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*[EXEMPT FROM FILING FEES  
PURSUANT TO GOVERNMENT  
CODE SECTION 6103]*

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF SAN MATEO

11  
12 **THE PEOPLE OF THE STATE OF**  
13 **CALIFORNIA,**  
14 Plaintiff,  
15 v.  
16 **AHMC HEALTHCARE INC.,** a California  
17 Corporation, **AHMC SETON MEDICAL**  
18 **CENTER LLC,** a California limited liability  
company, and **DOES 1-10.**  
19 Defendants.

Case No.

**COMPLAINT FOR SPECIFIC  
PERFORMANCE, CIVIL PENALTIES,  
AND OTHER EQUITABLE RELIEF**

(CORP. CODE, § 5926 and BUS. & PROF.  
CODE, § 17200 et seq.)

[VERIFIED ANSWER REQUIRED  
PURSUANT TO CODE CIV. PROC., § 446]

1 The People of the State of California, by and through Rob Bonta, Attorney General of the  
2 State of California, allege as follows:

3 **INTRODUCTION**

4 1. The Attorney General brings this action to enforce compliance with conditions that  
5 AHMC Healthcare, Inc. and AHMC Seton Medical Center LLC (collectively, AHMC) agreed to  
6 upon acquiring AHMC Seton Medical Center (Seton Medical Center) and AHMC Seton Medical  
7 Center Coastside (Seton Coastside), two general acute care hospitals (GAHCs) in San Mateo  
8 County. These conditions required AHMC to continue providing critical services such as  
9 emergency, stroke, and cardiac care at the hospitals. AHMC has defied these conditions and in  
10 doing so has broken its commitments to its patients, the community at large, and the People of the  
11 State of California.

12 2. Pursuant to Corporations Code section 5914, et seq., the Attorney General has  
13 primary responsibility to review and approve or deny transactions and agreements by nonprofit  
14 corporations concerning the sale or change in control of GACHs and other health facilities. The  
15 statute requires the Attorney General's review of these transactions to take into consideration a  
16 set number of factors under Corporations Code sections 5917 (for transfers to a for-profit) and  
17 5923, (for transfers to a nonprofit), including whether the transaction is in the public interest. (See  
18 also Cal. Code Regs., tit. 11, § 999.5, subd. (f)(9).)

19 3. Like all transactions involving at least one nonprofit hospital, the transaction  
20 involving Seton Medical Center and Seton Coastside was consummated only after approval by  
21 the Attorney General, once his review of the underlying information was complete. In this  
22 instance, the Attorney General's approval was predicated on mandatory conditions placed on  
23 AHMC, including conditions that AHMC maintain and operate both facilities as GACHs with  
24 specified healthcare services at both locations. These services include maintaining the emergency  
25 department (ED) at both hospitals, a stroke center certification, designation as a receiving center  
26 for ST-segment elevation myocardial infarction (STEMI) patients, and the skilled nursing  
27  
28

1 facilities (SNFs) among others. (See Attorney General Conditions to the Sale of Seton Medical  
2 Center and Seton Coastside, attached hereto as Exhibit A.)<sup>1</sup>

3 4. Defendant AHMC, founded by Dr. Jonathan Wu, operates eight general acute care  
4 hospitals with more than 1,200 beds in Los Angeles County, Orange County, Riverside County,  
5 and San Bernardino County. AHMC purchased Seton Medical Center in Daly City and Seton  
6 Coastside in Moss Beach from Verity Health System of California, Inc., a California nonprofit  
7 public benefit corporation, Verity Holdings, LLC, a California limited liability company, and  
8 Seton Medical Center, a California nonprofit public benefit corporation (collectively, Verity  
9 Health) through a sale of the assets approved by the Bankruptcy Court pursuant to Section 363 of  
10 Title 11 of the Bankruptcy Code. The Asset Purchase Agreement, dated March 30, 2020 (APA),  
11 included the sale of all assets of the hospitals, hiring substantially all employees, and continuing  
12 operations of the healthcare facilities to ensure continued community access to needed healthcare  
13 services. The APA also included commitments by AHMC to honor Attorney General Conditions  
14 to maintain the facilities as GACHs with specified services until December 13, 2025. (APA §  
15 8.5)<sup>2</sup>

16 5. Seton Medical Center serves residents of San Francisco and San Mateo counties and  
17 is currently licensed for 162 general acute care beds. The hospital shares a consolidated license  
18 with Seton Coastside, which is licensed for 116 skilled nursing beds and five general acute-care  
19 beds. Until April 1, 2024, Seton Coastside included a GACH, a SNF, and a 24-hour ED.

20 6. Defendants have violated the Attorney General's July 27, 2020, Conditions by  
21 closing the Seton Coastside ED and suspending the facility's license, and by reducing services at  
22 Seton Medical Center, including by discontinuing its Stroke Center certification and designation  
23 as a STEMI Receiving Center, closing its cath labs, and suspending four of its licensed beds.

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25  
26  
27 <sup>1</sup> The Attorney General's Conditions are also accessible on the Attorney General's  
website at <<https://oag.ca.gov/sites/all/files/agweb/pdfs/charities/nonprofithosp/ag-decision-verity-seton.pdf>>

28 <sup>2</sup> See <18201512004270000000000008.PDF (veritaglobal.net)> at pp. 2 and 112.

1 **THE PARTIES**

2 7. Plaintiff is the People of the State of California. The People bring this action by and  
3 through Rob Bonta, Attorney General of the State of California (Attorney General). The Attorney  
4 General is the chief law officer of the State and has authority to file civil actions to protect public  
5 rights and interests. (Const., art. V, § 13; Bus. & Prof. Code, § 321.) The Attorney General is  
6 authorized by Corporations Code section 5926, to enforce conditions imposed on his consent to  
7 an agreement or transaction pursuant to Corporations Code section 5914, including to seek  
8 specific performance, injunctive relief, and other equitable remedies a court deems appropriate  
9 for breach of any of the conditions. The Attorney General is authorized by Business and  
10 Professions Code section 17204, to obtain injunctive relief to halt violations of, and enforce  
11 compliance with, Business and Professions Code section 17200 et seq. The Attorney General is  
12 authorized by Business and Professions Code section 17206, to obtain civil penalties of up to  
13 \$2,500 for each violation of each of those sections, as well as additional civil penalties authorized  
14 by Business and Professions Code sections 17206.1 and 17206.2.

15 8. Defendant AHMC Healthcare, Inc. is a California corporation and its designee and  
16 affiliate Defendant AHMC Seton Medical Center LLC is a California limited liability company,  
17 both headquartered in Alhambra, California (see footnote 3 of the Attorney General Conditions at  
18 Exhibit A). Defendants are the owners and operators of AHMC Seton Medical Center in Daly  
19 City, California, and AHMC Seton Medical Center Coastside in Moss Beach, California, and  
20 holds the licenses required to operate the general acute care facilities and skilled nursing facilities  
21 at both locations and an acute psychiatric hospital at Seton Medical Center.

22 9. The People are currently unaware of the true identities of the Doe Defendants who  
23 may also be responsible for the violations alleged in this Complaint and accordingly names them  
24 as Doe Defendants pursuant to Code of Civil Procedure section 474. Each fictitiously named  
25 defendant is responsible in some manner for the violations of law alleged. Plaintiff will amend  
26 this Complaint to add the true names of the fictitiously named defendants once they are  
27 discovered. Whenever reference is made in this Complaint to “Defendants,” such reference shall  
28 include DOES 1 through 10 as well as the named defendants.



