Effects of the Proposed Change in Governance and Control of Ownership & Operation of the Daughters of Charity Health System to Prime Healthcare Services, Inc., & Prime Healthcare Foundation, Inc., on the Availability & Accessibility of Healthcare Services to the Communities Served by Seton Medical Center & Seton Medical Center Coastside

Prepared for the Office of the California Attorney General

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INTRODUCTION & PURPOSE

Medical Development Specialists, LLC (MDS), a healthcare planning and policy consulting firm, was retained to prepare reports for the Office of the California Attorney General on the Daughters of Charity Health System, including each of the system's five hospital corporations and their related health facilities. This report evaluates the potential impact of the proposed Definitive Agreement between Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc., on the availability and accessibility of healthcare services to the communities served by Seton Medical Center and Seton Medical Center Coastside. Seton Medical Center, a nonprofit religious corporation (Seton), operates Seton Medical Center, a general acute care hospital located in Daly City, California (the Hospital) and Seton Medical Center Coastside, a skilled nursing facility located in Moss Beach, California (Seton Coastside).

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

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

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

Ministry and Daughters have requested the California Attorney General's consent to enter into a Definitive Agreement with Prime Healthcare Services, Inc., a Delaware corporation (Prime Inc.), and Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation (Prime Foundation), (collectively, Prime), whereby control and governance of Daughters and its affiliated entities will be transferred to Prime Inc. or Prime Foundation, and in some cases, converted to California for-profit business corporations or California nonprofit public benefit corporations. (Refer to the summary table on the following page.)

[1] In reference to St. Vincent Foundation, the Definitive Agreement names St. Vincent Medical Center Foundation in its inclusive definition of the "Philanthropic Foundations;" however, St. Vincent Foundation is the name under which it was incorporated. In addition, there are proposed plans to merge St. Francis Medical Center Foundation, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, and Seton Foundation into St. Vincent Foundation.

Daughters is a multi-institutional Catholic health system that is sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West. Upon closing of the proposed transaction and the conversion of Daughters into a for-profit corporation, Daughters of Charity of St. Vincent de Paul, Province of the West, will cease its Catholic Sponsorship of Daughters.

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

* Will remain a wholly-owned subsidiary of St. Vincent Medical Center

In its preparation, MDS performed the following:

- A review of the application submitted by Ministry and Daughters to the California Attorney General on October 24, 2014, and supplemental information and documents subsequently provided by Daughters and the Health Facilities, including the Hospital;

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

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

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

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

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

Reasons for the Transaction

In December 2012, Daughters entered into an affiliation agreement with Ascension Health Alliance that provided Daughters with an opportunity to share in certain consulting and strategic services provided by Ascension Health Alliance. Further, the agreement also served as a platform for both parties to continue their strategic dialogue surrounding the formation of some type of official partnership or merger.

After comprehensive discussions and due diligence with respect to a potential merger, the parties could not reach a mutual agreement that ensured the long-term viability of Daughters and the Health Facilities.

As stated in Daughters' statement of reasons why Daughters' Board believes the proposed transaction is either necessary or desirable, Daughters' Board provided the following:

- The current structure and sponsorship of Daughters and the Health Facilities are not feasible as a result of the dire financial conditions and cash projections;

- Based upon cash flow projections, Daughters would fall below minimum liquidity thresholds in the first quarter of Fiscal Year (FY) 2015 and would ultimately run out of cash in the third quarter of FY 2015;

- In July and August of 2014, Daughters accessed a short-term financing bridge loan in the amount of $125 million to mitigate the immediate cash needs for an estimated period of time long enough to allow for the transaction to close. The bridge loan of $125 million must be repaid in full, on or before, July 10, 2015, at which time if the full amount is not repaid, Daughters will be at risk of defaulting on both the 2014 and 2005 Revenue Bonds[2]; and

[2] The bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A, F, G, and H (2005 Bonds) and Series 2014A, B, and C (2014 Bonds).

- The lender holds liens on substantially all of Daughters' assets. If there is a default, Daughters' operations, without the protection of a bankruptcy proceeding, could not continue.

Transaction Process and Objectives

The primary objective stated by Daughters for the proposed transaction is to ensure a sustainable future for the Health Facilities and the other related entities. In order to accomplish this goal, in 2013 with the advisor Kaufman Hall, Daughters initiated a process to find potential buyers or partners to purchase the Hospital, Seton Coastside, O'Connor Hospital, and Saint Louise Regional Hospital. Daughters received several offers.

In February 2014, Daughters widened the process to include soliciting offers for St. Francis Medical Center and St. Vincent Medical Center, as well as for the entire health system. This 2014 process was supported by Houlihan Lokey, an advisory investment bank with experience in healthcare mergers and acquisitions. Daughters' Board specified the following guiding principles for the change of control:

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

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

- Honor and assume the Collective Bargaining Agreements (CBAs)[3] held by the Hospital Corporations; and

- Obtain commitments to capital investments in the Health Facilities, and commitments to the continued provision of acute care services and indigent care, as well as to the continued participation in the Medi-Cal and Medicare programs, for the communities served by the Health Facilities.

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

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

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[3] A Collective Bargaining Agreement is an agreement between employers and employees aimed at regulating working conditions.

for individual (or groups of) hospitals to form a comprehensive solution. In Daughters' application to the Attorney General, the following reasons were cited for focusing efforts on full-system offers:

- None of the bidders interested in individual hospitals and/or groups of hospitals were prepared to assume Daughters' pension obligations;
- Attempting to execute multiple transactions could expose Daughters to the risk of transaction failure if all agreements were not executed simultaneously;
- If there was any transaction failure, there would be a withdrawal liability on the Multiemployer Pension Plan[4] of approximately $200 million; and
- A number of bidders for the full system indicated willingness to satisfy all of Daughters' obligations, whereas the aggregate value provided by the individual hospital bids would not satisfy all of Daughters' obligations.

In September 2014, the final round of negotiations commenced and involved four offers for the full health system. [5]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Timeline of the Transaction

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

- February 2005 – 2005 Bonds are issued in the amount of $364 million to refinance existing debt and fund future capital expenditures[6];

- November 2008 – 2008 Bonds[7] are issued in the amount of $143.7 million to refinance existing debt;

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

[6] This amount is gross of an estimated $26 million in the debt service reserved funds that will be used to defease the 2005 Bonds.
[7] The 2008 Bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2008A Bonds that include a debt service reserve fund of $13.7 million.

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

- December 2012 –Daughters and Ascension Health Alliance execute an affiliation agreement;

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

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

- October 2013 – 2008 Bonds retire[8];

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of the Definitive Agreement

The proposed Definitive Agreement, originally dated October 10, 2014, and amended on October 23, 2014, contains the following major provisions:

- At closing, to authorize Prime Inc. as the sole corporate member of Daughters, the Ministry and Daughters shall approve amended and restated articles of incorporation and bylaws of Daughters, and of each of the Hospital Corporations and Caritas Business Services;

- Daughters and Ministry will transfer the ownership and operation of Daughters, the Hospital Corporations, Caritas Business Services, and St. Vincent Dialysis Center, Inc., to Prime Inc., whereby Prime Inc. will become the sole corporate member of Daughters:

    - Daughters will be converted from a nonprofit religious corporation into a for-profit corporation, and concurrently, the Hospital Corporations and Caritas Business Services will also be converted into for-profit corporations; and

- St. Vincent Dialysis Center, Inc., will be converted from a nonprofit public benefit corporation into a for-profit corporation and will remain a wholly-owned subsidiary of St. Vincent Medical Center.

- The ownership and operation of the Philanthropic Foundations, DCHS Medical Foundation, and St. Vincent De Paul Ethics Corporation will be transferred to Prime Foundation, and Prime Foundation will become their sole corporate member upon approval of the entities' amended articles of incorporation and bylaws by Ministry and Daughters:

  - DCHS Medical Foundation will be converted from a nonprofit religious corporation into a nonprofit public benefit corporation;
  - Modification to the name of DCHS Medical Foundation in order to eliminate any reference to Daughters as listed in the defined retained assets; and
  - St. Vincent De Paul Ethics Corporation and the Philanthropic Foundations will remain nonprofit public benefit corporations.

- Prime will acquire substantially all of the assets, with the exception of the following retained assets:

  - Intellectual property;
  - Religious artifacts and donor-restricted assets;
  - Historical records and memorabilia;
  - Property located at 25 San Fernando in Daly City, California 94015;
  - Property located at 253 South Lake Street in Los Angeles, California 90057;
  - Lease agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and Daughters, dated October 1, 2001, for the building located at 26000 Altamont Road in Los Altos Hills, California;
  - All furniture, fixtures, and equipment at Daughters' corporate office in Los Altos Hills, other than computer and IT equipment; and
  - Accounts receivable that are payable to Daughters by Ministry and any non-affiliated entities, including:
    - GRACE, Inc.[9];
    - Daughters of Charity of St. Vincent de Paul, Province of the West; and
    - Owner of the Meals on Wheels program.

- Prime will assume the liabilities relating to:

  - Pensions;
  - CBAs;
  - Accrued, but unpaid, paid-time off, vacation, sick, and other leaves of absence;
  - Taxes, including transfer taxes, and any unpaid real estate taxes;
  - Government payment program, including any overpayments;
  - Accounts payable;

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

- Short-term and long-term debt;
- Amounts due to government agencies;
- Accrued liabilities;
- Incurred, but not yet recorded, liabilities;
- All of Daughters' paid time-off, retirement benefit plans, and any off-balance sheet pension liabilities, including those arising under:
  - Multiemployer Plans;
  - Defined Benefit Church Plan[10];
  - Defined Contribution Church Plans[11], including the DCHS Medical Foundation Management Bargaining Unit 401(k) Plan, DCHS Medical Foundation 401(k) Plan, Seton CNA Money Purchase Plan, Kennedy Savings Plan, and Seton Coastside Annuity Plan; and
  - Any single-employer defined benefit plan to which the liabilities of Daughters under one or more of the Multiemployer Plans may be transferred as a result of the partition of one or more of the Multiemployer Plans.
- Contracts, operating and capital leases, real estate leases, agreements, and commitments, including:
  - Physician services agreements;
  - CBAs; and
  - Any continuing legal obligation to bargain with unions, including any liabilities resulting from these negotiations.
- Any professional liability claim or similar third-party litigation related to operation of Daughters and its related entities prior to the closing;
- Any legal violation related to acts or omissions, prior to closing, related to the operation of Daughters and its related entities;
- Marillac Insurance Company, Ltd.; and
- Liabilities related to D&O Insurance and the Fiduciary Liability Insurance, including, but not limited to, deductibles, copays, and any other non-covered expense or financial obligation.

- Excluded liabilities include:

  - Those liabilities related to the retained assets.

- At closing, Ministry will retain and control funds from Daughters' available cash in a separate deposit account (or Prime Inc. will deposit the necessary amount if the funds are insufficient), in the amount of $11.5 million, less the amount of severance paid to Daughters' employees who cease employment under Prime Inc., and less the amount of severance pay that would have been owed to Daughters' corporate office employees who sign new employment agreements with Prime Inc.;

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[10] A Defined Benefit Church Plan is a single employer non-electing church pension plan exempt from ERISA. The DCHS Retirement Plan, also referred to as the "Church Plan," covers the employees of St. Francis Medical Center, St. Vincent Medical Center, O'Connor Hospital, Saint Louise Regional Hospital, and Daughters' system office.

[11] Defined Contribution Church Plans are fully-funded available pension plans, in which plan assets are held in trust and invested as directed by individual participants among the investment options under the plans.

- At closing, Prime Inc. shall deliver the cash purchase price amount to Daughters equaling the sum of the liabilities, including the following:

    - Total outstanding principal amount for the 2005 Bonds and 2014 Bonds[12];
    - Accrued paid-time off of any employee who is terminated as of closing;
    - Outstanding amount of any distributions from the nonqualified retirement benefit plans are to be paid to those who are entitled to these benefits[13];
    - Transfer taxes; and
    - Transaction costs upon closing[14].

- The total consideration amount estimated at $843 million to be paid by Prime Inc. for the proposed transaction consists of:

    - Estimated cash consideration in the amount of $394 million; and
    - Assumption of liabilities estimated at $449 million.

