.2%	2.0%	33.5%	100.0%
Vascular Services	444	26.1%	9.2%	10.4%	5.0%	3.2%	1.8%	5.9%	2.3%	36.3%	100.0%
Urology	416	14.2%	12.7%	12.5%	3.6%	5.5%	2.6%	3.4%	3.1%	42.3%	100.0%
ENT	356	10.4%	9.6%	7.9%	5.3%	3.1%	7.0%	1.1%	0.3%	55.3%	100.0%
Neurosurgery	308	0.6%	0.3%	1.0%	0.3%	20.8%	8.4%	0.3%	0.0%	68.2%	100.0%
<All others>	81	18.5%	7.4%	7.4%	3.7%	8.6%	4.9%	2.5%	0.0%	46.9%	100.0%
Grand Total	33,784	20.9%	13.1%	10.0%	7.6%	6.4%	5.5%	4.0%	2.9%	29.5%	100.0%

Note: Excludes normal newborns

* Includes Valley Memorial Hospital under the consolidated license

Source: OSHPD Patient Discharge Database

- The Hospital is the service line leader in 14 out of 16 services lines: general medicine (23%), obstetrics (23%), cardiac services (21%), general surgery (19%), orthopedics (21%), neonatology (26%), behavioral health (9.0%), neurology (16%), oncology/hematology (18%), spine (22%), rehabilitation (57%), vascular services (26%), urology (14%), and ear, nose, and throat (10%);
- The Hospital also has a notable market share in gynecology (15%);
- Eden Medical Center holds 21% of the market share for neurosurgery; and
- John Muir Medical Center – Walnut Creek holds 21% of the market share for gynecology.

Market Share by ZIP Code

The following table illustrates service area hospital market share by ZIP Code for FY 2013.

HOSPITAL MARKET SHARE BY ZIP CODE: FY 2013												
ZIP Code	Community	Total Discharges	ValleyCare Medical Center*	Kaiser Foundation Hospital - Walnut Creek	San Ramon Regional Medical Center	Sutter Tracy Community Hospital	Eden Medical Center	John Muir Medical Center - Walnut Creek	Kaiser Foundation Hospital - Hayward/ Fremont	Kaiser Foundation Hospital - Manteca	All Others	Total
94550	Livermore	4,063	46.2%	15.9%	3.0%	0.2%	2.3%	2.0%	3.5%	0.2%	26.8%	100.0%
95376	Tracy	4,051	2.8%	1.1%	0.3%	44.9%	0.6%	0.5%	1.1%	13.3%	35.5%	100.0%
94546	Castro Valley	3,855	2.2%	5.1%	1.6%	0.0%	36.5%	1.1%	17.4%	0.1%	36.0%	100.0%
94568	Dublin	3,253	33.4%	20.6%	10.5%	0.1%	3.6%	5.2%	2.2%	0.1%	24.3%	100.0%
94566	Pleasanton	2,877	44.9%	15.9%	4.4%	0.1%	2.8%	3.6%	2.2%	0.1%	26.0%	100.0%
94551	Livermore	2,868	42.3%	17.1%	3.9%	0.3%	2.5%	2.2%	2.5%	0.2%	29.0%	100.0%
94583	San Ramon	2,418	7.5%	19.6%	33.9%	0.0%	1.8%	10.8%	1.3%	0.0%	24.9%	100.0%
94526	Danville	2,251	3.3%	20.4%	27.1%	0.0%	1.1%	22.7%	0.6%	0.0%	24.7%	100.0%
94588	Pleasanton	1,769	40.8%	18.3%	5.7%	0.0%	2.2%	4.4%	2.1%	0.1%	26.5%	100.0%
95377	Tracy	1,765	4.5%	1.5%	1.1%	32.4%	1.4%	0.7%	2.4%	20.2%	35.8%	100.0%
94582	San Ramon	1,725	8.2%	19.8%	33.2%	0.0%	1.3%	11.7%	0.9%	0.0%	24.9%	100.0%
94506	Danville	1,319	4.5%	14.5%	30.3%	0.0%	1.0%	21.5%	0.6%	0.0%	27.6%	100.0%
94552	Castro Valley	802	6.7%	8.2%	4.1%	0.0%	24.1%	2.7%	16.2%	0.0%	37.9%	100.0%
95391	Tracy	686	12.0%	4.2%	3.9%	23.2%	1.3%	1.6%	2.3%	9.8%	41.7%	100.0%
94586	Sunol	82	19.5%	9.8%	2.4%	0.0%	1.2%	3.7%	13.4%	0.0%	50.0%	100.0%
Grand Total		33,784	20.9%	13.1%	10.0%	7.6%	6.4%	5.5%	4.0%	2.9%	29.5%	100.0%
			7,075	4,417	3,367	2,573	2,165	1,862	1,367	985	9,973	

Note: Excludes normal newborns

* Includes Valley Memorial Hospital under the consolidated license

Source: OSHPD Patient Discharge Database

- The Hospital is the market share leader in six of the ZIP Codes within its service area. In four of these ZIP Codes, the Hospital had over 40% of the market share. The communities represented by these ZIP Codes include Livermore, Dublin, Pleasanton, and Sunol;
- San Ramon Regional Medical Center is the market share leader in four service area ZIP Codes, located in San Ramon and Danville;
- Sutter Tracy Community Hospital is the market share leader in three service area ZIP Codes, located in Tracy; and
- Eden Medical Center is the market share leader in two service area ZIP Codes, located in Castro Valley.

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, obstetrics, pediatrics, neonatal, psychiatric, skilled nursing, and emergency services for FY 2013.

Medical/Surgical Capacity Analysis

There are 362 licensed medical/surgical beds within the Hospital's service area that have an overall occupancy rate of 49%.