1 **JURISDICTION AND VENUE**

2 10. This Court has original jurisdiction over this action pursuant to California  
3 Constitution article VI, section 10.

4 11. Venue is proper in this Court pursuant to Code of Civil Procedure section 395.5,  
5 because the alleged violations of law occurred in San Mateo County, and AHMC Healthcare, Inc.  
6 and AHMC Seton Medical Center LLC maintain places of business in San Mateo County.

7 **FACTUAL ALLEGATIONS**

8 **I. THE CORPORATIONS CODE**

9 12. California law requires the Attorney General to scrutinize transfers of nonprofit  
10 health facilities to preserve access to uncompensated healthcare for the poor, elderly, and  
11 disabled. (See Stats. 1996, ch. 1105, § 1.)<sup>3</sup> California Corporations Code section 5914, specifies  
12 in relevant part that “[a]ny nonprofit corporation that is defined in Section 5046 and operates or  
13 controls a health facility, as defined in Section 1250 of the Health and Safety Code, shall be  
14 required to provide written notice to, and to obtain the written consent of, the Attorney General  
15 prior to entering into any agreement or transaction to sell its assets to a for-profit corporation or  
16 entity when a material amount of the assets of the nonprofit corporation are involved in the  
17 agreement or transaction.” (Corp. Code, § 5914, subd. (a)(1).)

18 13. The Attorney General shall have discretion to consent to, give conditional consent to,  
19 or not consent to any agreement or transaction described in Corporations Code, section 5914,  
20 subdivision (a). In making the determination, the Attorney General shall consider any factors that  
21 the Attorney General deems relevant, including, but not limited to, whether “the Attorney General  
22 has been provided . . . with sufficient information and data by the nonprofit corporation to  
23 evaluate adequately the agreement or transaction or the effects thereof on the public; [¶] (h) the  
24 agreement or transaction may create a significant effect on the availability or accessibility of

25 \_\_\_\_\_  
26 <sup>3</sup> The Attorney General’s supervisory and enforcement authority is granted under the  
27 Supervision of Trustees and Fundraisers for Charitable Purposes Act, Govt. Code, § 12580 et  
28 seq., the Nonprofit Corporation Law, Corp. Code, § 5000 et seq., the Solicitations for Charitable  
Purposes Law, Bus. & Prof. Code, § 17510 et seq., and provisions of the Business and  
Professions Code that prohibit unlawful, unfair, or fraudulent business acts or practices within  
this State. (*Id.* at §17200 et seq.)

1 health care services to the affected community; [¶][or] (i) the proposed agreement or transaction  
2 is in the public interest.” (Corp. Code, § 5917, subds. (g)-(i).)

3 14. The Attorney General also considers other relevant information provided by the  
4 applicant and conducts public meetings to receive public comments. (Corp. Code, §§ 5916-5917,  
5 5922-5923; Cal. Code Regs., tit. 11, § 999.5, subd. (e)(7).) When a GACH is involved, the  
6 Attorney General contracts with a healthcare consultant to prepare an independent healthcare  
7 impact statement that assesses the agreement or transaction’s impacts on the availability or  
8 accessibility of healthcare services to the affected community. (Cal. Code Regs., tit. 11, § 999.5,  
9 subd. (e)(6).) The Attorney General notifies the applicant in writing of the decision. (Corp. Code,  
10 §§ 5915, 5921.)

11 15. When the Attorney General grants consent to an agreement or transaction, regulations  
12 require the “continuation at the hospital of existing levels of essential healthcare services” for at  
13 least five years, including ED services. (Cal. Code Regs., tit. 11, § 999.5, subd. (f)(8)(C).)

14 16. Pursuant to Corporations Code section 5926, the Attorney General may enforce  
15 conditions imposed on the Attorney General’s consent to an agreement or transaction pursuant to  
16 California Corporations Code section 5914 or 5920 to the fullest extent provided by law. In  
17 addition to any legal remedies the Attorney General may have, the Attorney General shall be  
18 entitled to specific performance, injunctive relief, and other equitable remedies a court deems  
19 appropriate for breach of any of the conditions and shall be entitled to recover attorney’s fees and  
20 costs incurred in remedying each violation.

## 21 **II. THE HOSPITALS**

22 17. Seton Medical Center was originally founded as Mary’s Help Hospital by the  
23 Daughters of Charity of St. Vincent de Paul in 1893. In 1965, the hospital moved to its current  
24 location. Many of the hospital’s staff are dedicated, long-term employees who have been  
25 providing care and other services at the hospitals for decades. The hospital, renamed Seton  
26 Medical Center in 1983, is currently licensed for 162 general acute care beds and serves residents  
27 in San Mateo County and San Francisco County.

1           18. Seton Medical Center shares a consolidated license with Seton Coastside, which is  
2 licensed for 116 skilled nursing beds and five general acute care beds. Seton Coastside was  
3 founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay  
4 acquired ownership of the hospital and signed an agreement for Daughters of Charity to head  
5 operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's  
6 Hospital became Seton Coastside as it was integrated into one administrative entity with Seton  
7 Medical Center.

8           19. On December 3, 2015, the California Attorney General conditionally approved the  
9 sale of Daughters of Charity to BlueMountain Capital Management, LLC. On December 14,  
10 2015, Daughters and BlueMountain Capital Management, LLC closed the deal and renamed the  
11 health system Verity Health System of California, Inc. These conditions, which AHMC agreed to  
12 honor as part of its purchase of Seton Medical Center and Seton Coastside, required maintenance  
13 of services at the GACHs until December 13, 2025.

14           **III. THE ATTORNEY GENERAL'S CONDITIONAL APPROVAL**

15           20. Verity Health, the then operator of the hospitals, submitted notice of the transaction to  
16 the Attorney General on April 27, 2020, pursuant to Corporations Code section 5914 et seq.  
17 Following his investigation of the transaction that included consulting with a health care expert  
18 who issued an impact report and conducting a public meeting to receive public comments about  
19 the transaction, the Attorney General conditionally approved the transaction.

20           21. Thus on July 27, 2020, the Attorney General published Conditions to the Sale of  
21 Seton Medical Center and Seton Coastside and Approval of the Asset Purchase Agreement by  
22 and among Verity Health System of California, Inc., Verity Holdings, LLC, Seton Medical  
23 Center, and AHMC Healthcare, Inc. (including its designated affiliate and assignee AHMC Seton  
24 Medical Center LLC) (Exhibit A), including conditions requiring Defendants to honor all  
25 agreements comprising the transaction and requiring Defendants to maintain all types and levels  
26 of services, and all certificates and designations for a period of five years. Specifically relevant  
27 here are the Conditions requiring maintenance of the GACH, SNF, and ED at Seton Coastside  
28 and maintenance of cardiac catheterization laboratories (cath labs), advanced certification as a

1 Primary Stroke Center, designation as a STEMI Receiving Center, and licensed beds at Seton  
2 Medical Center in Daly City.

3 **IV. VIOLATION OF THE ATTORNEY GENERAL’S CONDITIONS**

4 22. Defendants have demonstrably failed to comply with many of the Conditions  
5 imposed on its purchase of the hospitals. The violations are discussed below.

6 **A. Failure to Operate and Maintain Seton Coastside GACH, SNF, and ED**

7 23. Condition IV requires that Defendants operate and maintain the facilities as GACHs  
8 until December 13, 2025. A GACH is defined by Health and Safety Code section 1250, as  
9 providing “24-hour inpatient care, including the following basic services: medical, nursing,  
10 surgical, anesthesia, laboratory, radiology, pharmacy, and dietary services.” Condition VIII  
11 requires Defendants maintain the Seton Coastside ED and SNF until December 13, 2025.