- Prime Inc. made the following commitments:

    - For at least five years following the closing, Prime Inc. will maintain charity care policies for the treatment of indigent patients at the Health Facilities similar to the policies currently in effect, or replace these with policies of either similar or greater benefit to the community;
    - Prime Inc. will maintain the Health Facilities as general acute care hospitals, with open emergency departments, subject to physician availability, needs of the community, and financial viability, for at least five years following the closing;
    - Prime Inc. will maintain the existing chapels and provide appropriately staffed and funded pastoral care services at the Health Facilities for a minimum of five years following the closing of the transaction;
    - Prime Inc. will provide $150 million in capital expenditures at the Health Facilities over three years following the closing of the transaction;
    - Prior to closing, Prime Inc. shall make offers of employment, with comparable salaries, wages, job titles, and duties that were in effect prior to closing, to substantially all of the corporate office employees who remain in good standing and employed by Daughters as of the closing date, including the following:
        - All of Daughters' corporate office employees;
        - Executives of Daughters or employees holding executive positions;
        - Chief Executive Officers of the Health Facilities;
        - President and Chief Medical Officer of DCHS Medical Foundation; and
        - Senior Director of Caritas Business Services.

[12] The outstanding principal amount of the 2005 Bonds and 2014 Bonds totals $409,475,000, including an estimated total of $284,475,000 for the 2005 Bonds and an estimated total of $125,000,000 for the 2014 Bonds.
[13] The nonqualified retirement benefit plans include: Daughters of Charity Health System 401(a)(17) Retirement Plan, estimated at $2,600,611, and Daughters of Charity Health System 401(a)(17) Supplemental Retirement Plan Account, estimated at $528,726.30.
[14] Assumes no bankruptcy, no labor disruptions, and receipt of Quality Assurance Fees as projected.

- Prime Inc. shall continue employment, with comparable salaries, wages, job titles, and duties that were in place prior to closing, for substantially all employees who remain in good standing and employed by Daughters as of the closing date, including the following:
  - Unrepresented employees of the Health Facilities, DCHS Medical Foundation, and Caritas Business Services; and
  - Unionized employees working under CBAs.
- Prime Inc. agrees to adhere to the severance obligations written in the employment agreements, or in the absence of any such agreement, Prime Inc. shall adhere to Daughters' severance pay obligations for a period of twelve months following the closing date.

- Prime Inc. has made the following commitments regarding the pension liabilities:

  - Will amend the Defined Benefit Church Plan and the Defined Contribution Church Plans as necessary to satisfy the requirements of ERISA and the Internal Revenue Code;
  - Will assume responsibility for all of Daughters' liabilities under the Defined Benefit Church Plan and Defined Contribution Church Plans;
  - Will reasonably cooperate with Daughters to take necessary action to assume Daughters' obligations to the Multiemployer Plans, as required by the CBAs, for substantially the same number of contribution base units for which Daughters had an obligation to contribute immediately prior to closing;
  - Will provide funding for the Multiemployer Plans under the requirements of ERISA and the Internal Revenue Code;
  - Will assume responsibility for Daughters' portion of the liabilities under the Multiemployer Plans; and
  - Will indemnify, defend, and hold harmless Ministry and Daughters from any liability resulting from failure, or alleged failure, by Daughters to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans.

In addition to the Definitive Agreement, Prime Inc. has entered into three Memoranda of Agreements with the California Nurses Association that provide additional protections to the nurses currently employed under existing CBAs with Daughters.

Use of Net Sale Proceeds

There will be no net proceeds from the proposed transaction.

PROFILE OF DAUGHTERS OF CHARITY HEALTH SYSTEM

Daughters of Charity Health System

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

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

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

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

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DCHS Medical Foundation

In 2011, DCHS Medical Foundation was incorporated with Daughters as the sole corporate member. Under California Health and Safety Code section 1206(l), a clinic operated by a nonprofit corporation that conducts medical research and health education and provides healthcare to its patients through a group of 40 or more physicians and surgeons, who are independent contractors representing not less than 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.

DCHS Medical Foundation began operations in April 2012 through the establishment of a professional services agreement with a group of approximately 200 physicians and associates of the San Jose Medical Group. DCHS Medical Foundation includes 144 full-time physicians as follows:

DCHS MEDICAL FOUNDATION: FULL-TIME PHYSICIANS 2014				
	Physician Count by Market			
Specialty	St. Francis Medical Center / St. Vincent Medical Center	O'Connor Hospital / Saint Louise Regional Hospital	Seton Medical Center / Seton Medical Center Coastside	Total
Family Practice	5	32	1	38
Internal Medicine	3	15	1	19
Hospitalist	-	6	10	16
Acute Care	-	12	-	12
Obstetrics & Gynecology	2	7	-	9
Pediatrics	2	4	-	6
General Surgery	2	2	-	4
Ophthalmology	2	2	-	4
Orthopedic Surgery	3	1	-	4
Podiatry	1	3	-	4
Total Top 10 Specialties	**20**	**84**	**12**	**116**
Other	10	18	-	28
Total Physicians	**30**	**102**	**12**	**144**

Source: Daughters

* Excludes Independent Physician Associations

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

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

Caritas Business Services

Daughters operates Caritas Business Services, a nonprofit religious corporation. Caritas Business Services has nearly 140 employees and provides support services to Daughters and the Hospital Corporations including accounting, finance, patient financial services, supply chain management, and purchasing services for the entire health system.

De Paul Ventures, LLC

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

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

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

Marillac Insurance Company, Ltd.

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

St. Vincent De Paul Ethics Corporation

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

Daughters' Inpatient Volume

Over the past five years, the number of inpatient discharges has declined by nearly 20% to approximately 48,000 discharges in FY 2014. While inpatient discharges decreased by 4.4% between FY 2013 and FY 2014, emergency services increased by 4.6% over the same period.

The following table provides inpatient volume trends for FY 2013 and FY 2014:

DAUGHTERS' TOTAL SERVICE VOLUMES FY 2013 & FY 2014														
	St. Francis Medical Center		St. Vincent Medical Center		O'Connor Hospital		Saint Louise Regional		Seton Medical Center		Seton Coastside		Daughters' Total	
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
Licensed Beds	384	384	366	366	358	358	93	93	357	357	121	121	1,679	1,679
Available Beds	382	382	366	366	281	282	93	93	307	294	121	121	1,550	1,538
Discharges	18,957	18,850	9,213	8,244	11,751	10,971	3,021	3,044	7,125	6,755	101	86	50,168	47,950
Patient Days	87,944	87,676	52,946	47,942	52,175	49,663	11,026	10,550	47,479	46,805	38,782	37,382	290,352	280,018
Average Daily Census	241	240	145	131	143	136	30	29	130	128	106	102	795	767
Acute Licensed Beds	314	314	320	320	334	334	72	72	274	274	5	5	1,319	1,319
Acute Available Beds	312	312	253	252	257	258	72	72	224	250	5	5	1,123	1,150
Acute Discharges	16,738	16,329	8,156	7,223	11,725	10,947	3,021	3,044	7,080	6,717	-	-	46,720	44,260
Acute Patient Days	70,073	69,665	38,869	34,634	44,952	41,747	11,026	10,550	33,687	33,039	-	-	198,607	189,635
Acute Average Length of Stay	4.2	4.3	4.8	4.8	3.8	3.8	3.7	3.5	4.8	4.9	-	-	4.3	4.3

Source: Daughters, 2013 Audited & 2014 Unaudited Internal Financials
(1) The figures provided by Daughters differ slightly from OSHPD data reported in subsequent tables, which is cited in the source

Financial Profile

Statement of Operations

DAUGHTERS' STATEMENT OF OPERATIONS: FY 2014 (thousands)												
	St. Francis Medical Center		St. Vincent Medical Center		O'Connor Hospital		Saint Louise Regional Hospital		Seton Medical Center		Daughters' Total (including all other entities)	
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
Net Patient Service Revenue	$440,397	$310,816	$191,904	$178,544	$308,334	$260,822	$93,517	$83,636	$257,931	$233,921	$1,352,711	$1,136,719
Provision and Write-Off of Doubtful Accounts	($68,275)	($12,128)	($1,177)	($5,530)	($23,897)	$11,612	($15,144)	($3,399)	($12,732)	($10,218)	($121,836)	($43,282)
Premium Revenue	$33,019	$40,211	$8,593	$10,176	-	-	-	-	-	-	$65,489	$83,298
Other Revenue	$7,523	$3,726	$5,746	$15,499	$9,131	$1,551	$779	$2,518	$6,241	$18,477	$29,433	$60,619
Contributions	$4,146	$5,618	$1,774	$1,889	$1,582	$1,459	$883	$977	$593	$569	$16,723	$157,695
Total Unrestricted Revenues & Other Support	$416,810	$348,243	$206,840	$200,578	$295,150	$272,220	$80,035	$83,732	$252,033	$242,752	$1,342,520	$1,395,049
Salaries and Benefits	$190,873	$196,608	$100,488	$102,314	$188,899	$189,846	$52,270	$57,514	$159,549	$153,681	$783,586	$805,077
Supplies	$30,277	$32,650	$46,151	$42,855	$40,593	$43,301	$7,351	$7,763	$36,258	$35,819	$170,261	$172,346
Provision for Doubtful Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Purchased Services & Other	$134,659	$116,359	$81,531	$71,596	$71,213	$65,807	$22,875	$21,050	$69,289	$58,137	$393,616	$348,086
Depreciation	$17,796	$19,739	$9,882	$12,443	$14,383	$12,762	$4,338	$5,903	$10,428	$10,392	$60,439	$65,786
Net Interest	$7,026	$5,158	$4,894	$3,379	$5,060	$3,504	$2,771	$1,985	$5,840	$3,725	$25,336	$19,355
Total Expenses	$380,631	$370,514	$242,946	$232,587	$320,148	$315,220	$94,605	$94,215	$381,364	$261,754	$1,433,238	$1,410,650
Operating Income	$36,179	($22,271)	($36,106)	($32,009)	($24,998)	($43,000)	($14,570)	($10,483)	($29,331)	($19,002)	($90,718)	($15,601)
Investment Income	$8,394	$6,676	$994	$674	$2,210	$271	$49	$35	$1,028	$52	$16,252	$16,315
Excess (Deficit) of Revenues Over Expenses	$44,573	($15,595)	($35,112)	($31,335)	($22,788)	($42,729)	($14,521)	($10,448)	($28,303)	($18,950)	($74,466)	$714

Source: Daughters, 2013 Audited & 2014 Internal Unaudited Financials

Daughters' internal unaudited statement of operations for FY 2014 displays the individual performance of the Health Facilities in conjunction with Daughters' system-wide performance. The individual Health Facilities show operating losses, as well as deficits of revenue over expenses. On a system-wide basis, Daughters also reports an operating loss, though this is offset by income from investment activities (unadjusted for a substantial non-recurring item related to the favorable treatment in redeeming the 2008 Bonds).

Net Patient Service Revenue

Net patient service revenue (less provision for bad debts) of $1.1 billion represents a net decrease of $137.4 million (11.2%) as compared to FY 2013. Net patient service revenue during FY 2014 included $45.1 million in revenue from DCHS Medical Foundation, as compared to $33.4 million for FY 2013. Additionally, net patient service revenue for FY 2014 was impacted by a decrease of $119.9 million in Hospital Qualified Assurance Fee Program[15] revenue.

Operating Expenses

Total operating expenses of $1.410 billion for FY 2014 represent a decrease of 1.6% from FY 2013. A portion of the net decrease may be attributed to the inclusion of $111.1 million in operating expenses from DCHS Medical Foundation, as compared to $75.7 million during FY 2013, as well as a decrease of $64.2 million in Hospital Qualified Assurance Fee Program expenses. Daughters' salaries and benefits amounted to nearly 70% of total expenses. This is significantly higher than the average percentage for all nonprofit general acute care hospitals in California (49% in FY 2013).

Non-Recurring Items

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

Historic Comparison

The table below displays adjusted operating/net income figures for FY 2014, as well as similar figures for FY 2011- FY 2013. Over the past several years, Daughters' operating losses have significantly increased due to changes in declining reimbursement, declining volume, and increasing salary costs. Between FY 2010 to FY 2014, Daughters reported an operating loss of between $49.4 million in 2010 to over $146.3 million in FY 2014.