MEDICAL / SURGICAL BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
ValleyCare Medical Center ¹	-	X	141	4,466	24,217	66.3	46.9%
San Ramon Regional Medical Center	10.1	X	72	1,873	6,565	18.0	24.9%
Eden Medical Center*	13.4	X	82	7,175	26,398	72.3	88.0%
Sutter Tracy Community Hospital*	25.8	X	67	2,746	8,240	22.6	33.6%
SUB-TOTAL			362	16,260	65,420	179.2	49.4%
San Leandro Hospital	16.7		84	2,401	9,281	25.4	30.3%
Kaiser Foundation Hospital - Hayward/Fremont*	17.9		224	8,896	30,521	83.6	37.3%
Kaiser Foundation Hospital - Walnut Creek*	18.9		138	9,251	34,954	95.8	69.2%
Washington Hospital - Fremont	19.4		262	7,469	36,140	99.0	37.7%
St. Rose Hospital	20.9		163	5,066	21,917	60.0	36.8%
John Muir Medical Center - Walnut Creek*	22.4		266	5,834	31,882	87.3	32.7%
Alameda Hospital*	24.8		55	1,450	5,082	13.9	25.2%
Highland Hospital*	25.1		171	7,944	29,079	79.7	46.5%
Kaiser Foundation Hospital - Manteca*	33.7		127	5,950	19,300	52.9	41.5%
Kaiser Foundation Hospital - Antioch*	36.9		96	5,952	19,363	53.0	55.1%
TOTAL			1,948	76,473	302,939	830.0	42.5%

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

- The Hospital reported 4,466 inpatient hospital discharges and 24,217 patient days resulting in an occupancy rate of 47% and an average daily census of 66 patients for FY 2013;
- The Hospital's 141 licensed medical/surgical beds represented approximately 39% of the beds in this category for the service area;
- Eden Medical Center reported the highest occupancy rate, running at 88%; and
- Overall, the service area and area hospitals have capacity to accommodate more medical/surgical volume.

Intensive Care/Coronary Care Capacity Analysis

There are 76 intensive care and coronary care beds within the service area, with an overall occupancy rate of approximately 53%. The Hospital has 32 licensed intensive care/coronary care beds with a 31% average occupancy rate in FY 2013 (average daily census of approximately 10 patients).

INTENSIVE CARE UNIT / CORONARY CARE UNIT BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
ValleyCare Medical Center ¹	-	X	32	274	3,612	9.9	30.9%
San Ramon Regional Medical Center	10.1	X	12	212	1,758	4.8	40.1%
Eden Medical Center*	13.4	X	24	556	7,777	21.3	88.8%
Sutter Tracy Community Hospital*	25.8	X	8	199	1,584	4.3	54.2%
SUB-TOTAL			76	1,241	14,731	40.4	53.0%
San Leandro Hospital	16.7		9	137	1,443	4.0	43.9%
Kaiser Foundation Hospital - Hayward/Fremont*	17.9		26	420	5,803	15.9	61.1%
Kaiser Foundation Hospital - Walnut Creek*	18.9		24	464	6381	17.5	72.8%
Washington Hospital - Fremont	19.4		58	416	8,526	23.4	40.3%
St. Rose Hospital	20.9		15	238	3,345	9.2	61.1%
John Muir Medical Center - Walnut Creek*	22.4		47	2,490	9,547	26.2	55.5%
Alameda Hospital*	24.8		8	168	1,719	4.7	58.7%
Highland Hospital*	25.1		20	370	6,201	17.0	84.7%
Kaiser Foundation Hospital - Manteca*	33.7		26	644	4,479	12.3	47.1%
Kaiser Foundation Hospital - Antioch*	36.9		20	110	1,737	4.8	23.7%
TOTAL			329	6,698	63,912	175.1	53.1%

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

- For FY 2013, the average daily census for all service area hospitals was 40 patients based on 14,731 patient days; and
- In FY 2013, the Hospital provided 42% of the service area's intensive care/coronary care beds.

Pediatrics Capacity Analysis

In 2013, the Hospital was the only provider of pediatric beds within the service area. The Hospital reported four licensed pediatric beds with an occupancy rate of 26%. Outside of the Hospital’s service area, four area hospitals provided 70 licensed pediatric beds with a combined occupancy rate of 24% during FY 2013.

PEDIATRIC ACUTE / INTENSIVE CARE BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
ValleyCare Medical Center¹	-	X	4	148	378	1.0	25.8%
San Ramon Regional Medical Center	10.1	X	-	-	-	-	-
Eden Medical Center*	13.4	X	-	-	-	-	-
Sutter Tracy Community Hospital*	25.8	X	-	-	-	-	-
SUB-TOTAL			4	148	378	1.0	25.8%
San Leandro Hospital	16.7	-	-	-	-	-	-
Kaiser Foundation Hospital - Hayward/Fremont*	17.9	-	20	403	944	2.6	12.9%
Kaiser Foundation Hospital - Walnut Creek*	18.9	-	12	855	2,431	6.7	55.4%
Washington Hospital - Fremont	19.4	-	15	388	728	2.0	13.3%
St. Rose Hospital	20.9	-	-	-	-	-	-
John Muir Medical Center - Walnut Creek*	22.4	-	19	748	1,784	4.9	25.7%
Alameda Hospital*	24.8	-	-	-	-	-	-
Highland Hospital*	25.1	-	-	-	-	-	-
Kaiser Foundation Hospital - Manteca*	33.7	-	-	-	-	-	-
Kaiser Foundation Hospital - Antioch*	36.9	-	-	-	-	-	-
TOTAL			70	2,542	6,265	17.2	24.5%

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

- During FY 2013, the Hospital’s average daily census was one patient based on 378 patient days; and
- Washington Hospital – Fremont, located nearly 20 miles from the Hospital, is the closest “non-Kaiser” facility that provides pediatric services. During FY 2013, Washington Hospital – Fremont had an average daily census of two pediatric patients.

Obstetrics Capacity Analysis

As shown below, there were 44 obstetric beds located in the service area with an aggregate occupancy rate of 68% in 2013. The Hospital reported 15 licensed obstetric beds with an occupancy rate of 69%.