12 24. According to Defendants, storm damage required the entire Seton Coastside roof to  
13 be replaced and severely impacted several parts of the facility, including the GACH, SNF, and  
14 ED. The California Department of Health Care Access and Information (HCAI), which regulates  
15 the design and construction of healthcare facilities to ensure they are safe and capable of  
16 providing services to the public, conducted a site visit at Seton Coastside on March 27, 2023, and  
17 observed that the storm damage, specifically the falling of a tree onto the building, was not  
18 structurally significant. After the site visit, HCAI placed a “green tag” on the facility, indicating  
19 that it was fit for immediate occupancy.

20 25. Notwithstanding HCAI’s assessment, AHMC voluntarily suspended their license for  
21 Seton Coastside December 2023, in violation of Conditions IV and VIII, without first notifying  
22 the Attorney General’s Office or seeking an amendment of the conditions from the Attorney  
23 General under California Code of Regulations, title 11, section 999.5, subdivision (h).

24 26. Specifically, Defendants obtained a flex approval from the California Department of  
25 Public Health (CDPH) to temporarily close Seton Coastside’s ED from February 23, 2024, until  
26 December 31, 2024. The flex approval indicates that the reason for closure was to perform  
27 “emergency building repairs.” Defendants did not disclose to CDPH the existing Attorney  
28 General Conditions. Defendants closed the ED on April 1, 2024, a clear violation of Conditions

1 IV and VIII, without first notifying the Attorney General’s Office or seeking an amendment of  
2 the Conditions from the Attorney General under California Code of Regulations, title 11, section  
3 999.5, subdivision (h).

4 27. In a press release dated August 2, 2024, Defendants stated that, “Given the extent and  
5 complexity of the construction and repair work at [Seton] Coastside, it is difficult to predict the  
6 exact time the Emergency Department will reopen, but at this time we hope for a possible  
7 reopening in Spring 2025.” (See Press Release, attached hereto as Exhibit B.) Defendants have  
8 not sought an extension of time from CDPH for the flex closure nor did they directly notify the  
9 Attorney General’s Office of this intended prolonged closure.

10 28. On information and belief, the storm did not cause the amount of damage that  
11 Defendants are claiming necessitated shutting down the facility in its entirety. Repairs being done  
12 at the facility are upgrades and cosmetic updates to address deferred maintenance, including  
13 laundry and kitchen renovations, not emergency repairs. Furthermore, these cosmetic repairs and  
14 deferred maintenance can be performed while the facility is occupied; depriving the community  
15 of the GACH, ED, and onsite SNF is unnecessary.

16 29. HCAI visited the facility on September 5, 2024, and determined that the roof repairs  
17 are complete. Currently, the facility cannot reopen because Defendants have not worked with  
18 HCAI and CDPH to plan the construction work to allow for the daily operation of the facility.  
19 Defendants have violated and continue to violate Conditions IV and VIII by shutting down  
20 operations of the GACH, ED, and onsite SNF to prioritize renovations over the provision of life-  
21 saving healthcare services.

22 30. With the effective closure of their hospital, residents face reduced access to timely  
23 emergency medical care. Studies have shown that ambulance services to the nearest hospital,  
24 following hospital closure, are spread over a larger geographic area, leading to longer emergency  
25 response times and poorer overall community health.<sup>4</sup> Studies of the impact of reduced access to

26 <sup>4</sup> Hsia RY, Shen YC, *Emergency Department Closures And Openings: Spillover Effects*  
27 *On Patient Outcomes In Bystander Hospitals* (September 2019) Health Affairs  
28 <<https://www.healthaffairs.org/doi/10.1377/hlthaff.2019.00125>>; Harsha D., *How do hospital*  
*closures in the United States impact patient care?* (April 12, 2022) Harvard Kennedy School,

(continued...)

1 emergency services have found that increased travel time to the nearest Emergency Department is  
2 associated with higher mortality rates.<sup>5</sup>

3 **B. Failure to Maintain Cath Labs, STEMI Designation, and Advanced**  
4 **Primary Stroke Certification at Seton Medical Center**

5 31. Condition V requires Defendants to maintain, at Seton Medical Center, 24-hour  
6 emergency medical services with a minimum of 18 treatment stations including the same types  
7 and/or levels of services, including designation as a STEMI Receiving Center and advanced  
8 certification as a Primary Stroke Center, until December 13, 2025. Condition VI requires  
9 Defendants to maintain cardiac services at Seton Medical Center, including two cath labs at  
10 current licensure, types, and/or levels of services and to not place all or any portion of its  
11 licensed-bed capacity or services in voluntary suspension or surrender its license for any of these  
12 beds or services until December 13, 2025.

13 **1. Cardiac Catheterization Labs and STEMI Receiving Center**

14 32. According to San Mateo County Emergency Medical Services Division, Seton  
15 Medical Center has not accepted STEMI patients from the 9-1-1 system from January 18, 2024,  
16 to January 29, 2024, and from February 20, 2024, to the present date, in violation of Condition V.

17 33. The cath labs deliver emergent lifesaving interventional services to acute heart attack  
18 patients for the immediate Daly City and coastal communities.

19 34. Closure of the cath labs is purportedly attributable to deferred repairs following the  
20 development of water leaks in the ceiling of the labs in December 2023. Throughout the winter  
21 and spring months of 2024, the cath labs sporadically opened and closed in response to stop-gap  
22 repairs and worsening conditions. San Mateo County EMS was notified of the intermittent  
23 closures resulting in suspension of emergent cath interventions for STEMI patients. These

24  
25 <https://www.hks.harvard.edu/faculty-research/policy-topics/health/how-do-hospital-closures-united-states-impact-patient-care>.

26 <sup>5</sup> Nicholl J., et al., *The relationship between distance to hospital and patient mortality in*  
27 *emergencies: an observational study* (Sept. 24, 2007) *Emerg Med J.* <  
28 <https://pubmed.ncbi.nlm.nih.gov/17711952/>>; Scott, Brandon S. et al., *Addressing the Emergency*  
*Department Crowding Crisis: Is Discharge by Noon Really the Answer?*, *J. Com. J. on Quality and*  
*Patient Safety*, Vol.49, Issue 4, 179 - 180.

1 closures resulted in all critical patients in the county being diverted to Mills-Peninsula, a  
2 diversion that delays intervention time and critically endangers patients with STEMIs.

3 35. Prior to diversion, Seton Medical Center treated close to 40 percent of the STEMIs in  
4 San Mateo County and all of the STEMIs for Kaiser South San Francisco. Diversion of STEMI  
5 patients from Seton Medical Center has put a tremendous burden on other hospitals in the  
6 community as they have absorbed all of these emergency services. As of the date of this filing,  
7 Seton Medical Center remains on diversion for emergent cardiac STEMI interventions. By  
8 discontinuing these important life-saving services, Defendants are violating Conditions V and VI.