In addition, Daughters' days cash on hand has significantly declined due to pressure from the operating losses. Days cash on hand measures the period of time in which the organization is

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

able to meet cash requirements in the absence of outside funding. This ratio may be influenced by a variety of cash flow inflows or outflows, though higher figures generally indicate better liquidity and a safer margin to meet outflow obligations. Based on internal financial projections, Daughters expects to run out of cash by the third quarter of FY 2015 (January-March) without financial intervention. The following table reports additional trends in operating income, net income, labor costs, and liquidity from FY 2010 through FY 2014:

DAUGHTERS' FINANCIAL TRENDS: FY 2010-2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Income[1] (millions)	(49.4)	(44.6)	(61.0)	(90.7)	(146.3)
Net Income (millions)	(18.8)	(4.1)	(59.5)	(74.5)	(130.0)
Labor Costs as a % of Net Patient Service Revenues	65.3%	59.2%	61.9%	63.7%	73.6%
Days Cash on Hand	93	87	70	50	31

Source: Daughters, 2014 Unaudited

(1) 2014 operating income excludes the favorable accounting treatment of the 2008 bond redemption

- Due to a $54 million net provider fee benefit, the operating income improved slightly in FY 2011, before declining in FY 2012, FY 2013, and FY 2014;

- Labor costs as a percentage of net patient service revenues have continued to increase to nearly 74% in FY 2014. This is higher than the industry as compared to Standard & Poor's Rating Service Not-For-Profit Healthcare System Median of 57.7%; and

- Liquidity levels are significantly lower than Standard & Poor's Rating Service Not-For-Profit Healthcare System Median of 204.6 days cash on hand.

Cash Position and Debt Obligations

Between FY 2013 and FY 2014, total cash and marketable securities decreased by $82.8 million (31% decrease), and total unrestricted cash and marketable securities decreased by $74.6 million (40% decrease). Over the same time period, unrestricted days cash on hand decreased by 38%, from 50 days in FY 2013 to over 31 days in FY 2014. Daughters' mounting declines in days cash on hand is one indicator of liquidity challenges.

The following table reports the summary of Daughters' outstanding obligations as of FY 2014:

DAUGHTERS' SUMMARY OF OUTSTANDING OBLIGATIONS: FY 2014	
Obligation	**Amount (millions)**
Total Trade, Employee, and Other Obligations	$185
2005 Bonds	$290
Other Long-Term Debt	$6
Total Short- and Long-Term Debt	**$481**
Total Unfunded Retirement Plan Liabilities	$278
Total Short-Term and Long-Term Obligations	**$759**

Source: Daughters, Unaudited Financials, 2014
(1) Excludes the $125 million 2014 Bonds

In order to address the liquidity shortage and outstanding obligations, Daughters of Charity Foundation[16] made a restricted donation of $130 million for the benefit of Daughters in October 2013. On October 25, 2013, Daughters redeemed the 2008 Bonds, consisting of the $130 million donation and a $13.7 million reserve fund, totaling $143.7 million in redemptions. The effect of the non-recurring donation on the Statement of Operations for FY 2014 is covered in the previous section.

Additionally, Daughters accessed a $125 million short-term financing bridge loan in August 2014 to provide enough days cash on hand to support operations through the end of FY 2015. The bridge loan consists of the $100 million 2014 Bonds (Series A), the $10 million 2014 Bonds (Series B), and the $15 million 2014 Bonds (Series C). The bridge loan matures on July 10, 2015 and is dependent upon ensuring that the sale of all Daughters' assets is completed in a timely manner.

Credit Rating and Outlook

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

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

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

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

- Eroding unrestricted reserves;

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

- Heavy reliance on hospital provider fee benefits and disproportionate share receipts[17] to help offset operating losses; and

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

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

Financial Distress and Divestiture Plans

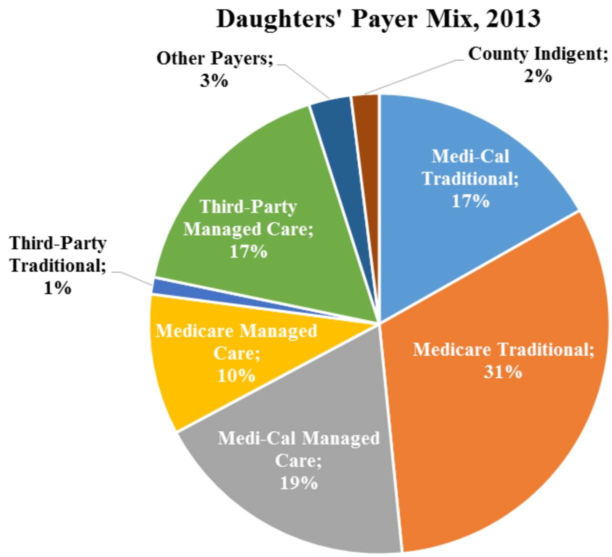
The declining financial condition of Daughters is documented in both audited and unaudited financial statements, credit rating action, and internal communications. Prior to the credit rating downgrade, internal communications and Daughters' Board meeting minutes in late 2013 reflected a growing concern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

At a subsequent Daughters' Board meeting on December 24, 2013, a motion was approved selecting Houlihan Lokey as a financial advisor. Its directive was to guide Daughters' Board in entertaining solutions and to include staffing in the contract. An offering process was undertaken for the sale of Daughters' assets and liabilities.

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

Daughters' Payer Mix

In FY 2013, approximately 31% of Daughters' inpatient payer mix consisted of Medicare Traditional, 19% consisted of Medi-Cal Managed Care, 17% consisted of Medi-Cal Traditional, and 17% consisted of Third-Party Managed Care. The remaining 16% of Daughters' inpatient discharges consisted of Medicare Managed Care (10%), Other Payers* (3%), County Indigent (2%), and Third-Party Traditional (1%) payers.



Total Discharges: 47,950

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

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

Unionized Employees

Daughters has relationships with various unions across the State of California, including a system-wide CBA with Service Employees International Union, United Healthcare Workers West, that covers over 2,800 employees at the Health Facilities for the period of May 1, 2012 through April 30, 2015. In addition, each of the Health Facilities has CBAs with other unions, including California Nurses Association, California Licensed Vocational Nurses Association, United Nurses Associations of California/Union of Health Care Professionals, International Union of Operating Engineers, Local 39, and Engineering Scientists of California, Local 20. In 2013, Daughters reported approximately 7,650 employees, with nearly 74% covered under CBAs.

UNION PARTICIPATION AMONG DAUGHTERS' EMPLOYEES						
Union	St. Francis Medical Center	St. Vincent Medical Center	O'Connor Hospital	Saint Louise Regional Hospital	Seton Medical Center & Seton Medical Center Coastside	Total
Service Employees International Union, Local 250	543	419	496	274	703	2,435
Service Employees International Union, Local 250 Technical	286	-	137	-	-	423
California Nurses Association	-	364	750	269	475	1858
California Licensed Vocational Nurses Association	-	-	27	8	-	35
International Union of Operating Engineers, Local 39	-	-	17	11	22	50
United Nurses Association of California	762	-	-	-	-	762
Engineering Scientists of California, Local 20	-	-	41	17	33	91
Total	**1,591**	**783**	**1,468**	**579**	**1,233**	**5,654**

Source: Daughters

PROFILE OF THE HOSPITAL & SETON COASTSIDE

Seton

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

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

Seton Coastside

Seton Coastside was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to head operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside as it became integrated into one administrative entity with the Hospital. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general, acute-care beds. Seton Coastside also operates the only 24-hour "standby" Emergency Department[18] along the 55-mile stretch between Santa Cruz and Daly City.

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

Seton Foundation

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

In FY 2014, Seton Foundation distributed over $2,000 at Seton Coastside and over $800,000 at the Hospital, including funds toward the following programs and services:

- Women's and newborn services, in the amount of $566,334;
- The Chapel Fund, in the amount of $52,608;
- The Oncology Department, in the amount of $36,970;
- The Cardiac Catheterization Lab, in the amount of $18,098;

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

- The Nursing Education Fund, in the amount of $11,651; and
- Pulmonary Rehabilitation Services, in the amount of $11,340.

Overview of the Hospital

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

BED DISTRIBUTION 2014 SETON MEDICAL CENTER	
Bed Type	**Number of Beds**
General Acute Care	201
Intensive Care	14
Neonatal Intensive Care	3
Coronary Care	14
Perinatal	18
Total General Acute Care Beds	**250**
Acute Psychiatric (D/P)	24
Skilled Nursing (D/P)	83
Total Beds	**357**

Source: Hospital License 2014

BED DISTRIBUTION 2014 SETON COASTSIDE	
Bed Type	**Number of Beds**
General Acute Care	5
Skilled Nursing (D/P)	116
Total Beds	**121**

Source: Hospital License 2014

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

The Hospital has a "basic" Emergency Department[19] with 18 licensed treatment stations. It also has 13 surgical operating rooms and two cardiac catheterization labs. Of the Hospital's 83 licensed skilled nursing beds, 39 are in suspense, and the remaining 44 licensed skilled nursing beds are utilized as sub-acute care beds. Additionally, the Hospital's 24 licensed acute psychiatric beds have been placed in suspense.

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

[19] 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	FY 2012	FY 2013
Inpatient Discharges	7,763	7,118	7,226
Licensed Beds	478	478	478
Patient Days	93,668	87,308	86,189
Average Daily Census	257	256	236
Occupancy	53.7%	49.9%	49.4%
Emergency Services Visits[1] - Seton Medical Center	25,935	31,862	26,955
Emergency Services Visits[1] - Seton Coastside	3,053	3,103	3,381
Cardiac Catheterization Procedures[1]	2,492	2,306	2,357
Coronary Artery Bypass Graft (CABG) Surgeries[1]	79	36	60
Total Live Births	662	611	605

Physicians on Medical Staff	414
Hospital Employees (Full-Time Equivalents)	928

Source: Daughters, Unaudited
Note: Includes the Hospital and Seton Coastside
[1]OSHPD Alirts Annual Utilization Reports

- For FY 2013, the Hospital and Seton Coastside had a combined total of 7,226 discharges, 86,189 patient days, and an average daily census of 236 patients (approximately 49% occupancy on the total licensed beds);

- Both inpatient discharges and patient days have declined since FY 2011 by approximately 7% and 8%, respectively;

- For FY 2013, the Hospital and Seton Coastside had a combined 30,336 emergency department visits; and

- In FY 2013, the Hospital reported approximately 2,357 diagnostic cardiac catheterization procedures, 60 coronary artery bypass graft surgeries, and 605 deliveries.

Programs and Services

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

- Cancer care services include: 30-bed inpatient oncology unit and outpatient services that provide chemotherapy, radiation, robotic technology, support groups, nutrition counseling, and pain management;
    - Outpatient Infusion Center provides: Comprehensive care for patients requiring intravenous treatment, including chemotherapy.

- Cardiac services include: Blood testing, nuclear medicine, MRI, PET, and CT scans, echocardiography studies, and cardiac catheterization procedures. The Hospital is a designated STEMI Receiving Center;
    - San Francisco Heart & Vascular Institute offers: Comprehensive diagnostic services, pacemaker implantation, and complex heart surgeries including coronary artery bypass.
- Emergency services include: An Emergency Department with 18 treatment stations that has ambulance receiving capabilities and is certified by the Joint Commission as a Primary Stroke Center;
    - Seton Express Care includes: Urgent care services for non-life threatening cases, including colds, flu, infections, and fractures.
- Gastroenterology services include: Inpatient and outpatient diagnostic and therapeutic services, including enteroscopy, endoscopy, and colonoscopy;
- Imaging and lab services include: X-ray, interventional radiology, nuclear medicine, PET/CT, ultrasound, MRI, mammography, hematology, coagulation, chemistry, microbiology, and histology services;
- Nephrology services include: Inpatient and outpatient care, including hemodialysis, to provide treatment to patients with kidney disorders, including advanced and permanent kidney failure;
- Orthopedics services include: Joint replacement, spine care, minimally invasive surgery, and physical therapy;
    - San Francisco Spine Institute provides: Treatment for herniated discs, osteoporosis, spinal fractures, and injury rehabilitation, including arthroscopic surgery and minimally invasive surgery procedures.
- Sub-acute services include: 44-bed Medi-Cal certified and Joint Commission accredited unit that provides long-term care for patients 18 years and older who require the use of a tracheotomy, gastronomy tube, or ventilator. The Hospital is the only provider of ventilation services in San Mateo County;
- Obstetrics services include: Prenatal education, lactation services, and labor, delivery, and recovery services;
    - Saint Elizabeth Ann Seton New Life Center: Provides physician care, childbirth and parenting classes, nutritional counseling, and social services for low-income women.