OBSTETRICS BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
ValleyCare Medical Center ¹	-	X	15	1,354	3,766	10.3	68.6%
San Ramon Regional Medical Center	10.1	X	10	771	2,146	5.9	58.6%
Eden Medical Center*	13.4	X	12	1,394	3,491	9.6	79.5%
Sutter Tracy Community Hospital*	25.8	X	7	661	1,515	4.2	59.1%
SUB-TOTAL			44	4,180	10,918	29.9	67.8%
San Leandro Hospital	16.7		-	-	-	-	-
Kaiser Foundation Hospital - Hayward/Fremont*	17.9		33	2,572	4,581	12.6	38.0%
Kaiser Foundation Hospital - Walnut Creek*	18.9		34	3,641	6,690	18.3	53.9%
Washington Hospital - Fremont	19.4		22	2,041	5,493	15.0	68.4%
St. Rose Hospital	20.9		17	849	2,109	5.8	34.0%
John Muir Medical Center - Walnut Creek*	22.4		83	2,912	8,223	22.5	27.1%
Alameda Hospital*	24.8		-	-	-	-	-
Highland Hospital*	25.1		17	1,539	3,948	10.8	63.5%
Kaiser Foundation Hospital - Manteca*	33.7		36	2,406	4,019	11.0	30.5%
Kaiser Foundation Hospital - Antioch*	36.9		28	1,403	2,048	5.6	20.0%
TOTAL			314	21,543	48,029	131.6	41.8%

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

(1) Sutter Tracy Community Hospital and the Kaiser Foundation Hospitals have Alternate Birthing Centers

- For FY 2013, the average daily census for all service area hospitals was 30 patients based on approximately 10,900 patient days; and
- The Hospital provides 34% of obstetric beds in the service area and has an average daily census of 10 patients per day.

Neonatal Intensive Care Capacity Analysis

As shown below, the Hospital's service area provides 16 licensed neonatal intensive care beds with an average daily census of 8 patients.

NEONATAL INTENSIVE CARE BEDS: FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
ValleyCare Medical Center¹	-	X	10	194	1,295	3.5	35.4%
San Ramon Regional Medical Center	10.1	X	2	93	346	0.9	47.4%
Eden Medical Center*	13.4	X	4	256	1,247	3.4	85.4%
Sutter Tracy Community Hospital*	25.8	X	-	-	-	-	-
SUB-TOTAL			16	543	2,888	7.9	49.3%
San Leandro Hospital	16.7		-	-	-	-	-
Kaiser Foundation Hospital - Hayward/Fremont*	17.9		16	192	3,475	9.5	59.5%
Kaiser Foundation Hospital - Walnut Creek*	18.9		25	317	5,032	13.8	55.0%
Washington Hospital - Fremont	19.4		-	-	-	-	-
St. Rose Hospital	20.9		-	-	-	-	-
John Muir Medical Center - Walnut Creek*	22.4		60	457	6,696	18.3	30.5%
Alameda Hospital*	24.8		-	-	-	-	-
Highland Hospital*	25.1		8	304	1,139	3.1	38.9%
Kaiser Foundation Hospital - Manteca*	33.7		12	140	1,443	4.0	32.9%
Kaiser Foundation Hospital - Antioch*	36.9		6	83	775	2.1	35.3%
TOTAL			143	2,036	21,448	58.8	41.0%

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

- The Hospital reported a volume of approximately 194 inpatient hospital discharges and 1,295 patient days, resulting in a low average daily census of four patients;
- In FY 2013, Eden Medical Center, located 13 miles from the Hospital, ran at a high occupancy rate of 85% on its four licensed neonatal intensive care beds; and
- The Hospital is the market share leader for neonatology services.

Acute Psychiatric Care Capacity Analysis

The Hospital is the only operator of acute psychiatric beds in the service area and provides geriatric behavioral health services. In FY 2013, the Hospital was licensed for 14 acute psychiatric care beds with an occupancy rate of 49% based on 2,500 patient days and an average daily census of seven patients.

PSYCHIATRIC ACUTE BEDS 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
ValleyCare Medical Center ¹	-	X	14	192	2,500	6.8	48.8%
San Ramon Regional Medical Center	10.1	X	-	-	-	-	-
Eden Medical Center*	13.4	X	-	-	-	-	-
Sutter Tracy Community Hospital*	25.8	X	-	-	-	-	-
SUB-TOTAL			14	192	2,500	7	48.8%
San Leandro Hospital	16.7		-	-	-	-	-
Kaiser Foundation Hospital - Hayward/Fremont*	17.9		-	-	-	-	-
Kaiser Foundation Hospital - Walnut Creek*	18.9		-	-	-	-	-
Washington Hospital - Fremont	19.4		-	-	-	-	-
St. Rose Hospital	20.9		-	-	-	-	-
John Muir Medical Center - Walnut Creek*	22.4		-	-	-	-	-
Alameda Hospital*	24.8		-	-	-	-	-
Highland Hospital*	25.1		80	2,969	24,978	68.4	85.3%
Kaiser Foundation Hospital - Manteca*	33.7		-	-	-	-	-
Kaiser Foundation Hospital - Antioch*	36.9		-	-	-	-	-
TOTAL			94	3,161	27,478	75.3	79.9%

Source: OSHPD Disclosure Reports, 2013

¹ Includes Valley Memorial Hospital under the consolidated license

* Unaudited

- Highland Hospital, located 25 miles away from the Hospital, is the nearest hospital provider of acute psychiatric services. Highland Hospital has 80 licensed acute psychiatric beds and a high occupancy rate of 85%, based on nearly 25,000 patient days and an average daily census of 68 patients; and
- The Hospital is the only area provider of geriatric behavioral health services.

Skilled Nursing Capacity Analysis

The Livermore Campus is the only general acute care provider of skilled nursing services in the service area with 26 licensed skilled nursing beds during FY 2013. Outside of the Hospital's service area, three other general acute care hospitals provided skilled nursing services during FY 2013. St. Rose Hospital has 22 licensed skilled nursing beds that have been in suspense since November 2011.