9 36. As with the closure of Seton Coastside, Defendants' reduction of cardiology services  
10 impacts the residents of the area who rely on Seton Medical Center for these services.<sup>6</sup> Studies  
11 have shown the effects of consolidation in cardiology services as being equivalent to closures and  
12 show how it results in higher prices which could further impact access to these services.<sup>7</sup> The  
13 State of California access regulations require that services like these be closely available within  
14 urban settings.<sup>8</sup>

## 15 **2. Primary Stroke Center Advanced Certification**

16 37. Defendants allowed Seton Medical Center's advanced certification as a Primary  
17 Stroke Center to lapse in the Spring of 2023 and failed to timely notify the Attorney General's  
18 Office or seek an amendment of the conditions from the Attorney General. On September 12,  
19 2023, Seton's administrator, Sarkis Vartanian, notified the Attorney General's Office that Seton  
20 was unable to continue its Primary Stroke Center certification due to the decommissioning of the  
21 aged and unreliable elevators leading to Imaging Services. Also on September 12, 2023, Mr.

22 <sup>6</sup> American Heart Association, *Cardiovascular Disease: A Costly Burden For America*  
23 *Projections Through 2035*, <[https://www.heart.org/-/media/Files/About-Us/Policy-  
24 Research/Fact-Sheets/Public-Health-Advocacy-and-Research/CVD-A-Costly-Burden-for-  
25 America-Projections-Through-2035.pdf](https://www.heart.org/-/media/Files/About-Us/Policy-Research/Fact-Sheets/Public-Health-Advocacy-and-Research/CVD-A-Costly-Burden-for-America-Projections-Through-2035.pdf)>; Buchmueller, T., et al., *How far to the hospital?: The  
26 effect of hospital closures on access to care* (2006) J. of Health Economics, Vol. 25, Issue 4, 740-  
27 761 <<https://www.sciencedirect.com/science/article/abs/pii/S0167629605001116>>.

28 <sup>7</sup> Petris, N., *Consolidation in California's Health Care Market 2010-2016: Impact on  
Prices and ACA Premiums*, Center on Health Care Markets and Consumer Welfare School of  
Public Health, University of California, Berkeley (Mar. 26, 2018) <[https://petris.org/wp-  
content/uploads/2018/03/CA-Consolidation-Full-Report\\_03.26.18.pdf](https://petris.org/wp-content/uploads/2018/03/CA-Consolidation-Full-Report_03.26.18.pdf)>.

<sup>8</sup> California Health Care Foundation, *Network Adequacy Standards in California: How  
They Work and Why They Matter* (Dec. 2021) <[https://www.chcf.org/wp  
content/uploads/2021/12/NetworkAdequacyStandardsHowTheyWorkWhyTheyMatter.pdf](https://www.chcf.org/wp-content/uploads/2021/12/NetworkAdequacyStandardsHowTheyWorkWhyTheyMatter.pdf)>.

1 Vartanian stated that “outside of our control we unexpectedly lost neurologist medical staff  
2 coverage” and declared an “intention to reinstate our [Primary Stroke Center] designation and we  
3 will strive to do so with all due diligence” but could not provide a date certain when that would  
4 occur because of “complexities and uncertainties that we are faced with.” To date, the elevators  
5 remain inoperable, there is no neurologist on staff, and the Primary Stroke Center certification has  
6 not been renewed. Failure to maintain this certification is a continuing violation of Condition V.

7 38. Defendants’ cessation of Seton’s Primary Stroke Center advanced certification  
8 deprives the community of care that is essential to decrease complications, reduce morbidity and  
9 mortality, improve long-term outcomes, and increase patient satisfaction.<sup>9</sup> Primary Stroke Centers  
10 enhance the quality of stroke care, improve patient outcomes, and promote efficient healthcare  
11 delivery, yet over one-third of the United States population is not within 60 minutes of a Primary  
12 Stroke Center.<sup>10</sup> This statistic underscores the danger to the community caused by Defendants’  
13 noncompliance with Condition V.

14 **3. Failure to Maintain Minimum Number of Licensed Beds**

15 39. Conditions VI and VII require that Defendants not place all or any portion of its  
16 licensed-bed capacity in voluntary suspension or surrender its license for any of these beds.

17 40. On July 8, 2024, Defendants informed the Attorney General’s Office by letter that  
18 they had placed four of Seton Medical Center’s intensive care beds in suspension more than a  
19 year and a half prior. Defendants provided a letter to CDPH dated January 3, 2023, explaining  
20 that, due to already completed restructuring of floors, the hospital decreased its licensed bed  
21 capacity by four intensive care beds. Notification of this action more than a year and a half later,  
22 by letter and not by amendment request, deprives the Attorney General of his right and obligation  
23 to review the effect of the change on the availability or accessibility of healthcare services to the  
24 affected community. (Cal. Code Regs., tit. 11, §999.5, subd. (h)(4).) This decrease in the number  
25 of licensed beds clearly violates Conditions VI and VII.

26 \_\_\_\_\_  
27 <sup>9</sup> <<https://www.heart.org/-/media/Files/About-Us/Policy-Research/Fact-Sheets/Stroke/Primary-Stroke-Center-Fact-Sheet.pdf>>

28 <sup>10</sup> *Id.*, citing Adeoye O, et al. Geographic access to acute stroke care in the United States. *Stroke*, 2014;45(10): 3019-3024.



1 **CAUSES OF ACTION**

2 **FIRST CAUSE OF ACTION**

3 **(VIOLATIONS OF CALIFORNIA’S NONPROFIT PUBLIC BENEFIT CORPORATIONS**  
4 **LAWS)**

5 **(CORPORATIONS CODE SECTIONS 5914 AND 5915, AND CALIFORNIA CODE OF**  
6 **REGULATIONS, TITLE 11, SECTION 999.5, SUBDIVISION (H))**

7 41. Plaintiff incorporates by reference as though fully set forth herein the allegations of  
8 this Complaint.

9 42. Defendants have violated Corporations Code section 5914 et seq., including Section  
10 5926, and California Code of Regulations, tit. 11, section 999.5, subdivision (g), by violating  
11 Conditions IV, V, VI, VII, and VIII, and by failing to obtain the consent of the Attorney General  
12 to amend those Conditions.

13 43. Plaintiff is further informed and believes, and thereon alleges, that no pecuniary  
14 compensation would afford adequate relief.

15 **SECOND CAUSE OF ACTION**

16 **(VIOLATIONS OF CALIFORNIA’S UNFAIR COMPETITION LAW)**

17 **(BUSINESS AND PROFESSIONS CODE SECTION 17200)**

18 44. Plaintiff incorporates by reference as though fully set forth herein the allegations of  
19 this Complaint.

20 45. Pursuant to Corporations Code section 5914 et seq., the Attorney General  
21 conditionally approved the transaction referenced in paragraphs 20-21 subject to the Conditions  
22 attached to this Complaint as Exhibit A until December 13, 2025, including:

- 23 • Condition IV requiring Defendants to operate and maintain the facilities as GACHs;
- 24 • Condition VIII requiring Defendants to maintain at Seton Coastside ED and onsite  
25 SNF at current licensure;
- 26 • Condition V requiring Defendants to maintain at Seton Medical Center its STEMI  
27 Receiving Center designation and Primary Stroke Center certification;
- 28 • Condition VI requiring Defendants to maintain cardiac services at Seton Medical  
Center, including two cath labs; and

- Conditions VI and VII requiring that Defendants not place any portion of the facilities' bed capacity into suspension or surrender the license for these beds.

46. Plaintiff is informed and believes that Defendants have violated these Conditions by failing to maintain and operate the Seton Coastside GACH, ED, and onsite SNF; by discontinuing the Primary Stroke Certification and STEMI Receiving Center designation and closing the cardiac cath labs at Seton Medical Center; and by placing four of Seton Medical Center's intensive care beds in suspension.