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

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

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

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

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

- Diabetic services include: Cholesterol and diabetes screenings, support groups, and educational programs at the Northern California Diabetes Institute; and

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

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

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

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

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

Accreditations, Certifications, and Awards

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

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

- Designated Primary Stroke Center by the Joint Commission, effective April 2013 through April 2015;

- Designated STEMI Receiving Center by San Mateo County;
- San Francisco Heart & Vascular Institute, the San Francisco Spine Institute, the San Francisco Center for Advanced Wound Care, and Seton Orthopedic Institute are recognized Centers of Excellence;
- Given the Outstanding Leadership Award for Achievements in Eliminating Ventilator-Associated Pneumonia, 2011 by the U.S. Department of Health & Human Services; and
- Received the Patient Safety First Award for Achievements in Reducing Deaths from Sepsis in 2013 by the Hospital Council of Northern and Central California.

Quality Measures

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

The following table reports the Hospital's quality scores for FY 2014 for certain measures including evidence-based care[1], 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	**95.5%**	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	**65.0%**	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	**72.0%**	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	**12.8%**	12.0%	12.3%

Source: Daughters

- For measures of evidence-based care, the Hospital scored lower than both the statewide and national average;

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

- In FY 2014, approximately 65% of patients were highly satisfied with the Hospital, compared to 71% of patients nationwide; and

- For the measure on patients' willingness to recommend the Hospital to others (72%), the Hospital scored better than both the state and national average.

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

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

30-DAY READMISSION RATES: FY 2014		
Hospital	National Average	California Average
21.4%	19.9%	19.9%

Source: Daughters

- In FY 2014, 21.4% of the Hospital's heart attack, heart failure, pneumonia, and surgical care patients were readmitted within 30-days, compared to 19.9% nationally;

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

- For FY 2015, the Hospital will be penalized at 0.59%.

Seismic Issues

Using the HAZUS seismic criteria[20], the Hospital's structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as seen in the table below. These classifications require that the Hospital structures undergo construction to comply with the California Office of Statewide Health Planning and Development's seismic safety standards.

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

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

- Two of the Hospital's buildings, the Front Wing and the 1963 Main Tower, require structural upgrades to be seismically compliant. Upgrades to both buildings must be completed by July 1, 2019. The Hospital has developed a master plan to meet seismic compliance by building a new hospital tower to house all acute-care services. San Mateo County has provided initial funding for the project through the allocation of Measure A funds; and

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

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

Measure A Funding

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

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

In order to assist the Hospital to rebuild and meet seismic standards, San Mateo County agreed to provide up to $18.2 million from Measure A to the Health Plan of San Mateo for payment to the Hospital for the period of October 1, 2013 through December 31, 2014. A minimum of $2 million of the funds was required to be used for seismic safety upgrades. Additionally, the Hospital was required to retain a consultant to prepare a master plan for seismic compliance. The agreement with the County of San Mateo needs to be renewed on an annual basis to continue to receive Measure A.

If certain conditions are met under the proposed transaction, the San Mateo County Board of Supervisors has stated that they will consider a long-term funding agreement with the new owner for the remaining nine years of Measure A.

Master Plan

The Master Plan includes the following recommendations:

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

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

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

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

- Create new parking structures to support traffic.

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

Patient Utilization Trends

The following table shows combined patient volume trends at the Hospital and Seton Coastside for FY 2009 through FY 2013.

SERVICE VOLUMES FY 2009 - FY 2013					
PATIENT DAYS	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013***
Medical/Surgical	39,868	35,575	32,738	27,961	25,894
Intensive Care	4,018	3,719	3,733	3,750	3,285
Neonatal Intensive Care	518	387	396	251	349
Obstetrics	2,413	2,111	2,046	1,835	1,753
Coronary Care	3,919	3,533	3,167	2,606	2,334
Sub-Acute	15,254	15,252	15,013	14,632	13,792
Skilled Nursing	51,886	48,647	36,575	36,273	38,782
Total	**117,876**	**109,224**	**93,668**	**87,308**	**86,189**
DISCHARGES					
Medical/Surgical	6,844	6,312	5,555	5,122	5,294
Intensive Care	690	660	633	687	671
Neonatal Intensive Care	89	69	67	46	71
Obstetrics	777	735	695	650	567
Coronary Care	673	627	537	477	477
Sub-Acute	37	31	27	28	45
Skilled Nursing	789	791	249	108	101
Total	**9,899**	**9,225**	**7,763**	**7,118**	**7,226**
AVERAGE LENGTH OF STAY					
Medical/Surgical	5.8	5.6	5.9	5.5	4.9
Intensive Care	5.8	5.6	5.9	5.5	4.9
Neonatal Intensive Care	5.8	5.6	5.9	5.5	4.9
Obstetrics	3.1	2.9	2.9	2.8	3.1
Coronary Care	5.8	5.6	5.9	5.5	4.9
Total	**5.6**	**5.4**	**5.6**	**5.2**	**4.7**
AVERAGE DAILY CENSUS					
Medical/Surgical	109.2	97.5	89.7	76.4	70.9
Intensive Care	11.0	10.2	10.2	10.2	9.0
Neonatal Intensive Care	1.4	1.1	1.1	0.7	1.0
Obstetrics	6.6	5.8	5.6	5.0	4.8
Coronary Care	10.7	9.7	8.7	7.1	6.4
Sub-Acute	41.8	41.8	41.1	40.0	37.8
Skilled Nursing	142.2	133.3	100.2	99.1	106.3
Total	**322.9**	**299.2**	**256.6**	**238.5**	**236.1**
OTHER SERVICES					
Inpatient Surgeries	2,695	2,382	2,297	1,976	1,832
Outpatient Surgeries	1,191	1,402	1,482	1,432	2,812
Emergency Visits	37,218	34,821	28,988	34,965	30,336
Cardiac Cath Procedures[1]	1,740	1,343	2,492	2,306	2,357
Obstetric Deliveries	753	689	662	611	605

Sources: OSHPD Disclosure Reports, FY2009-2013

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

[1] OSHPD Alirts Annual Utilization Reports

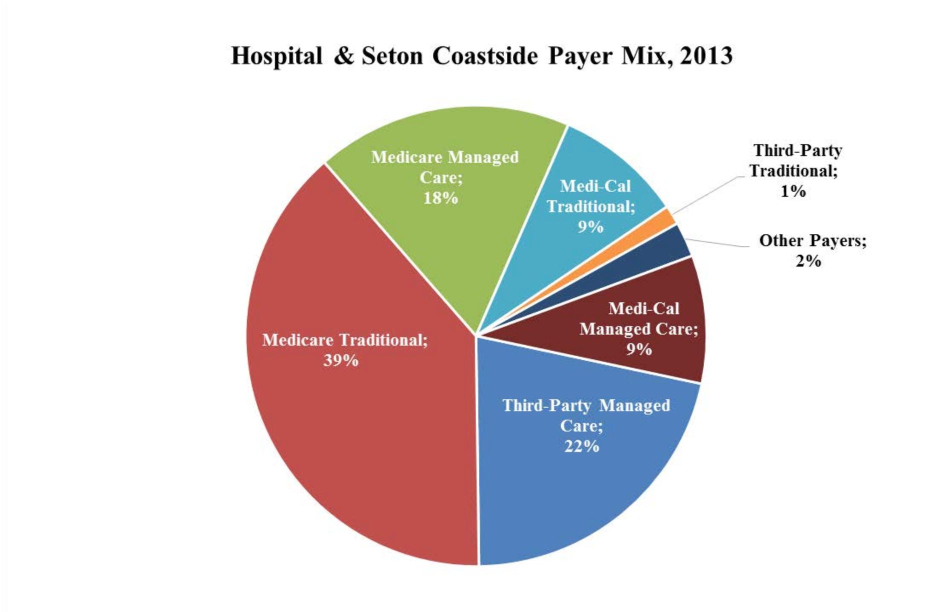
*Unaudited

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

- Total patient days have decreased by approximately 27% from 117,876 in FY 2009 to 86,189 in FY 2013;
- Inpatient discharges have decreased 27% from 9,899 in FY 2009 to 7,226 in FY 2013;
- The total number of licensed beds has remained stable at 478 beds;
- The average daily census has decreased from 323 patients in FY 2009 to 236 patients in FY 2013;
- In FY 2013, excluding the sub-acute and skilled nursing services, the Hospital reported an average daily census of 92 patients;
- Inpatient surgeries decreased 32% from 2,695 in FY 2009 to 1,832 in FY 2013; and
- Obstetric deliveries have decreased 20% from 753 in FY 2009 to 605 in FY 2013.

Payer Mix

In FY 2013, 18% of the Hospital and Seton Coastside's combined inpatient payer mix consisted of Medi-Cal Managed Care (9%) and Medi-Cal Traditional (9%) patients. Approximately 57% of the Hospital and Seton Coastside's combined inpatient payer mix consisted of Medicare Traditional (39%) and Medicare Managed Care (18%). The remaining 24% of the inpatient discharges consisted of Third-Party Managed Care (22%), and Other Payers* (2%).



Total Discharges: 7,226
* "Other" 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 San Mateo County and California for FY 2013. The comparison shows that the Hospital and Seton Coastside have higher percentages of Medicare Traditional and Medicare Managed Care patients and lower percentages of Third-Party Traditional and indigent patients relative to other hospitals in San Mateo County and statewide.

PAYER MIX COMPARISON FY 2013						
	Hospital and Seton Coastside		San Mateo County		California	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	648	9.0%	1,957	6.2%	444,932	15.0%
Medi-Cal Managed Care	649	9.0%	2,861	9.0%	354,720	12.0%
Medi-Cal Total	**1,297**	**17.9%**	**4,818**	**15.2%**	**799,652**	**27.0%**
Medicare Traditional	2,802	38.8%	11,392	35.9%	863,909	29.1%
Medicare Managed Care	1,300	18.0%	4,113	13.0%	265,857	9.0%
Medicare Total	**4,102**	**56.8%**	**15,505**	**48.9%**	**1,129,766**	**38.1%**
Third-Party Managed Care	1,551	21.5%	8,857	27.9%	657,290	22.2%
Third-Party Managed Care Total	**1,551**	**21.5%**	**8,857**	**27.9%**	**657,290**	**22.2%**
Third-Party Traditional	98	1.4%	519	1.6%	127,396	4.3%
Other Payers	178	2.5%	629	2.0%	87,399	2.9%
Other Indigent	0	0.0%	463	1.5%	50,699	1.7%
County Indigent	0	0.0%	924	2.9%	113,812	3.8%
Other Total	**276**	**3.8%**	**2,535**	**8.0%**	**379,306**	**12.8%**
Total	**7,226**	**100%**	**31,715**	**100%**	**2,966,014**	**100%**

Source: OSHPD Disclosure Reports, FY2013

(1) Includes the Hospital and Seton Coastside

Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Approximately 6.6 million Medi-Cal beneficiaries in all 58 counties of California receive their healthcare through six models of managed care: County Organized Health Systems, Geographic Managed Care, Two-Plan Model, Regional Model, Imperial Model, and the San Benito Model.

San Mateo County has a County Organized Health System called the Health Plan of San Mateo. It offers health coverage and a provider network to more than 100,000 underserved residents. Currently, the Hospital, as well as all other area hospitals, contracts with the Health Plan of San Mateo to provide care for Medi-Cal managed care beneficiaries.

Medical Staff

The Hospital and Seton Coastside have a combined 414 physicians on the medical staff with various specialties represented. Of the 414 physicians, 241 are considered “active” users of the Hospital (representing approximately 84% of the medical staff). Internal medicine, cardiology, and orthopedics are the three largest specialties, comprising 23% of the active physicians. The 173 “non-active” users of the Hospital include administrative, provisional, courtesy, temporary, and other medical staff.

The Hospital and Seton Coastside have relationships with various Independent Physician Associations, including Brown and Toland, Hill Physicians, and Chinese Health Plan. The Hospital also has contracts with DCHS Medical Foundation for hospitalist and intensivist services until April 2015 and July 2017, respectively.