SKILLED NURSING BEDS: FY 2013							
	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
General Acute Care Hospitals							
Livermore Campus	-	X	26	532	7,673	21.0	80.6%
St. Rose Hospital	20.9		22	-	-	-	-
Alameda Hospital*	24.8		146	232	43,370	118.8	81.2%
Highland Hospital*	25.1		103	136	35,505	97.3	94.2%
Kaiser Foundation Hospital - Manteca*	33.7		38	29	4,745	13.0	34.1%
SUB-TOTAL			335	929	91,293	250.1	74.7%
Long-Term Care Facilities							
Kindred Nursing & Healthcare - Livermore	0.2	X	83	472	51,537	141.2	169.7%
Silver Oak Manor	0.5	X	37	44	12,965	35.5	95.7%
Pleasanton Nursing & Rehabilitation Center*	5.7	X	139	640	48,628	133.2	95.6%
Reutlinger Community for Jewish Living	13.8		60	114	20,786	56.9	94.7%
Hillside Senior Care	16.9		73	83	24,457	67.0	91.5%
Crestwood Manor - Fremont	17.2		126	53	45,541	124.8	98.8%
Windsor Country Drive Care Center	17.9		126	715	40,980	112.3	88.9%
Windsor Park Care Center of Fremont	18.1		85	318	28,517	78.1	91.7%
Park Central Care & Rehabilitation Center	18.1		99	798	34,592	94.8	95.5%
Crestwood Treatment Center - Fremont	18.1		88	30	22,683	62.1	70.4%
Fremont Healthcare Center	18.2		115	450	37,915	103.9	90.1%
Hilltop Care and Rehabilitation Center	19.4		71	330	22,984	63.0	88.4%
Masonic Home - Union City	19.6		125	221	23,188	63.5	50.7%
TOTAL			1,562	5,197	506,066	1,386	88.8%

Source: OSHPD Disclosure Reports, 2013

* Unaudited ** 2012 Disclosure Report

- In FY 2013, the Hospital had 7,673 patient days and 532 discharges for an average daily census of 21 patients and an occupancy rate of 81%;
- Omitting St. Rose Hospital's 22 licensed skilled nursing beds that are currently in suspense increases the service area hospital's aggregate occupancy rate to approximately 90%; and
- All service area hospitals and long-term care facilities, with the exception of Kaiser Foundation Hospital – Manteca, are running at high occupancy rates of between 81% and 170%. However, due to the large volume of licensed skilled nursing beds in the area, there are approximately 175 available skilled nursing beds.

Emergency Department Volume at Hospitals in the Service Area

In FY 2013, the Hospital had 18 emergency treatment stations. In total, there are currently 66 treatment stations among all service area hospitals. The table below shows the visits by severity category for area emergency departments as reported by OSHPD Automated Licensing Information and Report Tracking System.⁹

EMERGENCY DEPARTMENT VISITS BY CATEGORY: FY 2013													
Hospital	Miles from Hospital	Within Service Area		ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
ValleyCare Medical Center ¹	-	X		Basic	18	30,593	466	6,365	16,697	6,556	271	18.9%	116
San Ramon Regional Medical Center	10.1	X		Basic	12	16,659	638	714	4,708	6,307	4,292	18.6%	0
Eden Medical Center	13.4	X		Basic	22	43,286	458	2,748	12,904	11,398	15,778	14.3%	268
Sutter Tracy Community Hospital	25.8	X		Basic	14	32,398	300	4,070	13,218	9,084	5,726	7.7%	43
SUBTOTAL					66	122,936	1,862	13,897	47,527	33,345	26,067	14.1%	427
San Leandro Hospital	16.7			Basic	12	4,521	441	1,660	1,253	556	611	12.0%	0
Kaiser Foundation Hospital - Hayward/Fremont	17.9			Basic	26	51,306	12,525	7,981	12,936	13,393	4,471	8.9%	0
Kaiser Foundation Hospital - Walnut Creek	18.9			Basic	52	55,132	9,966	9,791	15,479	16,068	3,828	15.3%	0
Washington Hospital - Fremont	19.4			Basic	23	49,379	2,856	5,967	16,613	12,417	11,526	13.0%	0
St. Rose Hospital	20.9			Basic	17	35,084	434	4,606	12,712	9,371	7,961	13.0%	5
John Muir Medical Center - Walnut Creek	22.4			Basic	47	44,717	-	-	-	-	-	19.1%	0
Alameda Hospital	24.8			Basic	12	16,882	562	2,090	6,688	4,644	2,898	15.3%	79
Highland Hospital	25.1			Basic	52	92,078	36,629	11,024	12,138	17,814	14,473	10.4%	380
Kaiser Foundation Hospital - Manteca	33.7			Basic	10	23,294	6,728	5,195	5,868	4,977	526	3.9%	5
Kaiser Foundation Hospital - Antioch	36.9			Basic	34	43,371	13,612	7,623	11,774	9,233	1,129	9.9%	0
TOTAL					351	538,700	85,615	69,834	142,988	121,818	73,490	15.8%	896

Source: OSHPD Alerts Annual Utilization Reports, 2013

¹Source: Hospital

- In FY 2013, the Hospital's emergency department had 116 hours of diverted emergency department traffic;
- Nearly 19% of the Hospital's Emergency Department visits resulted in admission; and
- Approximately 14% of the service area's emergency department visits resulted in an inpatient admission.

⁹ The OSHPD Automated Licensing Information and Report Tracking System contains license and utilization data information of healthcare facilities in California.

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 2013, the Hospital's emergency department was operating at 85% of its 18-bed capacity. Emergency department capacity at Sutter Tracy Community Hospital is over capacity, operating at nearly 116% capacity.