47. Defendants have engaged in and continue to engage in, have aided and abetted and continue to aid and abet, and have conspired to and continue to conspire to engage in unlawful, unfair, or fraudulent acts or practices that constitute unfair competition as defined in Business and Professions Code section 17200. These acts or practices include, but are not limited to, the following:

a. Defendants violated the conditions of the Attorney General's consent, including but not limited to Conditions IV, V, VI, and VIII, under which they were permitted to proceed with the acquisition of the hospitals in question under Corporations Code section 5917, as notified to the Attorney General under Corporations Code under section 5914.

b. Defendants violated Corporations Code sections 5914 and 5915, and California Code of Regulations, title 11, section 999.5, by their willful refusal to seek the consent of the Attorney General to amend the Conditions, including but not limited to Conditions IV, V, VI, VII, and VIII before engaging in those acts and practices.

48. Defendants' acts and practices, as described above but not necessarily limited to those descriptions, independently constitute unfair acts or practices in violation of Business and Professions Code section 17200, for the following reasons:

a. Defendants have suspended or discontinued ED, intensive care unit, stroke, and cardiac services important to the residents of San Mateo and San Francisco Counties and the region.

b. Alternatives to such services are up to 30 minutes away and will be burdened with patients who cannot use the services formerly provided by Defendants.

1 c. Defendants did not seek prior approval for such changes so that the Attorney General  
2 could guarantee (i) such disruptions are strictly necessary; (ii) such disruptions are limited to the  
3 minimum possible; and (iii) obtain guarantees that would ensure that such disruptions, if in fact  
4 required, were limited to the minimum possible with alternatives such as transportation services  
5 provided by Defendants at their own expense for patients who would have to travel to access  
6 them (e.g., payment for transportation services used).

7 d. Patients and their employers do not benefit from arbitrary closures for which  
8 Defendants did not seek prior approval and which reduce healthcare service alternatives near  
9 patient residences and places of business.

10 e. Defendants' voluntary discontinuance of these healthcare services at its facilities,  
11 without seeking prior approval, is in flagrant violation of the Attorney General's Conditions and  
12 deprives the residents of and visitors to San Mateo and San Francisco Counties the use of these  
13 facilities.

14 f. Without the requested injunctive relief sought by Plaintiff in this action, residents of  
15 San Mateo County, San Francisco County, and the People of the State of California, will continue  
16 to be deprived of the full use of these facilities in violation of Conditions IV, V, VI, VII, and VIII.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, the People respectfully request that the Court enter judgment in favor of the  
19 People and against Defendants, jointly and severally, as follows:

20 A. For specific performance, injunctive relief, and such other equitable remedies as the  
21 court deems appropriate pursuant to Corporations Code section 5926, and California Code of  
22 Regulations, title 11, section 999.5, subdivision (g)(6), including resuming GACH, ED, and  
23 onsite SNF operations at Seton Coastside and restoring Seton Medical Center's Primary Stroke  
24 Center Advanced Certification and STEMI Receiving Center Designation, and tolling the  
25 Conditions for the amount of time AHMC has been out of compliance or until such time as is  
26 necessary to remedy the impact of AHMC's noncompliance;

27 B. For preliminary and permanent injunctive relief, pursuant to Business and Professions  
28 Code section 17203, and Code of Civil Procedure section 526, enjoining Defendants and their

1 employees, agents, servants, representatives, successors, and assigns, any and all persons acting  
2 in concert or participation with or for them, and all other persons, corporations, or other entities  
3 acting under, by, through, or on behalf of Defendants, from engaging in unfair competition as  
4 defined in Business and Professions Code section 17200, including but not limited to, the types of  
5 acts or practices alleged in the First and Second Causes of Action, and particularly, mandating  
6 that Defendants comply with the Attorney General's Conditions of transaction approval;

7 C. Pursuant to Business and Professions Code section 17206, that the Court assess a civil  
8 penalty of two thousand five hundred dollars (\$2,500) against Defendants for each violation of  
9 Business and Professions Code section 17200, as proved at trial;

10 D. Pursuant to Business and Professions Code section 17206.1, that the Court assess a  
11 civil penalty of two thousand five hundred dollars (\$2,500) against Defendants for each violation  
12 of Business and Professions Code section 17200, against one or more senior citizens or disabled  
13 persons, as proved at trial;

14 E. Pursuant to Business and Professions Code section 17206.2, that the Court assess a  
15 civil penalty of two thousand five hundred dollars (\$2,500) against Defendants for each violation  
16 of Business and Professions Code section 17200, against one or more service members or  
17 veterans, as proved at trial;

18 F. Pursuant to Government Code section 12527.6, Defendants be required to disgorge  
19 those profits for which a nexus exists between any such profits and not providing services that  
20 they are required to provide;

21 G. That Plaintiff, the People of the State of California, recover their attorney fees and  
22 costs pursuant to Corporations Code section 5919(d)(3), and California Code of Regulations, title  
23 11, section 999.5, subdivision (j);

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- H. That the People receive all other relief to which they are legally entitled; and
- I. Such other and further relief that the court deems just and proper.

Dated: October 2, 2024

Respectfully submitted,

ROB BONTA  
Attorney General of California  
NELI PALMA  
Senior Assistant Attorney General  
EMILIO VARANINI  
Supervising Deputy Attorney General



HEIDI L. LEHRMAN  
Deputy Attorney General  
*Attorneys for Plaintiff the People of the State  
of California*

# EXHIBIT A

**XAVIER BECERRA**  
*Attorney General*

*State of California*  
**DEPARTMENT OF JUSTICE**



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SAN FRANCISCO, CA 94102-7004

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July 27, 2020

**VIA EMAIL AND US MAIL**

Davis Wright Tremaine LLP  
Hope R. Levy-Biehl  
Suite 2400  
865 South Figueroa Street  
Los Angeles, CA 90017-2566

HopeLevyBiehl@dwt.com

RE: Verity Sale of Seton Medical Center and Seton Coastside to AHMC Healthcare Inc.

Dear Ms. Levy-Biehl:

Under Corporations Code section 5914 et seq., and California Code of Regulations, title 11, section 999.5, the Attorney General has considered the proposed transaction submitted by Verity Health System of California, Inc. In coming to the decisions, described below, we have carefully considered the factors set forth in Corporations Code section 5917 and the applicable regulations, including whether the transaction is in the public interest and whether the transaction affects the availability or accessibility of health care services to the affected community. Our decision is based on the material contained in the notice, the information and documents subsequently submitted by the applicants, comments made by members of the public, discussions with the applicants, and the results of our investigation.

The Attorney General hereby conditionally consents to Verity Health System of California, Inc.'s proposed sale of the assets of Seton Medical Center and Seton Coastside to AHMC Healthcare Inc. and/or one or more of its affiliates. The Attorney General's conditional approval of the sale is subject to the attached conditions that are incorporated by reference herein.

Sincerely,

[Original signed]  
SCOTT CHAN  
Deputy Attorney General

For XAVIER BECERRA  
Attorney General

**Conditions to the Sale of Seton Medical Center<sup>1</sup> and Seton Coastsides<sup>2</sup> and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, Seton Medical Center, and AHMC Healthcare, Inc.**

**I.**

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, Seton Medical Center, a California nonprofit public benefit corporation, Seton Medical Center Foundation, a California nonprofit corporation, Verity Business Services, a California nonprofit public benefit corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, and AHMC Healthcare, Inc., a California corporation, any other subsidiary, parent, general partner, manager, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Seton Medical Center and Seton Coastsides, or the real property on which Seton and Seton Coastsides are located, any and all current and future owners, lessees, licensees, or operators of Seton Medical Center and Seton Coastsides, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastsides are located.