MEDICAL STAFF PROFILE 2014		
Specialty	**Count**	**% of Total**
Active Physicians		
Internal Medicine	32	13%
Cardiology	20	8%
Orthopedic Surgery	16	6%
Family Practice	15	6%
Pediatrics	14	6%
Emergency Medicine	21	8%
Podiatry	12	5%
Anesthesiology	11	4%
Oral & Maxillofacial Surgery	10	4%
Obstetrics/Gynecology	9	4%
Other	91	36%
Total Active	**251**	**100%**
Non-Active	173	
Total Physicians	**424**	

Source: Daughters

Includes the Hospital and Seton Coastside

Unionized Employees

The Hospital and Seton Coastside have 407 employees represented by Service Employees International Union, Local 250. Daughters' system-wide CBA with Service Employees International Union, United Healthcare Workers West, for the period of May 1, 2012 through April 30, 2015, covers employees that are members of technical, service, and maintenance bargaining units at the Health Facilities.

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

- The California Nurses Association for the period of July 1, 2009 through September 30, 2015. The agreement with the California Nurses Association covers 475 Registered Nurses at the Hospital that are involved in direct patient care;

- The International Union of Operating Stationary Engineers, Local 39 for the period of October 1, 2013 through September 30, 2016 that covers 22 bargaining unit members at the Hospital and Seton Coastside; and

- The Engineering Scientists of California, Local 20 for the term of April 8, 2014 through April 30, 2015. This agreement covers 33 employees at the Hospital.

In total, approximately 81% of the employees at the Hospital and Seton Coastside are covered by CBAs.

EMPLOYEE UNION PARTICIPATION		
Employee Category	Total Count*	Full-Time Equivalents
Union		
Service Employees International Union, Local 250	703	513
California Nurses Association	475	293
International Union of Operating Engineers, Local 39	22	22
Engineering Scientists of California, Local 20	33	16
Total Union	**1,233**	**844**
Non-Union		
Manager	28	25
Director	17	17
Supervisor	17	16
Administration	5	5
Other	219	140
Total Non-Union	**286**	**203**
Total	**1,519**	**1,047**

Source: Daughters

(1) Includes the Hospital and Seton Coastside

* Includes full-time and part-time employees

Financial Profile

The Hospital and Seton Coastside reported a combined net loss of between $1.9 million in FY 2009 to nearly $25 million in FY 2013. Much of the reported losses can be attributed to net patient revenue declining over the five-year period by 10%. With low hospital margins in California (2.64%), many hospitals are often reliant on non-operating revenue[21] as an additional source of funding. These losses would have been larger without non-operating revenue totaling nearly $46 million since FY 2009.

Their current assets-to-liabilities ratio has decreased over the last five years from 1.62 in FY 2009 to 1.27 in FY 2013 (the California average in 2013 was 1.76). Their average percentage of bad debt is approximately 0.6%, which is lower than the statewide average of 1.7%.

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

FINANCIAL & RATIO ANALYSIS FY 2009 - FY 2013						
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Patient Days		117,876	109,224	93,668	87,308	86,189
Discharges		9,899	9,225	7,763	7,118	7,226
Average Length of Stay		11.9	11.8	12.1	12.3	11.9
Net Patient Revenue		$294,599,269	$275,971,462	$286,290,853	$258,059,964	$266,027,592
Other Operating Revenue		$2,455,430	$2,150,068	$3,371,233	$3,729,292	$3,273,727
Total Operating Revenues		$297,054,699	$278,121,530	$289,662,086	$261,789,256	$269,301,319
Operating Expenses		$302,158,879	$297,374,146	$310,145,213	$286,950,046	$298,967,395
Net from Operations		($5,104,180)	($19,252,616)	($20,483,127)	($25,160,790)	($29,666,076)
Net Non-Operating Revenue		$8,945,510	$9,571,491	$9,818,518	$8,175,494	$9,079,453
Net Income		($1,903,733)	($13,747,179)	($14,411,174)	($20,747,387)	($24,983,484)
	California Average 2013					
Current Ratio	1.76	1.62	1.25	1.28	1.29	1.27
Days in A/R	59.9	49.3	51.1	49.1	47.0	47.9
Bad Debt Rate	1.7%	0.8%	0.6%	0.4%	0.5%	0.7%
Operating Margin	2.64%	-0.64%	-3.37%	-7.07%	-4.74%	-11.02%

Source: OSHPD Disclosure Reports, FY2009-2013

(1) Includes the Hospital & Seton Coastside

Capital Expenditures

Between FY 2011 and FY 2013, the Hospital spent approximately $21.6 million in capital expenditures, including building upgrades and fixtures, new medical equipment, and software and IT upgrades. Capital expenditure needs during FY 2015 and beyond total approximately $12.9 million, including facility seismic-related upgrades, IT upgrades, and equipment upgrades.

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

Source: Daughters

Cost of Hospital Services

The Hospital and Seton Coastside's combined operating cost of services includes both inpatient and outpatient care. In FY 2013, approximately 50% of their total costs were associated with Medicare, 24% with Medi-Cal, and 24% with Third Party payers. The remaining 2% is attributed to Other Payers.

COST OF SERVICES BY PAYER CATEGORY FY2009-2013					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Operating Expenses	$302,158,879	$297,374,146	$310,145,213	$286,950,046	$298,967,395
Cost of Services By Payer:					
Medicare	$147,839,575	$149,874,774	$158,516,834	$141,786,305	$150,756,950
Medi-Cal	$71,224,361	$69,371,111	$69,281,606	$67,918,049	$71,264,255
County Indigent	$0	$0	$0	$0	$0
Third Party	$75,719,814	$68,863,828	$75,209,090	$67,540,370	$70,854,840
Other Indigent	$0	$0	$0	$0	$0
Other Payers	$7,375,129	$9,264,434	$7,137,684	$9,705,322	$6,091,350

Source: OSHPD Disclosure Reports, 2009-2013

(1) Includes the Hospital and Seton Coastside

Charity Care

According to the Hospital and Seton Coastside's reports submitted to OSHPD, their combined charity care charges have fluctuated from a high of approximately $13.3 million in FY 2013 to a low of $6.8 million in FY 2012. The five-year average for charity care charges was nearly $10 million.

The following table shows a comparison of charity care and bad debt for the Hospital and Seton Coastside combined and all general acute care hospitals in the state. The five-year (FY 2009 - FY 2013) average of charity care and bad debt, as a percentage of gross patient revenue, was 1.3%. This is lower than the four-year statewide average of 3.5%. 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 - FY 2013 (Millions)										
	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013*	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	$1,514.7	$252,629.7	$1,545.0	$270,511.0	$1,554.5	$288,636.7	$1,499.7	$303,278.6	$1,486.7	$317,543.8
Charity	$8.7	$4,792.3	$11.9	$5,587.1	$9.16	$6,171.5	$6.8	$6,251.0	$13.3	$6,209.9
Bad Debt	$12.4	$4,333.2	$9.01	$4,510.8	$6.6	$4,815.5	$7.8	$5,007.6	$9.7	$5,549.5
Total	**$21.0**	**$9,125.5**	**$20.9**	**$10,097.9**	**$15.8**	**$10,987.0**	**$14.6**	**$11,258.6**	**$23.1**	**$11,759.4**
Charity as a % of Gross Rev.	0.6%	1.9%	0.8%	2.1%	0.6%	2.1%	0.5%	2.1%	0.9%	2.0%
Bad Debt as a % of Gross Rev	0.8%	1.7%	0.6%	1.7%	0.4%	1.7%	0.5%	1.7%	0.7%	1.7%
Total as a % of Gross Rev.	1.4%	3.6%	1.4%	3.7%	1.0%	3.8%	1.0%	3.7%	1.6%	3.7%
Uncompensated Care										
Cost-to-Charge Ratio	19.8%	25.1%	19.1%	25.0%	19.7%	24.6%	18.9%	24.6%	19.9%	24.4%
Cost of Charity	$1.72	$579.8	$2.3	$1,396.2	$1.8	$1,520.9	$1.3	$1,539.1	$2.7	$1,514.58
Cost of Bad Debt	$2.44	$1,085.7	$1.7	$1,127.3	$1.3	$1,186.8	$1.5	$1,232.9	$1.9	$1,353.5
Total	**$4.16**	**$1,665.5**	**$4.0**	**$2,523.5**	**$3.1**	**$2,707.7**	**$2.8**	**$2,772.0**	**$4.6**	**$2,868.1**

Source: OSHPD Disclosure Reports, FY 2009-2013

(1) Includes the Hospital and Seton Coastside

*Unaudited. 2013 Charity Care is listed under Hill Burton

The table below shows their historical costs for charity care as reported by OSHPD. Their charity care costs have fluctuated, dropping from $2.3 million in FY 2010 to $1.3 million in FY 2012 before increasing back up to $2.7 million in FY 2013. The average cost of charity care for the last five-year period was approximately $1.9 million.

COST OF CHARITY CARE FY 2009-2013				
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital	Percent of Total Costs Represented by Charity Care
FY 2013*	$13,342,962	19.9%	$2,655,249	0.9%
FY 2012	$6,794,759	18.9%	$1,284,209	0.4%
FY 2011	$9,159,488	19.7%	$1,804,419	0.6%
FY 2010	$11,932,578	19.1%	$2,279,122	0.8%
FY 2009	$8,680,981	19.8%	$1,718,834	0.6%
5-Year Average	**$9,982,154**		**$1,948,367**	

Source: OSHPD Disclosure Reports, FY 2009-2013

(1) Includes the Hospital and Seton Coastside

* Unaudited. FY 2013 Charity Care is listed under Hill Burton

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

COST OF CHARITY CARE BY SERVICE FY 2010-2014				
	Inpatient	Outpatient	Emergency Room	Total Charges
FY 2014:				
Cost of Charity	$6,339,217	$563,238	$4,755,572	$11,658,027
Visits/Discharges	1414	574	1,245	
FY 2013:				
Cost of Charity	$8,295,633	$1,085,569	$3,961,760	$13,342,962
Visits/Discharges	290	1,746	1,928	
FY 2012:				
Cost of Charity	$3,266,873	$987,821	$2,540,065	$6,794,759
Visits/Discharges	217	1,171	1,308	
FY 2011:				
Cost of Charity	$5,816,349	$796,083	$2,547,055	$9,159,487
Visits/Discharges	308	1,154	1,364	
FY 2010:				
Cost of Charity	$7,522,277	$1,290,231	$3,120,070	$11,932,578
Visits/Discharges	317	1,212	1,301	

Source: Daughters

(1) Includes the Hospital and Seton Coastside

Community Benefit Services

The Hospital and Seton Coastside have consistently provided community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been approximately $1.1 million per year:

COMMUNITY BENEFIT SERVICES FY 2010-2014							
Community Benefit Programs	2010	2011	2012	2013	2014	5-Year Average	Total
Benefits for Persons Living in Poverty	$820,507	$864,872	$909,690	$453,896	$355,198	$680,833	**$3,404,163**
Benefits for the Broader Community	$847,379	$303,012	$320,867	$249,695	$145,082	$373,207	**$1,866,035**
Total	**$1,667,886**	**$1,167,884**	**$1,230,557**	**$703,591**	**$500,280**	**$1,054,040**	**$5,270,198**

Source: Daughters

(1) Includes the Hospital and Seton Coastside

- Their five-year average cost of community benefit services for persons living in poverty is approximately $681,000 per year. The services for persons living in poverty include community health improvement services, financial and in-kind contributions, and subsidized health services;

- Their five-year average cost of community benefit services to the broader community is approximately $373,000 per year. These services include community health improvement services, health professional education, subsidized health services, financial and in-kind contributions, community building activities, and community benefit operations; and

- Over the 5-year period, their combined total community benefits have decreased from approximately $1.7 million in FY 2010 to $500,000 in FY 2014.