EMERGENCY DEPARTMENT CAPACITY: FY 2013							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
ValleyCare Medical Center ¹	-	X	Basic	18	30,593	36,000	5,407
San Ramon Regional Medical Center	10.1	X	Basic	12	16,659	24,000	7,341
Eden Medical Center	13.4	X	Basic	22	43,286	44,000	714
Sutter Tracy Community Hospital	25.8	X	Basic	14	32,398	28,000	(4,398)
SUBTOTAL				66	122,936	132,000	9,064
San Leandro Hospital	16.7		Basic	12	4,521	24,000	19,479
Kaiser Foundation Hospital - Hayward/Fremont	17.9		Basic	26	51,306	52,000	694
Kaiser Foundation Hospital - Walnut Creek	18.9		Basic	52	55,132	104,000	48,868
Washington Hospital - Fremont	19.4		Basic	23	49,379	46,000	(3,379)
St. Rose Hospital	20.9		Basic	17	35,084	34,000	(1,084)
John Muir Medical Center - Walnut Creek	22.4		Basic	47	44,717	94,000	49,283
Alameda Hospital	24.8		Basic	12	16,882	24,000	7,118
Highland Hospital	25.1		Basic	52	92,078	104,000	11,922
Kaiser Foundation Hospital - Manteca	33.7		Basic	10	23,294	20,000	(3,294)
Kaiser Foundation Hospital - Antioch	36.9		Basic	34	43,371	68,000	24,629
TOTAL				351	538,700	702,000	163,300

Source: OSHPD Alirits Annual Utilization Reports, 2013

¹Source: Hospital

- Overall, the service area's hospitals' emergency departments are at approximately 93% capacity and have very little extra available capacity.

SUMMARY OF INTERVIEWS

In January and February of 2015, both in-person and telephone interviews were conducted with representatives of the Hospital, ValleyCare, and Stanford, as well as physicians, hospital employees, 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 ValleyCare to Stanford. 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:

Those interviewed cited a number of reasons for the transaction, including the following:

- The Hospital would continue to struggle financially and would not be sustainable in the longer term due to ValleyCare's poor financial condition and long-term bond debt. The best interest of the patients and the community will be met by finding a suitable health system to assume control and invest in the Hospital;
- The Hospital has not been able to obtain market rate managed care contracts
- The Hospital has delayed needed capital investments including those required for information technology;
- As a result of healthcare reform and marketplace changes it would be difficult to sustain the Hospital as an independent, stand alone, non-profit organization;
- The Hospital has been losing physicians to competitive healthcare organizations that can afford to offer better opportunities; and
- The Hospital is increasingly isolated in a highly competitive market and not supported by a broad enough integrated physician network to be successful in the future.

Importance of the Hospital to the Community

According to all who were interviewed, the Hospital is an important provider of healthcare services to the local community. Interviewees believe that the Hospital is especially important for its provision of emergency and obstetrical services. Some of the other programs and services at the Hospital that were also mentioned as important include the following:

- General surgical services;
- Cardiac services, including cardiac catheterization procedures and designation as a STEMI Receiving Center;
- Pediatric services;
- Women’s diagnostic services:
- Oncology services;
- Geriatric psychiatric services;
- Orthopedic services, including joint replacement and spine care services; and
- Urgent care services.

Selection of Stanford for the Proposed Transaction

The Board concluded that the Hospital needed to become formally affiliated with a health system that has financial strength, clinical expertise, management, and supportive infrastructure in order to continue and enhance the services that the Hospital provides to the local community. Members of the Hospital’s management team and board members interviewed indicated that a number of factors were considered in selecting Stanford for the transaction, including the following:

- An ability to remain a nonprofit;
- Governance structure and representation;
- Interest and ability to expand services;
- Commitment of financial support and funding of capital improvements;
- Academic status and strength of clinical programs;
- Physician alignment platform/medical foundation;
- Continued participation of local Board members on the Board;
- Expectation of service expansion; and
- Access to managed care contracts.

All of those interviewed expressed support for the selection of Stanford and were not aware of any opposition from the community.

Impact on the Availability & Accessibility of Healthcare Services

All interviewed believed that the affiliation would not have a negative impact on the availability or accessibility of healthcare services. In fact, it was believed that the affiliation with Stanford would stabilize the Hospital's services, operations, and finances and therefore preserve access. Additionally, while no commitments were cited from Stanford, it was believed that Stanford would expand some of the hospital's services, increase the number of physicians on the medical staff and bring a higher quality of care to the community. A few of those interviewed expressed that Stanford may discontinue some non-essential services. The services that were described as non-essential included pediatrics, the neonatal intensive care unit, and coronary artery bypass surgery.

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

Continuation as a General Acute Care Hospital

The terms of the Affiliation Agreement state that Stanford will continue to maintain the Hospital as a nonprofit general acute care facility licensed to provide intensive care, obstetrics, and emergency services for a minimum of five years. None of the parties to the transaction expect that there will be any reductions in the availability or accessibility of healthcare services. It is expected that as a result of the transaction, the Hospital will continue to operate as a nonprofit hospital in much the same manner as in the past.

Emergency Services

In FY 2013, the Hospital reported nearly 31,000 visits to its 18 emergency treatment stations, operating at 85% capacity (based on a standard of 2,000 visits per station, per year). As a result of the Patient Protection and Affordable Care Act and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. Because of this and the growing shortage of primary care physicians, emergency department utilization is expected to increase within the service area. Keeping the Hospital's Emergency Department is critical to providing emergency services within the Hospital's service area.

Medical/Surgical Services

With 141 licensed medical/surgical beds, an occupancy rate of 47%, and an average daily census of approximately 66 patients, the Hospital is an important provider of medical/surgical services. While the occupancy rate for medical/surgical services at the Hospital (47%) indicates significant available capacity, the Hospital's service area is expected to grow at a high rate of 7% between 2014 and 2019. Additionally, if Stanford expands services and increases the number of physicians on the medical staff the occupancy of medical/surgical beds may increase.

Intensive Care/Coronary Care Services

Despite a low occupancy rate of 31% on 32 licensed intensive care beds, the Hospital provided 42% of the service area's intensive care/coronary care beds in FY 2013. Thus, the Hospital is an important provider of these services for the local community. These services are an important resource for supporting the emergency department and other surgical and medical services. The closest service area hospital, San Ramon Regional Medical Center, is running at 40% occupancy and has an average daily census of approximately 5 patients. Eden Medical Center, located 13.4 miles away, is running at a high occupancy rate of 89%. Without the intensive care beds at ValleyCare, area availability of intensive care/coronary services would be severely impacted.