**II.**

The transaction conditionally approved by the Attorney General consists of the Asset Purchase Agreement dated March 30, 2020, by and among, Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, Seton Medical Center, a California nonprofit public benefit corporation, and AHMC Healthcare, Inc., a California corporation, or AHMC Healthcare, Inc.'s designated affiliates or assignees<sup>3</sup>, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the Asset Purchase Agreement,

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<sup>1</sup> Throughout this document, the term "Seton Medical Center" shall mean the general acute care hospital located at 1900 Sullivan Ave., Daly City, CA 94015, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2020, unless otherwise indicated.

<sup>2</sup> Throughout this document, the term "Seton Coastsides" shall mean the skilled nursing facility with 5 general acute care beds located at 600 Marine Boulevard, Moss Beach, CA 94038-9641, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2020, unless otherwise indicated.

<sup>3</sup> Unless otherwise noted, all references to AHMC Healthcare Inc. shall include any AHMC Healthcare Inc.'s designated affiliates and assignees, including AHMC Seton Medical Center LLC and entity forms designated in Condition I.



including, but not limited to the Sale Leaseback Agreement and Interim Management Agreement.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

### III.

For approximately 5.5 years (until December 13, 2025) from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, AHMC Healthcare Inc., and all future owners, managers, lessees, licensees, or operators of Seton Medical Center and Seton Coastside shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Seton Medical Center or Seton Coastside;
- (b) Transfer control, responsibility, management, or governance of Seton Medical Center or Seton Coastside. The substitution, merger or addition of a new member or members of the governing body of AHMC Healthcare Inc. that transfers the control of, responsibility for or governance of Seton Medical Center or Seton Coastside, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of AHMC Healthcare Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of AHMC Healthcare Inc. shall also be deemed a transfer for purposes of this Condition.

### IV.

For the remainder of the term<sup>4</sup> (until December 13, 2025), Seton Medical Center and Seton Coastside shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

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<sup>4</sup> The term "For the remainder of the term" refers to the Conditions to Change in Control and Governance of Seton Medical Center and Seton Coastside and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC., dated December 3, 2015. The System Restructuring and Support Agreement closed on December 14, 2015.

## V.

For the remainder of the term (until December 13, 2025), the Seton Medical Center shall maintain 24-hour emergency medical services at a minimum of 18 treatment stations with the same types and/or levels of services, including:

- a. Designation as a STEMI Receiving Center; and
- b. Advanced certification as a Primary Stroke Center;

## VI.

For the remainder of the term (until December 13, 2025), Seton Medical Center shall maintain the following services at current<sup>5</sup> licensure, types, and/or levels of services, including:

- a. Cardiac services, including the 2 cardiac catheterization labs;
- b. Critical care services, including a minimum of 20 intensive care/coronary care beds;
- c. Psychiatric services, including a minimum of 24 distinct part beds with at least 20 beds available for the geriatric psychiatric unit;
- d. Women's health services, including the Seton Breast Health Center and women's imaging and mammography services; and
- e. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification as a sub-acute unit.

For the remainder of the term (until December 13, 2025) AHMC Healthcare Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For at least five years from the closing date of the Asset Purchase Agreement, Seton Medical Center shall maintain the following services at current licensure, types, and/or levels of services:

- a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
- b. Cancer services, including inpatient oncology services, interventional radiology, radiation therapy, and for those patients that may be in need of infusion therapy treatment, a referral process to other nearby hospitals or clinics, including Stanford Cancer Center, UCSF Helen Diller Comprehensive Care Cancer Clinic, St. Mary's Cancer Center, or other health facility that provides infusion therapy services. The referral process shall be memorialized in the policies and procedures at Seton Medical Center and should include procedures on how to assist patients with accessing infusion therapy at the nearby hospitals or clinics, and the transferring of patient medical records;
- c. Orthopedics and rehabilitation services, including spine care services;
- d. Diabetes services, including Northern California Diabetes Institute;

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<sup>5</sup> The term "current" or "currently" throughout this document means as of January 1, 2020.

- e. Wound care services, including Seton Center for Advanced Wound Care; and
- f. Nephrology services.

For at least five years from the closing date of the Asset Purchase Agreement, AHMC Healthcare Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

### VIII.

For the remainder of the term (until December 13, 2025), AHMC Healthcare Inc. shall maintain the following services at current licensure, types, and/or levels of services at Seton Coastside including:

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

### IX.

For at least five years from the closing date of the Asset Purchase Agreement, AHMC Healthcare Inc. shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic’s current location, and Seton Medical and Seton Coastside can utilize an alternative structure in providing such services.

The following clinics and services are subject to this condition and shall maintain the same types and/or levels of services provided, including women’s healthcare services, and mammography services:

- a. Women’s Health Services, located at 1850 Sullivan Avenue, Suite 190, Daly City California.
- b. Imaging Services located at 1850 Sullivan Avenue, Suite 100, Daly City California; and
- c. Wound Care Services, located at 1850 Sullivan Avenue, Suite 115, Daly City California.

### X.

For six fiscal years from the closing date of the Asset Purchase Agreement, AHMC Healthcare Inc. shall provide an annual amount of Charity Care (as defined below) at Seton Medical Center

and Seton Coastside equal to or greater than \$1,055,863 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by AHMC Healthcare Inc. in connection with the operation and provision of services at Seton Medical Center and Seton Coastside. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>6</sup>

AHMC Healthcare Inc.’s obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of AHMC Healthcare Inc.’s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, California Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). If the actual amount of charity care provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, AHMC Healthcare Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the Seton Medical Center service area (14 ZIP codes), as described on page 57 in the Healthcare Impact Report authored by JD Healthcare dated June 18, 2020. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

## XI.

Charity care which entails free medical care services shall be provided by AHMC Healthcare Inc. at Seton Medical Center and Seton Coastside to patients who are uninsured, underinsured, ineligible for governmental or other insurance coverage and who have family incomes not in excess of 250 percent of the Federal Poverty level. Partial Charity Care shall be provided to patients who have family incomes in excess of 250 percent but not to exceed 350 percent of the Federal Poverty Level. AHMC Healthcare Inc. will provide a sliding scale discount, on a discretionary and case by case basis, to financially qualified patients at Seton Medical Center who have family incomes in excess of 351 percent but not to exceed 500 percent of the Federal Poverty Level. AHMC Healthcare Inc. will memorialize these charity care and discount payment policies within 90 days from the closing of the Asset Purchase Agreement.

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<sup>6</sup> OSHPD defines charity care by contrasting charity care and bad debt. 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.”

AHMC Healthcare Inc. shall take the following steps to ensure that patients at Seton Medical Center and Seton Coastsides are informed about the hospitals' Charity Care and Partial Charity Care Discount Policy:

- a. A copy of the Charity Care and Partial Charity Care Discount Policy and the plain language summary of the Charity Care and Partial Charity Care Discount Policy must be posted at Seton Medical Center and Seton Coastsides in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- b. A copy of the Charity Care and Partial Charity Care Discount Policy, the application for financial assistance under its Charity Care and Partial Charity Care Discount Policy, and the plain language summary of the Charity Care and Partial Charity Care Discount Policy must be posted in a prominent place on each Seton Medical Center's and Seton Coastsides website(s).
- c. If requested by a patient, a copy of the Charity Care and Partial Charity Care Discount Policy, the application for financial assistance under its Charity Care and Partial Charity Care Discount Policy, and the plain language summary must be sent by mail at no cost to the patient.
- d. As necessary, and at least on an annual basis, AHMC Healthcare Inc. will place an advertisement regarding the availability of financial assistance at Seton Medical Center and Seton Coastsides in a newspaper of general circulation in the communities served by the hospitals, or issue a Press Release to widely publicize the availability of the Charity Care and Partial Charity Care Discount Policy to the communities served by the hospitals.
- e. AHMC Healthcare Inc. will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at Seton Medical Center and Seton Coastsides.
- f. By December 1, 2020, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of AHMC Inc.'s Financial Assistance Policy at Seton Medical Center and Seton Coastsides.