Their cost of community benefit services over the past five fiscal years included the following program expenditures over $10,000:

COST OF COMMUNITY BENEFIT SERVICES FY 2010-2014					
	2010	2011	2012	2013	2014
Services over $10,000 in cost:					
Pulmonary Exercise Maintenance	$12,772	$27,822	$22,086	$25,711	$26,818
Saint Elizabeth Ann Seton New Life Center	$2,174,414	$1,706,861	$1,662,994	$1,619,425	$1,364,392
Rotacare Clinic - Seton	$21,020	$46,820	$31,358	$23,256	$11,520
Rotacare Clinic - Seton Coastside	$28,761	$27,631	$17,935	$34,575	-
Chamber of Commerce	-	$28,583	$23,021	$39,873	$20,157
Community Benefit Program Management	$75,812	$85,689	$89,655	$96,723	$27,396
Better Breathers	-	$15,870	$11,799	$11,431	-
Medical Mondays	-	$16,885	$95,742	-	-
Community Health Education	$12,432	-	-	-	-

Source: Daughters

(1) Includes the Hospital and Seton Coastside

Their community benefit services have supported many programs for the community including: Saint Elizabeth Ann Seton New Life Center, Health Benefits Resource Center, RotaCare Clinic, Diabetes Institute, Heart Healthy Exercise, Pulmonary Exercise Maintenance, Chamber of Commerce events, Better Breathers, and Living Well Community Health Education Classes.

- Saint Elizabeth Ann Seton New Life Center: The New Life Center provides comprehensive perinatal services for low income women, including physician care, childbirth and parenting, nutritional counseling, and social services. Women receive personalized attention, and home visits can be arranged through community health liaisons. As of 2003, the program has serviced 4,300 patients and delivered 3,500 babies;

- Health Benefits Resource Center: The program provides free assessments, referrals to community resources, and assistance completing applications for free and low cost health insurance. During FY 2013, the program had approximately 1,300 visits, provided around 600 eligibility screenings, and assisted nearly 350 individuals in applying for health insurance;

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

- RotaCare Clinic: The program sponsors free x-rays, lab work, diagnostic services, and provides urgent medical care for uninsured patients;

- Diabetes Institute: The program offers classes on diabetes management, support groups, nutrition information, glucose monitoring education, nutritional counseling, diabetes meter instruction, and wound care education;

- Heart Healthy Exercise: Provides ongoing education and exercise programs for individuals with high blood pressure, high cholesterol, and diabetes as well as those who are obese or sedentary;

- Chamber of Commerce: Offers events throughout the year including screenings and educational programs;

- Better Breathers: Provides regular publication for those with pulmonary problems;

- Pulmonary Exercise Maintenance: The program helps pulmonary patients maintain their breathing ability; and

- Living Well Community Health Education Classes: The classes provide comprehensive diabetes self-management training, and individual education and support for adults and children with asthma.

PROFILE OF PRIME

Prime Healthcare Services, Inc.

Prime Inc. is a for-profit national healthcare system headquartered in Ontario, California. Today, Prime Inc. and its subsidiaries operate 29 hospitals and one skilled nursing facility in nine states, including California, Pennsylvania, Nevada, Kansas, Rhode Island, Texas, Michigan, Indiana, and New Jersey with more than 30,000 employees and 4,500 patient beds.

Dr. Reddy originally established Desert Valley Medical Group in 1985 and Desert Valley Hospital in 1994. After selling both the medical group and the hospital to PhyCor, Dr. Reddy founded Prime Inc. in 2001 for the purpose of reacquiring Desert Valley Medical Group and Desert Valley Hospital from PhyCor. Since 2001, Prime Inc. has continued to expand its presence by acquiring hospitals across the nation. Prime Inc.'s recent hospital acquisitions include the following:

- August 2014 – Prime Inc. acquires St. Mary's Hospital in Passaic, New Jersey;
- August 2014 – Prime Inc. acquires Monroe Hospital in Bloomington, Indiana;
- July 2014 – Prime Inc. acquires Garden City Hospital in Garden City, Michigan;
- May 2014 – Prime Inc. acquires East Valley Hospital Medical Center in Glendora, California. East Valley Hospital Medical Center reverts back to its original name, Glendora Community Hospital;
- December 2013 – Prime Inc. acquires Landmark Medical Center in Woonsocket, Rhode Island; and
- January 2013 – Prime Inc. acquires controlling interest in Knapp Medical Center, located in Weslaco, Texas.

In total, Prime Inc., or an affiliated entity, has acquired a total of 14 hospitals outside of California: Monroe Hospital in Indiana, Saint John Hospital and Providence Medical Center in Kansas, Garden City Hospital in Michigan, Saint Mary's Regional Medical Center in Nevada, St. Mary's Hospital in New Jersey, Lower Bucks Hospital and Roxborough Memorial Hospital in Pennsylvania, Landmark Medical Center and Rehabilitation Hospital of Rhode Island in Rhode Island, and Dallas Medical Center, Harlingen Medical Center, Knapp Medical Center, and Pampa Regional Medical Center in Texas. In addition, Prime Inc. operates Providence Place Rehabilitation Center and Providence Medical Group in Kansas, Saint Mary's Medical Group in New Jersey, and Dallas Medical Physician Group in Texas.

Within California, Prime Inc., or an affiliated entity, owns and operates approximately 2,200 beds at 11 for-profit facilities:

Alvarado Hospital Medical Center, founded in 1972, was acquired by Prime Inc. in 2010. The medical center, with 306 licensed-beds and more than 800 nurses and 400 physicians, serves the residents of San Diego. The medical center offers critical care, orthopedic, drug rehabilitation, cardiology, oncology, and general surgery services.

Centinela Hospital Medical Center, located in Inglewood and acquired by Prime Inc. in 2007 serves the residents of Inglewood and its surrounding areas. In 1960, the medical center began construction on a 60 licensed-bed addition. Throughout the late 1960s and 1970s, the medical center expanded to include 369 licensed-beds. Today, the 369 licensed-bed facility includes approximately 1,500 employees and 400 physicians on the medical staff. The medical center provides orthopedic services, cardiac services, and obstetrics/gynecology services, as well as a "basic" emergency department.

Chino Valley Medical Center, established in 1972, serves the communities of Chino, Ontario, and Pomona. Prime Inc. acquired the medical center in 2004. It currently is licensed for 126 beds with approximately 300 physicians and 7,000 admissions per year. Medical services include emergency treatment, intensive care, radiological, laboratory, and pain management services.

Desert Valley Hospital, located in Victorville, was founded by Dr. Reddy in 1994. The hospital is licensed for 148 beds and serves the High Desert communities of San Bernardino County. Medical services at the hospital include cardiology-neurology, imaging, laboratory, critical care, surgery, physical therapy, and Fast Track services at the "basic" emergency department.

Garden Grove Hospital Medical Center, located and servicing Garden Grove, is a 140 licensed-bed acute care facility and was acquired by Prime Inc. in 2008. Established in 1982, the medical center has more than 500 employees and over 550 physician affiliates. The medical center provides 24-hour "basic" emergency treatment services, medical/surgical services, intensive care services, maternity services, and diagnostic imaging services.

Glendora Community Hospital, located in Glendora, was founded in 1958. Previously known as the East Valley Hospital Medical Center, the hospital serves the residents of Glendora and surrounding communities. It is currently licensed for 118 beds and was acquired by Prime Inc. in 2014. The hospital offers a variety of medical services including intensive and critical care services, diagnostic imaging, senior mental health, women's health services, and a 24-hour "basic" emergency department.

La Palma Intercommunity Hospital, a 141 licensed-bed facility, provides La Palma and surrounding communities with general acute care services. Established in 1972 and purchased by Prime Inc. in 2006, the hospital provides emergency, maternity, behavioral health, imaging, pharmacy, and intensive care services.

Paradise Valley Hospital, located in National City, is a 291 licensed-bed acute care hospital that provides obstetrics, rehabilitation, hyperbaric medicine, behavioral health, "basic" emergency treatment, surgical, and senior health services. Founded in 1904 and acquired by Prime Inc. in 2007, the hospital operates with more than 300 physicians.

San Dimas Community Hospital, located in San Dimas, opened in 1971 and serves the communities of San Dimas, Glendora, La Verne, Covina, West Covina, Azusa, Walnut, Diamond Bar, Pomona, and Claremont. Prime Inc. purchased the hospital in 2008, and currently owns and operates the 13-acre campus with 101 licensed-beds. The hospital offers cardiopulmonary services, diagnostic services, gastroenterology services, orthopedic services, rehabilitation services, women's services, and a 24-hour "basic" emergency department.

Shasta Regional Medical Center, a 246 licensed-bed acute care facility located in Redding, was established in 1945. Prime Inc. purchased the medical center in 2008. The medical center provides a "basic" emergency department, cardiac catheterization, stroke treatment, and inpatient diabetes services. Outpatient services include cardiac rehabilitation, pulmonary rehabilitation, and wound care treatment.

West Anaheim Medical Center, located in Anaheim, opened in 1964 and serves the communities of Orange County. Prime Inc. purchased the medical center in 2006, and currently owns and operates the 219 licensed-bed facility. The medical center offers general medical/surgical services, behavioral health services, cardiovascular services, respiratory services, and pediatric services.

Prime Healthcare Foundation, Inc.

In 2006, Dr. Reddy founded Prime Foundation for the primary stated charitable purpose of providing healthcare services to the communities served by Prime's hospitals and supporting other charitable activities, such as medical education, scholarships, community educational programs, and a public health library.

Prime Inc., or an affiliated entity, has donated six hospitals to Prime Foundation. Two of the hospitals, Knapp Medical Center and Pampa Regional Medical Center, are located in Texas. The remaining four hospitals are located in California: Encino Hospital Medical Center, Huntington Beach Hospital, Montclair Hospital Medical Center, and Sherman Oaks Hospital.

Encino Hospital Medical Center, located in Encino, is licensed for 150 beds and has more than 500 employees and 300 physicians. Prime Inc. purchased it in 2008. The medical center offers gastrointestinal services, imaging services, rehabilitation services, mental health services, respiratory therapy, sub-acute nursing services, inpatient and outpatient surgery services, and a 24-hour "basic" emergency department.

Huntington Beach Hospital, a 102 licensed-bed facility with over 300 physicians and 500 employees, was founded in Huntington Beach in 1967. Acquired in 2006, the hospital was donated to Prime Foundation in 2012, and currently operates as a non-profit general acute care facility. The hospital provides emergency, surgical, cardiovascular, wound care, imaging, intensive care, and behavioral health services.

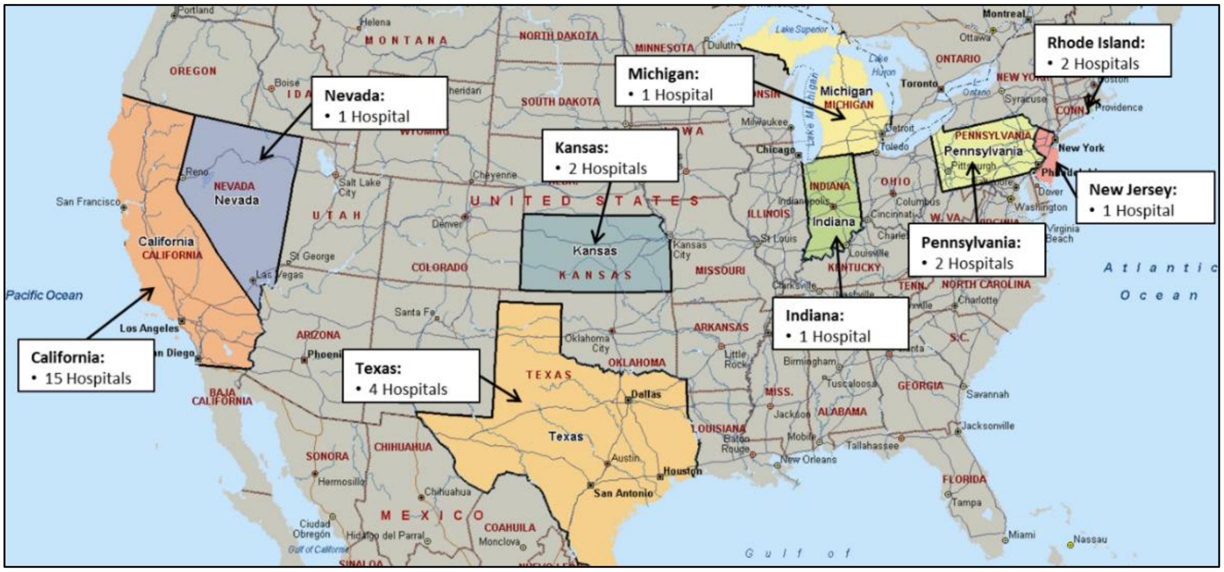
Montclair Hospital Medical Center, acquired by Prime Inc. in 2006, was donated to Prime Foundation in 2010. The 102 licensed-bed facility provides healthcare services to the communities of Montclair, Ontario, Claremont, Upland, and Pomona. Healthcare services include general medicine, maternity, rehabilitation, and nutrition services.