Pediatric Services

The Hospital's average daily census of one pediatric patient, with an occupancy rate of 26%, is very low. Inpatient pediatric services are usually provided at higher volume regional centers. Even though the Hospital is the only licensed provider of pediatric beds within the service area, because of the low volume at ValleyCare and the availability of pediatric services at regional centers, significant access issues would not be created if inpatient pediatric services were discontinued.

Obstetrics Services

The Hospital has an occupancy rate of 69% on its 15 licensed obstetrical beds, with an average daily census of 10 patients. With over 1,300 deliveries in FY 2013, the Hospital is an important provider of obstetrics services for service area residents. The Hospital is the largest provider of obstetrical services within the service area with approximately 23% market share. A significant reduction in the number of obstetrical beds could have an adverse effect on the availability of these healthcare services in the community.

Neonatal Intensive Care Services

The Hospital operates 10 licensed neonatal intensive care beds (63% of the combined area neonatal intensive care beds) and maintains an occupancy rate of approximately 35%. Two other service area hospitals offer neonatal intensive care services and run at a combined occupancy rate of approximately 73%. San Ramon Regional Medical Center ran at an occupancy rate of only 47%, while Eden Medical Center ran at a high occupancy rate of 85%. Because ValleyCare had approximately 1,343 deliveries in FY 2013, some of which are high risk, it is important to continue operations of the neonatal intensive care unit.

Behavioral Health Psychiatric Services

The Hospital is an important provider of geriatric mental health services for service area residents. The Hospital provides 14 inpatient psychiatric beds, reporting an occupancy rate of 49% in FY 2013. There is a shortage of area beds designated for geriatric psychiatric and behavioral health services, making the hospital an essential provider of these types of services. The Hospital is the only provider of acute psychiatric beds available in the service area, and is one of only two general acute care hospitals within nearly 40 miles that offers inpatient behavioral health psychiatric services. Highland Hospital, located 25 miles from the Hospital, is the only other provider of these services with 80 licensed acute psychiatric beds and a high occupancy rate of 85%.

Any reduction in the number of licensed acute psychiatric beds available at the Hospital could negatively affect the provision of these services for the community. Due to the shortage of available psychiatric beds in the community, as well as Alameda County as a whole, maintaining

the number of psychiatric beds at the Hospital at current licensure, as well as continuing the same type and/or level of these services is critical to ensuring access for residents both within the service area and Alameda County.

Skilled Nursing Care Services

The Hospital is the only hospital-based provider of skilled nursing services within its service area. Outside of the Hospital’s service area, three other area hospitals provided skilled nursing services during FY 2013. The Hospital is licensed for 26 skilled nursing beds and runs at an occupancy rate of 81%, while the other three area hospitals reported a combined occupancy rate of 74% for FY 2013. In addition to the Hospital and other area hospitals’ skilled nursing beds, there are numerous long-term care facilities within the service area that have a combined total of nearly 1,600 additional skilled nursing beds, running at an occupancy rate of approximately 89%. If there was any reduction to the number of skilled nursing beds available at the Hospital, it is expected that the availability and accessibility of these services would not be significantly impacted. There is a large supply of skilled nursing beds at other facilities within the service area to absorb the volume. While these facilities run at a high occupancy rate of 89%, there are almost 175 available beds. The Hospital’s average daily census of 21 skilled nursing patients could easily be accommodated elsewhere.

Reproductive Health Services

The Hospital is an important provider of a range of healthcare services for women including nearly 1,300 obstetrical deliveries per year. Neither the Hospital nor Stanford has restrictions on providing other reproductive healthcare services. The Hospital has also historically provided elective abortions on an outpatient basis. The table below shows inpatient reproductive healthcare related procedures that the Hospital provided in FY 2013.

REPRODUCTIVE SERVICES BY DIAGNOSTIC RELATED GROUP, FY 2013	
	Hospital
770: Abortion W D&C, Aspiration Curettage or Hysterectomy	2
778: Threatened Abortion	2
779: Abortion w/o D&C	13
777: Ectopic Pregnancy	2
767: Vaginal Delivery W Sterilization &/OR D&C	23
Total:	42

Source: OSHPD Patient Discharge Database

The proposed change in governance of the Hospital to Stanford should have no impact on reproductive services provided at the Hospital.

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

Approximately 57% of the Hospital's inpatients are reimbursed through Medicare (45%) and Medi-Cal (12%). Alameda County has a Two-Plan Model for Medi-Cal Managed Care that provides Medi-Cal Managed Care coverage through the Alameda Alliance for Health and Anthem Blue Cross. Currently, the Hospital is contracted with the Alameda Alliance for Health to provide care for Medi-Cal managed care beneficiaries. As a provider of care for Alameda Alliance for Health patients and indigent Alameda County residents, it is important to maintain the Hospital's contract with Alameda Alliance for Health.

Stanford has made a commitment in the Affiliation Agreement 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.

Effects on the Level & Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on the Hospital for healthcare services. The Hospital has historically provided a significant amount of charity care, averaging approximately \$1.3 million per year over the last five years (on a cost basis). While the Hospital is likely to continue providing similar levels of charity care, Stanford has not made any specific commitment in the Affiliation Agreement.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging \$3.7 million per year over the last five years (on a cost basis). While the Hospital is likely to continue providing similar community benefit services, Stanford has not made any specific commitment in the Affiliation Agreement.

Effects on Staffing & Employee Rights

None of the Hospital's employees are covered by collective bargaining agreements. Under the terms of Affiliation Agreement, the employment status of substantially all of ValleyCare's employees shall not be negatively impacted. It is anticipated that Stanford will recruit new medical staff and expand services at the Hospital. As a result, it is likely that the number of employees will increase.

Effects on Medical Staff

As a result of the affiliation, no changes to the Hospital's medical staff are expected. Stanford will not change the ValleyCare medical staff membership or privileges.

Alternatives

Because the affiliation is driven by strategic and financial concerns, if the proposed transaction were not approved, it is likely that the Hospital would seek another healthcare system or purchaser.