Any planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Seton Medical Center and Seton Coastsides shall be decided after consultation with the Local Governing Board of Directors.

## XI.

For six fiscal years from the closing date of the Asset Purchase Agreement AHMC Healthcare Inc. shall provide an annual amount of Community Benefit Services at Seton Medical Center and Seton Coastsides equal to or greater than \$704,864 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:



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

The planning of, and any subsequent changes to, the community benefit services provided at Seton Medical Center shall be decided after consultation with the Local Governing Board of Directors.

AHMC Healthcare Inc.'s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Holding's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, California Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). If the actual amount of community benefit services provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, AHMC Healthcare Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Seton Medical Center's service area (14 ZIP codes), as defined on as described on page 57 in the Healthcare Impact Report authored by JD Healthcare dated June 18, 2020. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

## XII.

For the remainder of the term (until December 13, 2025), AHMC Healthcare Inc. shall:

- a) Be certified to participate in the Medi-Cal program at Seton Medical Center and Seton Coastside;
- b) Maintain and have a Medi-Cal Managed Care contract with San Mateo Health Commission dba Health Plan of San Mateo or its successor to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan.

If AHMC Healthcare Inc. questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that

would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

### XIII.

For at least five years from the closing date of the Asset Purchase Agreement unless otherwise indicated, AHMC Healthcare Inc. shall maintain its contracts and any amendments and exhibits thereto with the County of San Mateo, unless otherwise terminated by the County of San Mateo, for services, including the following:

- a. Participation in the Hospital Preparedness Program between the Hospital (jointly with Seton Coastside) and San Mateo County;
- b. STEMI Receiving Center Designation between the Hospital and San Mateo County;
- c. Financial Support for Seismic Upgrades between the Hospital and San Mateo County;
- d. Information Sharing and Data Use Agreement between the Hospital and the County of San Mateo Health System;
- e. Fee for Service Hospital Services Agreement between the Hospital (jointly with Seton Coastside) and San Francisco Health Plan;
- f. Memorandum of Understanding between the Hospital and San Mateo County Behavioral Health and Recovery Services Division;
- g. Affiliation Agreement for the Radiology Technology Program between the Hospital and San Mateo College District;
- h. Affiliation Agreement for the Registered Nursing Program between the Hospital (jointly with Seton Coastside) and San Mateo College District;
- i. Patient Transfer Agreement between the Hospital and San Mateo County Medical Center;
- j. Rail Shuttle Bus Service Administration for Seton Shuttle Agreement between the Hospital and San Mateo County Transit District;
- k. Medical Services Agreement between the Hospital and San Mateo Health Community Health Authority- Access and Care for Everyone (ACE) Program;
- l. Hospital Medi-Cal Hospital Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo;
- m. Memorandum of Understanding for Long Term Care Partnership Program between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo;
- n. Care Advantage Hospital Service Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo; and
- o. Designation as a Primary Stroke Center between the Hospital and San Mateo County.

### XIV.

For the remainder of the term (until December 13, 2025), AHMC Healthcare Inc. shall have at Seton Medical Center and Seton Coastside Local Governing Board(s) of Directors. AHMC

Healthcare Inc. shall consult with the Local Governing Board(s) of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, making changes to the charity care and collection policies, and making changes to charity care services provided at Seton Medical Center and Seton Coastside. The members of the Local Governing Board(s) shall include physicians from Seton Medical Center's and Seton Coastside's medical staff, Seton Medical Center's and Seton Coastside's Chief(s) of Staff, one member designated by the San Mateo County Board of Supervisors, and community representatives from Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as described on page 57 in the Healthcare Impact Report authored by JD Healthcare dated June 18, 2020, attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis.

#### **XV.**

AHMC Healthcare Inc. shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Seton Medical Center and Seton Coastside.

#### **XVI.**

AHMC Healthcare Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Seton Medical Center and Seton Coastside through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070). AHMC Healthcare Inc. shall meet construction benchmarks which include the starting of construction on the 1963 Tower, and as detailed on the attached Exhibit 2.

#### **XVII.**

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at Seton Medical Center and Seton Coastside, and no restriction or limitation on providing or making reproductive health services available at Seton Medical Center and Seton Coastside, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in AHMC Healthcare Inc.'s written policies, adhered to, and strictly enforced.

#### **XVIII.**

For six fiscal years from the closing date of the Asset Purchase Agreement AHMC Healthcare Inc. shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of AHMC Healthcare Inc. shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by



the Local Governing Board. If the Local Governing Board is unable to approve the report, the board shall include comments to the report highlighting its concerns with the report.

AHMC Healthcare Inc. will include in its annual reports a copy of the Office of Statewide Health Planning and Development's Summary Individual Disclosure Report that OSPHD produces using data audited by OSHPD. If OSHPD's Summary Individual Disclosure Report is not available then Prime Healthcare Services, Inc. must provide the full Hospital Disclosure Report.

#### **XIX.**

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, AHMC Healthcare Inc., and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

#### **XX.**

Once the Asset Purchase Agreement is closed, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

## Analysis of the Hospital's Service Area

### *Service Area Definition*

The Hospital's service area is comprised of 14 ZIP Codes, from which approximately 78% of its discharges originated in CY 2018. Approximately 53% of the Hospital's discharges came from the top three ZIP Codes, located in Daly City, and South San Francisco. In CY 2018, the Hospital's market share in the service area was 12.6% based on inpatient discharges.

Patient Origin, CY2018						
Pat ZIP	Community	The Hospital	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
94015	Daly City	1,396	26.0%	26.0%	29.0%	4,818
94014	Daly City	796	14.8%	40.8%	24.4%	3,260
94080	South San Francisco	629	11.7%	52.5%	12.9%	4,872
94044	Pacifica	493	9.2%	61.7%	17.2%	2,863
94112	San Francisco	262	4.9%	66.6%	4.1%	6,426
94066	San Bruno	220	4.1%	70.7%	6.6%	3,313
94134	San Francisco	115	2.1%	72.8%	3.2%	3,574
94132	San Francisco	98	1.8%	74.6%	5.0%	1,947
94019	Half Moon Bay	64	1.2%	75.8%	5.6%	1,140
94038	Moss Beach	29	0.5%	76.4%	13.6%	213
94005	Brisbane	24	0.4%	76.8%	7.2%	333
94037	Montara	18	0.3%	77.2%	11.6%	155
94018	El Granada	18	0.3%	77.5%	8.4%	215
94017	Daly City	6	0.1%	77.6%	20.0%	30
<b>Sub-Total</b>		<b>4,168</b>	<b>77.6%</b>		<b>12.6%</b>	<b>33,159</b>
All Other		1,203	22.4%	22.4%		
<b>Grand Total</b>		<b>5,371</b>	<b>100.0%</b>			