Sherman Oaks Hospital, located in Sherman Oaks, opened in 1969 and is staffed by approximately 500 employees and 400 physicians. Prime Inc. acquired the hospital in 2005. The hospital has 153 licensed beds, and offers a 24-hour "basic" emergency department and intensive care, radiology, laboratory, surgery, behavioral health, cardiology, rehabilitation, and sub-acute nursing services.

Location of Hospitals Owned by Prime

The following map identifies the various locations of Prime's fifteen California hospitals:

The following map identifies the location and number of Prime's hospitals by state:



Profile of California Hospitals Owned by Prime

Prime Inc.

CALIFORNIA HOSPITALS OWNED BY PRIME INC.: FY 2013						
	Prime Inc.	Alvardo Hospital Medical Center	Centinela Hospital Medical Center	Chino Valley Medical Center	Desert Valley Hospital	Garden Grove Hospital Medical Center
City	-	San Diego	Inglewood	Chino	Victorville	Garden Grove
Licensed Beds	2,205	306	369	126	148	140
Patient Days	331,607	30,088	71,719	14,397	33,535	22,904
Discharges[1]	78,874	6,702	18,638	5,352	9,279	6,017
ALOS	4.4	4.5	3.8	2.6	3.6	3.8
Average Daily Census	83	82	196	39	92	63
Occupancy	40.0%	26.9%	53.2%	31.3%	62.1%	44.8%
ED Visits	338,896	24,734	66,449	39,737	38,826	26,838
Inpatient Surgeries	11,484	1,783	1,411	808	1,419	1,246
Outpatient Surgeries	6,728	1,111	513	191	562	815
Births	5,699	0	833	0	1,089	1,693
Payer Mix (Based on Discharges):						
Medicare Traditional	40.7%	40.5%	39.8%	26.0%	29.3%	26.3%
Managed Medicare	10.7%	7.3%	9.5%	15.2%	19.7%	9.2%
Medi-Cal Traditional	12.5%	7.1%	8.5%	11.9%	10.9%	23.8%
Managed Medi-Cal	12.9%	11.5%	25.3%	17.0%	18.9%	20.1%
County Indigent	3.7%	9.1%	0.0%	1.1%	4.5%	4.8%
Traditional Third-Party	7.9%	5.6%	7.5%	19.4%	8.7%	5.7%
Managed Third-Party	5.6%	18.4%	0.0%	5.5%	3.6%	0.7%
Other Indigent	0.6%	0.0%	4.7%	0.1%	0.0%	0.0%
Other	5.4%	0.5%	4.7%	3.8%	4.4%	9.5%
Total	100%	100%	100%	100%	100%	100%
Income Statement:						
Gross Patient Revenue	$5,386,567,996	$610,732,778	$1,327,895,579	$360,851,371	$460,079,434	$409,555,371
Net Pt. Revenue	$1,204,560,785	$129,291,325	$267,441,719	$97,671,516	$114,162,114	$100,314,453
Other Operating Revenue	$10,006,849	$853,602	$1,555,451	$461,721	$1,943,188	$509,831
Total Operating Revenue	$1,214,567,634	$130,144,927	$268,997,170	$98,133,237	$116,105,302	$100,824,284
Total Operating Expenses	$1,173,678,690	$152,906,443	$231,641,308	$91,967,579	$110,921,651	$87,800,789
Net From Operations	$40,888,944	($22,761,516)	$37,355,862	$6,165,658	$5,183,651	$13,023,495
Non-operating Revenue	$24,300,810	$2,722,890	$5,790,467	$1,572,971	$1,733,364	$2,711,872
Non-operating Expenses	$9,930,431	$642,403	$4,236,426	$12,982	$2,244,737	$1,485,650
Provision for Taxes	$0	$0	$0	$0	$0	$0
Net Income	$55,259,323	($20,681,029)	$38,909,903	$7,725,647	$4,672,278	$14,249,717
Other Financial:						
Charity Care Charges	$97,091,461	$204,241	$61,781,029	$973,296	$954,960	$4,398,297
Bad Debt Charges	$337,194,028	$17,666,251	$18,669,337	$51,303,936	$36,001,017	$29,751,204
Total Uncompensated Care	$434,285,489	$17,870,492	$80,450,366	$52,277,232	$36,955,977	$34,149,501
Cost to Charge Ratio	21.6%	24.9%	17.3%	25.4%	23.7%	21.3%
Cost of Charity	$20,974,877	$50,849	$10,704,864	$246,812	$226,200	$937,435
Uncompensated Care as % of Chgs.	8.1%	2.9%	6.1%	14.5%	8.0%	8.3%
State of Calif. Uncompensated Care[2]	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

[1] Excludes normal new borns

[2] Statew ide average for hospitals

Source: OSHPD Disclosure Reports FY 2013

MEDICAL DEVELOPMENT SPECIALISTS consulting

Prime Inc.

CALIFORNIA HOSPITALS OWNED BY PRIME INC.: FY 2013							
	Prime Inc.	Glendora Community Hospital	La Palma Intercommunity Hospital	Paradise Valley Hospital	San Dimas Community Hospital	Shasta Regional Medical Center	West Anaheim Medical Center
City	-	Glendora	La Palma	National City	San Dimas	Redding	Anaheim
Licensed Beds	2,205	118	141	291	101	246	219
Patient Days	331,607	10,331	18,050	56,499	13,836	28,329	31,919
Discharges[1]	78,874	1,559	3,614	10,615	4,073	7,124	5,901
ALOS	4.4	6.6	5.0	5.3	3.4	4.0	5.5
Average Daily Census	83	28	49	155	38	78	87
Occupancy	40.0%	24.0%	35.1%	53.2%	37.5%	31.6%	39.9%
ED Visits	338,896	4,344	15,219	33,747	15,343	42,152	31,507
Inpatient Surgeries	11,484	284	391	476	973	1,726	967
Outpatient Surgeries	6,728	92	262	817	954	1,232	179
Births	5,699	191	403	1,080	410	0	0
Payer Mix (Based on Discharges):							
Medicare Traditional	40.7%	67.9%	47.6%	37.9%	29.7%	61.3%	41.5%
Managed Medicare	10.7%	2.8%	11.1%	5.1%	19.0%	2.7%	16.5%
Medi-Cal Traditional	12.5%	15.5%	15.9%	23.8%	5.1%	10.0%	5.4%
Managed Medi-Cal	12.9%	4.5%	8.7%	7.8%	6.7%	9.7%	11.6%
County Indigent	3.7%	0.6%	2.7%	7.8%	2.1%	0.0%	8.3%
Traditional Third-Party	7.9%	0.1%	9.4%	4.2%	7.8%	8.4%	9.6%
Managed Third-Party	5.6%	1.5%	1.4%	0.0%	25.5%	4.1%	0.9%
Other Indigent	0.6%	0.0%	0.0%	1.7%	0.0%	0.2%	0.0%
Other	5.4%	7.1%	3.1%	11.7%	4.2%	3.6%	6.3%
Total	100%	100%	100%	100%	100%	100%	100%
Income Statement:							
Gross Patient Revenue	$5,386,567,996	$66,720,923	$205,097,623	$484,672,693	$258,080,668	$798,835,700	$404,045,856
Net Pt. Revenue	$1,204,560,785	$18,644,403	$56,986,522	$137,032,609	$61,453,891	$134,359,527	$87,202,706
Other Operating Revenue	$10,006,849	$1,890,589	$253,421	$592,170	$439,988	$956,968	$549,920
Total Operating Revenue	$1,214,567,634	$20,534,992	$57,239,943	$137,624,779	$61,893,879	$135,316,495	$87,752,626
Total Operating Expenses	$1,173,678,690	$23,212,297	$52,880,927	$141,149,059	$57,663,794	$128,464,583	$95,070,260
Net From Operations	$40,888,944	($2,677,305)	$4,359,016	($3,524,280)	$4,230,085	$6,851,912	($7,317,634)
Non-operating Revenue	$24,300,810	$0	$1,313,339	$3,298,197	$1,821,798	$1,706,937	$1,628,975
Non-operating Expenses	$9,930,431	$0	$0	$757,124	$475,526	$15,583	$60,000
Provision for Taxes	$0	$0	$0	$0	$0	$0	$0
Net Income	$55,259,323	($2,677,305)	$5,672,355	($983,207)	$5,576,357	$8,543,266	($5,748,659)
Other Financial:							
Charity Care Charges	$97,091,461	$87,258	$1,660,782	$14,259,586	$1,642,068	$8,085,309	$3,044,635
Bad Debt Charges	$337,194,028	$2,175,317	$13,863,316	$15,692,625	$58,373,009	$39,551,319	$54,146,697
Total Uncompensated Care	$434,285,489	$2,262,575	$15,524,098	$29,952,211	$60,015,077	$47,636,628	$57,191,332
Cost to Charge Ratio	21.6%	32.0%	25.7%	29.0%	22.2%	16.0%	23.4%
Cost of Charity	$20,974,877	$27,885	$426,152	$4,135,333	$364,093	$1,290,551	$712,246
Uncompensated Care as % of Chgs.	8.1%	3.4%	7.6%	6.2%	23.3%	6.0%	14.2%
State of Calif. Uncompensated Care[2]	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

[1] Excludes normal new borns

[2] Statewide average for hospitals

Source: OSHPD Disclosure Reports FY 2013

Prime Foundation

CALIFORNIA HOSPITALS OWNED BY PRIME FOUNDATION: FY 2013					
	Prime Foundation	Encino Hospital Medical Center	Huntington Beach Hospital	Montclair Hospital Medical Center	Sherman Oaks Hospital
City	-	Encino	Huntington Beach	Montclair	Sherman Oaks
Licensed Beds	507	150	102	102	153
Patient Days	79,537	21,554	19,401	11,598	26,984
Discharges[1]	15,459	2,193	3,681	4,034	5,551
ALOS	23	9.8	5.3	2.9	4.9
Average Daily Census	218	59	53	32	74
Occupancy	2	39.4%	52.1%	31.2%	48.3%
ED Visits	67,779	8,306	17,390	20,964	21,119
Inpatient Surgeries	1,916	282	301	816	517
Outpatient Surgeries	1,096	198	121	432	345
Births	769	0	0	769	0
Payer Mix (Based on Discharges):					
Medicare Traditional	50.7%	72.9%	46.7%	21.1%	61.9%
Managed Medicare	8.0%	4.1%	12.3%	8.9%	6.6%
Medi-Cal Traditional	9.8%	1.8%	4.9%	26.9%	5.4%
Managed Medi-Cal	13.2%	6.5%	9.2%	26.8%	10.1%
County Indigent	2.8%	0.0%	9.5%	1.8%	0.0%
Traditional Third-Party	10.0%	10.6%	11.1%	7.1%	11.0%
Managed Third-Party	0.3%	0.0%	0.8%	0.2%	0.0%
Other Indigent	0.1%	0.0%	0.0%	0.0%	0.2%
Other	5.4%	4.1%	5.6%	7.2%	4.8%
Total	100%	100%	100%	100%	100%
Income Statement:					
Gross Patient Revenue	$857,788,170	$189,495,977	$212,387,808	$158,633,654	$297,270,731
Net Pt. Revenue	$227,598,823	$49,638,807	$55,192,622	$46,741,400	$76,025,994
Other Operating Revenue	$1,025,322	$192,860	$312,649	$249,288	$270,525
Total Operating Revenue	$228,624,145	$49,831,667	$55,505,271	$46,990,688	$76,296,519
Total Operating Expenses	$229,602,782	$53,569,715	$54,646,950	$49,291,194	$72,094,923
Net From Operations	($978,637)	($3,738,048)	$858,321	($2,300,506)	$4,201,596
Non-operating Revenue	$4,079,401	$670,815	$1,199,472	$968,783	$1,240,331
Non-operating Expenses	$257,635	$0	$271,366	$12,360	($26,091)
Provision for Taxes	$0	$0	$0	$0	$0
Net Income	$2,843,125	($3,067,233)	$1,786,427	($1,344,083)	$5,468,014
Other Financial:					
Charity Care Charges	$7,235,861	$862,638	$2,901,928	$276,772	$3,194,523
Bad Debt Charges	$91,168,065	$18,008,998	$22,926,813	$18,462,644	$31,769,610
Total Uncompensated Care	$98,403,926	$18,871,636	$25,828,741	$18,739,416	$34,964,133
Cost to Charge Ratio	26.6%	28.2%	25.6%	30.9%	24.2%
Cost of Charity	$1,928,162	$242,986	$742,388	$85,565	$771,837
Uncompensated Care as % of Chgs.	11.5%	10.0%	12.2%	11.8%	11.8%
State of Calif. Uncompensated Care[2]	3.5%	3.5%	3.5%	3.5%	3.5%