CONCLUSIONS

The proposed change of governance of ValleyCare is likely to improve the availability and accessibility of healthcare services in the communities served by the Hospital. It is anticipated that access for Medi-Cal, uninsured patients, and other classes of patients will either improve or remain unchanged.

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 the closing date of the transaction, the Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from the closing date of the transaction, the Hospital shall maintain 24-hour emergency medical services at a minimum of 18 treatment stations with the same types and/or levels of services;
3. For at least five years from the closing date of the transaction, the Hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Acute psychiatric services, including geriatric behavioral health services and a minimum of 14 beds;
 - b. Cardiac services, including the cardiac catheterization lab and the designation as a STEMI Receiving Center;
 - c. Critical care services, including a minimum of 32 intensive care beds;
 - d. Obstetric services, including a minimum of 15 obstetrics beds;
 - e. Orthopedic services, including joint replacement and spine care services;
 - f. Neonatal intensive care services, including a minimum of 10 neonatal intensive care beds;
 - g. Women's imaging and mammography services; and
 - h. Urgent care services, including those provided at the Livermore Campus and in Dublin.
4. For at least five years from the closing date of the transaction, the Hospital shall continue to provide the same types of women's reproductive services that have historically been provided;
5. For at least five years from the closing date of the transaction, 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 \$1,344,720 (the “Minimum Charity Care Amount”). 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 Oakland-Fremont-Hayward, California;

6. For at least five years from the closing date of the transaction, the Hospital shall continue to expend an average of no less than \$3,686,381 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Oakland-Fremont-Hayward, California. The following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services that are currently being provided:
 - a. My Heart’s Content;
 - b. Laborist Program;
 - c. Maternal child health programs including Childbirth Preparation Class, Lactation Program/Prenatal Education, Lamaze Prepared Childbirth Series, and New Mom’s Support Group;
 - d. Oncology programs including the Cancer Support Group and Cancer Survivorship Wellness;
 - e. Pulmonary Rehabilitation Program, Phase III; and
 - f. Pulmonary Rehabilitation Program, Phase II.
7. For at least five years from the closing date of the transaction, the Hospital shall maintain its Alameda County Public Health Department, Health Care Facilities’, and Medical Service Providers’ Mutual Aid Memorandum of Understanding;
8. For at least five years from the closing date of the transaction, 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 Alameda Alliance for Health contract;
9. For at least five years from the closing date of the transaction, 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. Stanford must comply with the \$3 million contribution to the Charitable Foundation set forth in section 1.44 of the Affiliation Agreement; and
11. Stanford must comply with the \$50 million “Capital Commitment” set forth in section 5.5 of the Affiliation Agreement.

APPENDICES

List of Interviewees

LIST OF INTERVIEWEES			
Last Name	First Name	Position	Affiliation
Booth, MD	Kevin	Past Chief of Staff & Medical Executive Member	ValleyCare Health System
Bouillercce	Denise	Charitable Foundation Director	ValleyCare Health System
Briones	Don	Vice President, Finance and Managed Care	ValleyCare Health System
Briscoe	Alex	Health Director	Alameda County
Calkin	Pitt	Interim Chief Financial Officer	ValleyCare Health System
Compton	Sue	Chief Executive Officer	Axis Community Health Services
Davis	Virginia	Director, Laboratory Services	ValleyCare Health System
Firpo	Melanie	Director, Human Resources	ValleyCare Health System
Gregerson	Scott	Chief Executive Officer	ValleyCare Health System
Inderbitzen	Marty	Board of Directors	ValleyCare Health System
Koon, RN	Donna	Emergency Room Director	ValleyCare Health System
Maples	Doreen	Vice President, Quality and Regulatory Affairs	ValleyCare Health System
Marina	Pamela	Chief Executive Officer, Medical Foundation	ValleyCare Health System
Mehandru, MD	Leena	Chief of Staff & Medical Executive Member	ValleyCare Health System
Morissette	Dan	Chief Financial Officer	Stanford Hospital & Clinics
Penn-Duecker, MD	Cynthia	Medical Director	ValleyCare Health System
Santos, MD	Robert	President & Vice Chair, Occupational Health	ValleyCare Physician Associates
Sensiba	John	Chair, Board of Directors	ValleyCare Health System
Shapiro	Joyce	Charitable Foundation Board Member	ValleyCare Health System
Shapiro	Bob	Charitable Foundation Board Member	ValleyCare Health System
Teeples	Gina	Chief Nursing Officer	ValleyCare Health System
Vargas	Jenni	Chief Strategy Officer	Stanford Hospital & Clinics
Yee, MD	John	Medical Foundation	ValleyCare Physician Associates

Hospital License

License: 140000114
Effective: 12/09/2014
Expires: 12/08/2015
Licensed Capacity: 242

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

Hospital Committee Area Livermore Pleasanton

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

ValleyCare Medical Center

Valley Memorial Hospital

ValleyCare Medical Center
5555 W Las Positas Blvd
Pleasanton, CA 94588-4000

Bed Classifications/Services

- 167 General Acute Care
- 15 Perinatal
- 13 Intensive Care
- 10 Intensive Care Newborn Nursery
- 9 Coronary Care
- 4 Pediatric
- 116 Unspecified General Acute Care

Other Approved Services

- Acute Respiratory Care Service
- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Cardiovascular Surgery
- Mobile Unit - CAT Scan
- Mobile Unit - Outpatient
- Mobile Unit - PET
- Nuclear Medicine
- Occupational Therapy at 4000 Dublin Blvd, Suite 150, Dublin
- Outpatient Services - Coumadin Clinic at 5725 W Las Positas Blvd, Suite 290, Pleasanton
- Outpatient Services - Diabetes and Bariatric Center at 5725 W Las Positas Blvd, Suite 220, Pleasanton
- Outpatient Services - Lactation Center at 5725 W Las Positas Blvd, Suite 235, Pleasanton
- Outpatient Services - Occupational Health at 4000 Dublin Blvd, Suite 150, Dublin
- Outpatient Services - OP Laboratory at 5565 W Las Positas Blvd, Suite 110A, Pleasanton
- Outpatient Services - Physical Medicine at 4000 Dublin Blvd, Suites 50 and 150, Dublin