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns

AB 2190 Quarterly Reports for 10801 Seton Medical Center

OSHPD Bldg. #	Bldg Name	Report Year and Quarter	Construction Project Nbr	Milestone Date	Milestone Description	Milestone Comments	Milestone Quarterly Update
BLD-00846	1963 Tower	2020 - Q2	I160019-41-00; I160019-41-01; I160019-41-02; I160019-41-03; H170372-41-00	4/1/2020	Start Construction		Waiver to be resolved pending conclusion of property sale which is ongoing
				7/1/2022	Complete Construction		On schedule pending actual start date of construction.
BLD-00847	Front Wing	2020 - Q2	I160020-41-00; I160020-41-01	4/1/2020	Start Construction		Waiver to be resolved pending conclusion of property sale process which is ongoing
				7/1/2022	Complete Construction		On schedule pending actual start date of construction

Exhibit 2

# EXHIBIT B



Aug 2, 2024

Contact: Tim Schulze  
Tim.Schulze@ahmchealth.com

### **Status of Storm Damage Repairs at Seton Medical Center Coastside**

Seton Medical Center Coastside, comprising a “Standby” Emergency Department and skilled nursing services, was ravaged by multiple storms in 2023 and 2024. The damage was devastating and forced an emergency temporary closure of the Emergency Department on April 1, 2024 because regulators and experts all agreed that Coastside posed a severe risk to human life if it remained open and occupied. All skilled nursing patients had been transferred to Seton Medical Center Daly City and continue to receive the care and services they need.

Since then, we have been working hard to assess and repair over \$10,000,000 in estimated storm damage and resulting water intrusions throughout the Coastside. We know that the temporary closure of Coastside’s Emergency Department has been especially difficult for the community we serve and therefore wanted to provide an update on the progress of the ongoing construction and repairs to Coastside. Given the extent and complexity of the construction and repair work at Coastside, it is difficult to predict the exact time the Emergency Department will reopen, but at this time we hope for a possible reopening in Spring 2025.

Seton Medical Center retained experts from several fields that assessed the following highlighted storm damage including (but not limited to):

- A falling hillside that could collapse at any moment, endangering not only human life but the very integrity of the building's foundation.
  - Fallen trees punctured the rooftop, and storm debris blocked the only road to/from the facility, which hindered vehicular traffic.
  - Several leaks were discovered throughout the building, including the Emergency Department, which required extensive remedial work and decontamination well beyond the areas where water was discovered.
  - Electrical systems suffered storm-related water intrusion.
  - Our oxygen tank enclosures (needed for patient care) were damaged by the fence knocked over during one of the multiple storms.
  - Electrical power outage required diversion of emergency services.
-



The following includes a few photos depicting a small portion of the storm damage:



**In the image above, a large tree fell onto the roof in the area where the Standby Emergency Department is located and punctured parts of the roof, causing structural damage and significant leaks into the building.**

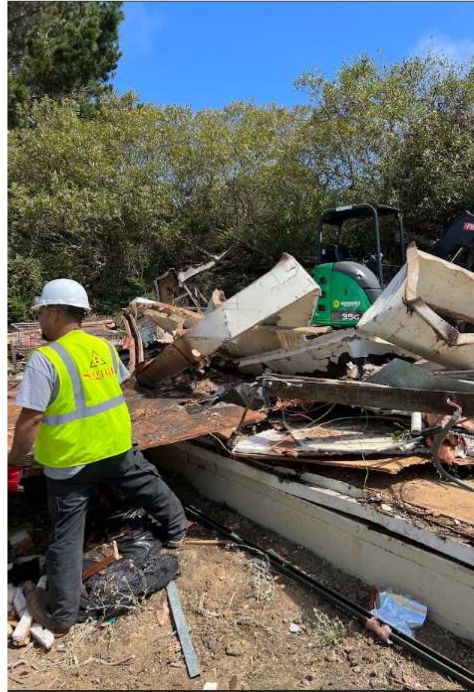


**In this image, a tree fell over the wooden fence, which caused not only damage to the wooden fence but also a mudslide.**





**In the image above, significant winds during the storms damaged the wooden fence along the pathway leading to the Standby Emergency Department entrance and damaged the oxygen tank enclosure.**



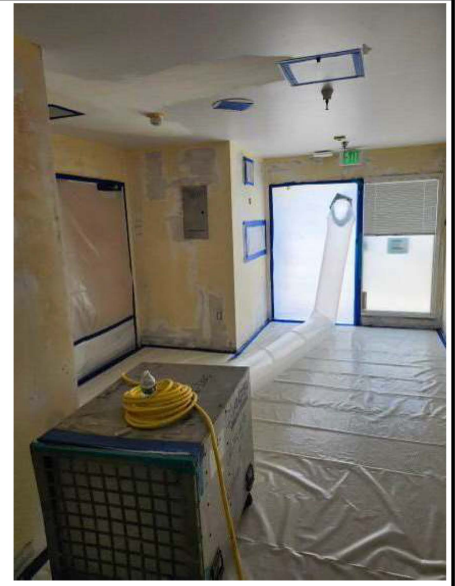
**The engineering building experienced significant leaks that impacted the integrity of the structure. As a result of the storm damage, the building needed to be demolished in its entirety.**



The above image shows walls being removed in the Standby Emergency Department for abatement throughout the Department and within its walls.



Due to leaks in multiple locations, water was detected within the walls and electrical panels in the hallway leading to and inside the Standby Emergency Department. Abatement was required.



Equipment is used to place the hallway of the Standby Emergency Department in negative pressure conditions, which is important for maintaining safety during abatement.

We are pleased to report that the progress of the repairs has been notable and includes the following:

- **New Roof:** The installation of a new roof has been completed. It is pending final inspections and approval from the state.
- **Parking Lot:** The parking lot in front of the main entrance has been completed, but due to storm damage to the stairway, the upper lot is pending repair and completion.
- **Partial Hallway Completion:** One hallway within the facility has been partially completed.
- **Laundry Facility:** This area is 50% complete, which will significantly enhance our ability to manage patient linens and uniforms efficiently.
- **Rehabilitation Center:** The center is 70% complete and aims to provide a new and improved environment for patient recovery and therapy.
- **Cafeteria & Dining Room/Lounge:** The cafeteria, along with the fireside dining room and lounge area, is 50% complete. These improvements will provide a new dedicated area for patients, family members, visitors, and staff.
- **Patient Rooms (300 Hallway):** Repair work in the patient rooms is underway.
- **Emergency Department Hallway:** The hallway leading to the Standby Emergency Department is currently under repair, including decontamination and removal of damaged walls.
- **Standby Emergency Department:** Interior work in the Standby Emergency Department is in progress and aims to improve and elevate our emergency services for the community.





## AHMC Seton Medical Center

- **HVAC System:** Because the rooftop HVAC systems failed due to the storm damage, a detailed assessment by design professionals is underway because in order to re-occupy the building, all units must operate under updated California Building Codes.



**Before:** The old shingle roof was extremely dated and suffered leaks across multiple locations due to storm damage. There was cracked pavement throughout the parking lot, including the road leading up to the facility.



**After:** The entire roof was replaced with metal panels. The parking lot was completely repaved.



**New FRP walls were installed in the hallway leading to the Standby Emergency Department.**



**Another angle of the new FRP walls that were installed in the hallway leading to the Standby Emergency Department.**



AHMC Seton Medical Center

**About Seton Medical Center Coastside**

AHMC Healthcare Inc. acquired Seton Medical Center Coastside and its sister facility, Seton Medical Center, in August 2020. This rural hospital along the California coast is based in Moss Beach, CA, and is home to a 116-bed Skilled Nursing Facility, 5-bed Acute Care Unit, and a Standby Emergency Department.