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, East Bay District Office, 850 Marina Bay Parkway, Building P, 1st Floor Richmond, CA 948046403, (510)620-3900

POST IN A PROMINENT PLACE

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

License: 140000114
Effective: 12/09/2014
Expires: 12/08/2015
Licensed Capacity: 242

ValleyCare Medical Center (Continued)
5555 W Las Positas Blvd
Pleasanton, CA 94588-4000

Other Approved Services (cont'd)

Outpatient Services - Pre-Op Testing at 5565
W Las Positas Blvd, Suite 110B, Pleasanton
Outpatient Services - Urgent Care at 4000
Dublin Blvd, Suite 150, Dublin
Outpatient Services - Women's Center at 5725
W Las Positas Blvd, Suite 120, Pleasanton
Physical Therapy at 4000 Dublin Blvd, Suites
50 and 150, Dublin
Respiratory Care Services
Social Services

Valley Memorial Hospital
1111 E Stanley Blvd
Livermore, CA 94550-4115

Bed Classifications/Services

35 General Acute Care
7 Coronary Care
3 Intensive Care
25 Unspecified General Acute Care
14 Acute Psychiatric (D/P)
26 Skilled Nursing (D/P)

Other Approved Services

Occupational Therapy
Outpatient Services - Ambulatory Surgery
Center at 1133 E Stanley Blvd, Suite 251,
Livermore
Outpatient Services - Cardiac Rehab at 1119
E Stanley Blvd-LifeStyle Rx, Livermore
Outpatient Services - DI at 1133 E Stanley
Blvd, Suite 151, Livermore
Outpatient Services - General Medicine at
1119 E Stanley Blvd, Livermore
Outpatient Services - Lab at 1133 E Stanley
Blvd, Suite 151, Livermore
Outpatient Services - Occupational Health at
1133 E Stanley Blvd, Suite 151, Livermore
Outpatient Services - Physical Medicine at
1119 E Stanley Blvd-LifeStyle Rx, Livermore
Outpatient Services - Pulmonary Function
Testing at 1133 E Stanley Blvd, Suite 151,
Livermore
Outpatient Services - Pulmonary Rehab at
1119 E Stanley Blvd-LifeStyle Rx, Livermore

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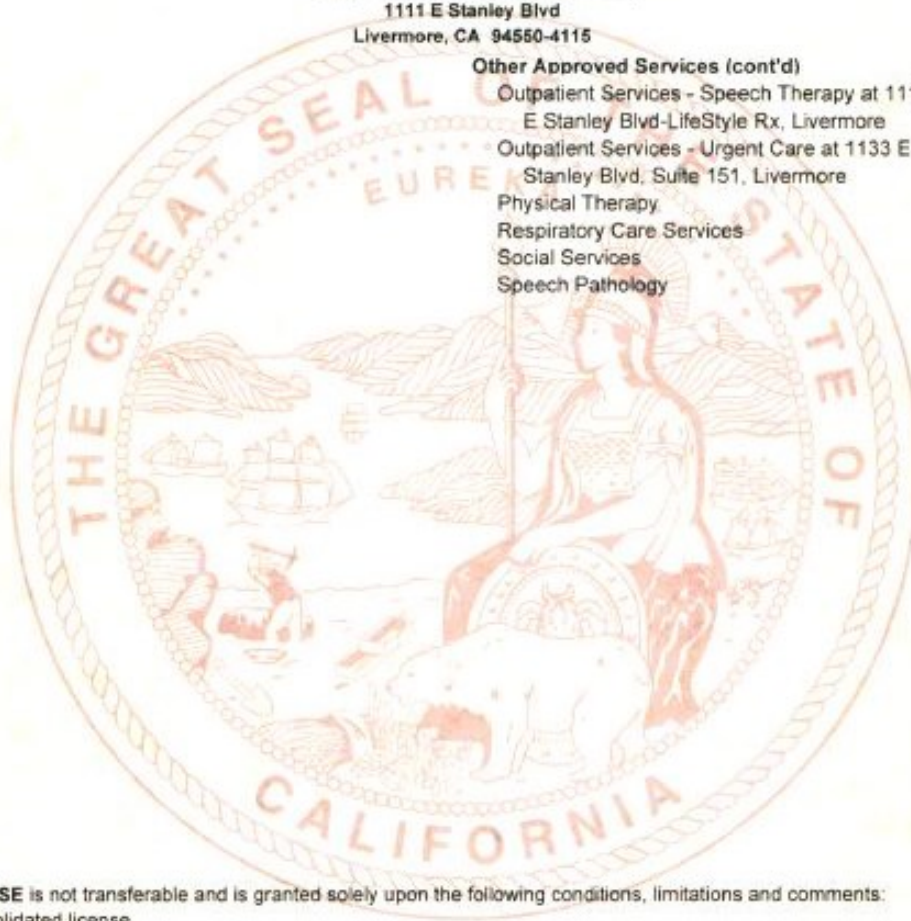
State of California
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License Addendum

License: 140000114
Effective: 12/09/2014
Expires: 12/08/2015
Licensed Capacity: 242

Valley Memorial Hospital (Continued)
1111 E Stanley Blvd
Livermore, CA 94550-4115

Other Approved Services (cont'd)

- Outpatient Services - Speech Therapy at 1119 E Stanley Blvd-LifeStyle Rx, Livermore
- Outpatient Services - Urgent Care at 1133 E Stanley Blvd, Suite 151, Livermore
- Physical Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology



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

- Consolidated license
- Intensive Care Newborn Nursery - Level II
- The Intensive Care Newborn Nursery - Intermediate Infants only.
- 7 Coronary Care beds, 3 Intensive Care beds and 25 Unspecified General Acute Care beds in suspense at Valley Memorial Hospital Campus, Livermore.
- Cardiovascular Surgery - Operating Room #6

Ron Chapman, MD, MPH
Director & State Health Officer


Sharon Won, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, East Bay District Office, 850 Marina Bay Parkway, Building P, 1st Floor Richmond, CA 948046403, (510)820-3900

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