[1] Excludes normal new borns

[2] Statew ide average for hospitals

Source: OSHPD Disclosure Reports FY 2013

MDS MEDICAL DEVELOPMENT SPECIALISTS consulting

Key Statistics

Key statistics for Prime's California hospitals include the following:

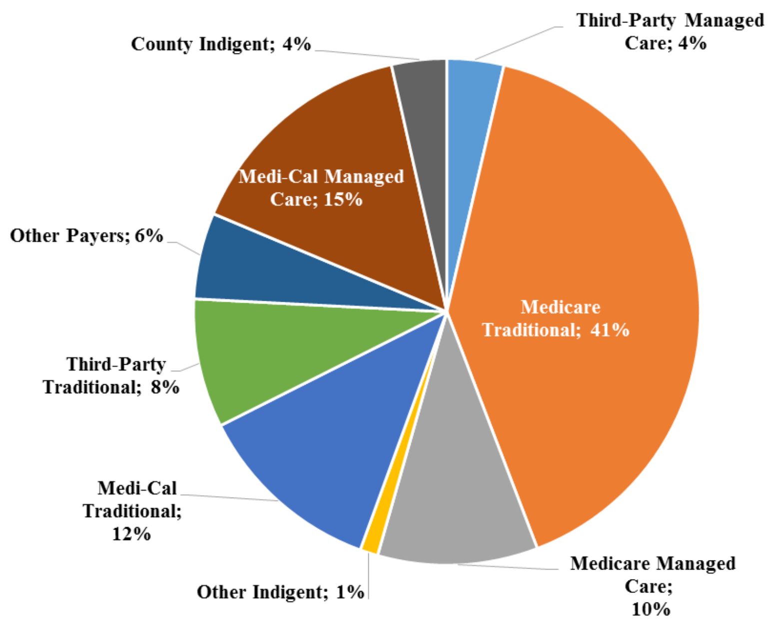
- In FY 2013, Centinela Hospital Medical Center was Prime's top performing hospital, reporting $38.9 million in net income. However, six of Prime's hospitals reported a net loss in FY 2013, with the most substantial loss reported at Alvarado Hospital Medical Center ($20.7 million); and

- In FY 2013, Prime operated 2,712 licensed beds with an average occupancy rate of 42% and an average daily census of 1,126 patients.

Payer Mix

In FY 2013, Prime's California inpatient payer mix consisted of predominantly Medicare Traditional (41%), Medi-Cal Managed Care (15%), Medi-Cal Traditional (12%), and Medicare Managed Care (10%). The remaining 23% of the Hospital's inpatient discharges is made up of Third-Party Traditional (8%), Other Payers* (6%), Indigent (5%), and Third-Party Managed Care (4%).

Prime Payer Mix, 2013



Total Discharges: 94,333
* "Other" includes self-pay, workers' compensation, other government, and other payers
Source: OSHPD Disclosure Reports, 2013

Quality & Awards

All of Prime's California hospitals have received accreditation as indicated below:

Hospital	Hospital Accreditation	Effective Date
Alvarado Hospital Medical Center	The Joint Commission	6/7/2014
Centinela Hospital Medical Center	The Joint Commission	12/8/2011
Chino Valley Medical Center	Healthcare Facilities Accreditation Program	current
Desert Valley Hospital	Healthcare Facilities Accreditation Program	current
Encino Hospital Medical Center	The Joint Commission	7/25/2014
Garden Grove Hospital Medical Center	The Joint Commission	12/3/2011
Glendora Community Hospital	Healthcare Facilities Accreditation Program	current
Huntington Beach Hospital	The Joint Commission	9/9/2011
La Palma Intercommunity Hospital	The Joint Commission	4/19/2014
Montclair Hospital Medical Center	The Joint Commission	12/10/2011
Paradise Valley Hospital	The Joint Commission	6/1/2013
San Dimas Community Hospital	The Joint Commission	11/2/2011
Shasta Regional Medical Center	The Joint Commission	10/15/2011
Sherman Oaks Hospital	Healthcare Facilities Accreditation Program	current
West Anaheim Medical Center	The Joint Commission	9/1/2011

Source: The Joint Commission Accreditation Program and Health Facilities Accreditation Program

Prime has received accolades and achievements, some of which include:

- *Healthcare IT News*' "Best Hospital IT Departments" ranked Prime's information technology department fifth in the "Super Hospital" category;

- Centers for Medicare and Medicaid Services' Hospital Value-Based Purchasing Program named Centinela Hospital Medical Center as one of the top 25 hospitals nationwide based on value-based purchasing scores; and

- The Joint Commission recognized 11 of Prime's hospitals as Top Performers on Key Quality Measures. The hospitals in California include: Centinela Hospital Medical Center, Encino Hospital Medical Center, Garden Grove Hospital Medical Center, Huntington Beach Hospital, La Palma Intercommunity Hospital, Paradise Valley Hospital, San Dimas Community Hospital, and Shasta Regional Medical Center; in Kansas: Saint John Hospital; in Pennsylvania: Roxborough Memorial Hospital; and in Texas: Harlingen Medical Center.

The following table reports Prime'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**	**Prime Average**	**California Average**	**National Average**
Clinical Process of Care Domain	Evidence-Based Care	**98.8%**	98.1%	98.3%
Patient Experience of Care Domain	% of Patients Highly Satisfied with Hospital	**61.0%**	68.0%	71.0%
	% of Patients Willing to Recommend the Hospital to Others	**62.0%**	70.0%	71.0%
Outcome Domain	30-Day Mortality Rate for Heart Attack, Heart Failure, Pneumonia, and Surgical Care Patients	**10.4%**	12.0%	12.3%

Source: Daughters

- For measures of evidence-based care, Prime scored higher than California and National averages (98.1% and 98.3%, respectively);

- Prime scored 10% lower than the national average (71%) for the percentage of patients who were highly satisfied with the hospital;

- Percentage of patients willing to recommend Prime's facilities to others (62%) was 9% lower than the national average of 71%; and

- Prime had a lower 30-day mortality rate (10.4%) for heart failure, heart attack, pneumonia, and surgical care patients than the national average of 12.3%.

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.

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

30-DAY READMISSION RATES: FY 2014		
Prime Average	California Average	National Average
20.6%	19.9%	19.9%

Source: Daughters

- Prime had a slightly higher 30-day readmission rate (20.6%) than the national average of 19.9%;

- For FY 2015, Prime Inc.'s hospitals will be penalized at an average reported estimate of 0.27%: Alvarado Hospital Medical Center (0.05%), Centinela Hospital Medical Center (0.79%), Chino Valley Medical Center (0.02%), Desert Valley Hospital (0.38%), Garden Grove Hospital Medical Center (0.13%), Glendora Community Hospital (0.00%), La Palma Intercommunity Hospital (0.20%), Paradise Valley Hospital (0.05%), San Dimas Community Hospital (0.46%), Shasta Regional Medical Center (0.65%), and West Anaheim Medical Center (0.29%);

- For FY 2015, Prime Foundation's hospitals will be penalized at an average reported estimate of 0.36%: Encino Hospital Medical Center (0.35%), Huntington Beach Hospital (0.38%), Montclair Hospital Medical Center (0.20%), and Sherman Oaks Hospital (0.49%); and

- Prime's combined hospitals will be penalized at an average reported estimate of 0.30% for FY 2015.

Dr. Prem Reddy Family Foundation

The Dr. Prem Reddy Family Foundation, located in Victorville, is a nonprofit 501(c)(3) charitable organization established in 1986 for the purpose of providing and supporting healthcare education for residents of Southern California and the High Desert communities.

It supports community educational programs, diabetes educational programs, AARP 55 Drive Alive Program, and Lamaze classes for expectant mothers:

- Educational scholarships include: support for students pursuing careers in healthcare, including the Academic Excellence Endowed Scholarship for California State University, San Bernardino, the Western University of Health Sciences, Chaffey Community College, and the Weekend Nursing Program at Victor Valley College;

- Public Health Library includes: books, journals, magazines, videos, and Internet for access to health-related topics. The library, located in Victorville, provides resources for college students, and offers tours for pre-school through high school groups;

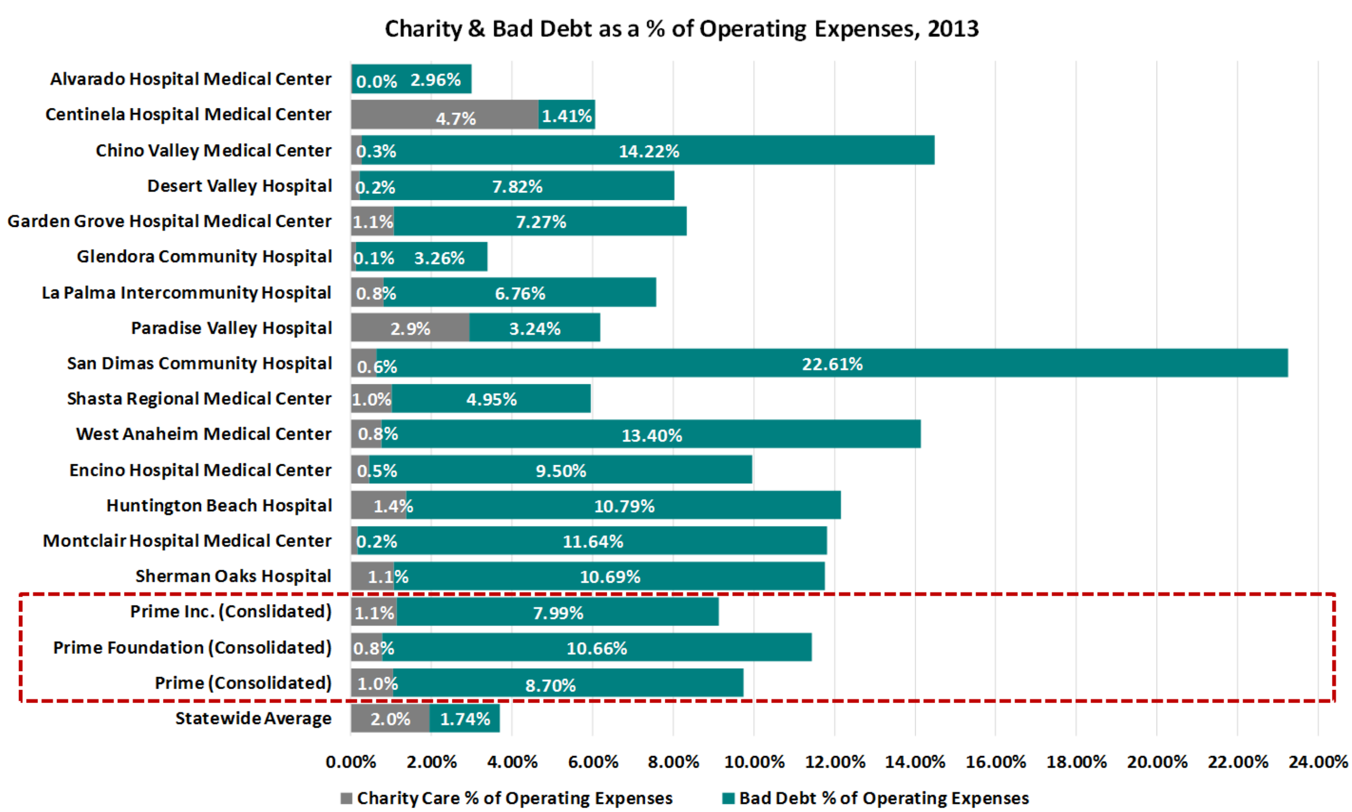
- Circle of Care Foundation includes: the S+AGE program for seniors and the Circle of Care Leeza's Place that offers assistance to individuals and their caregivers who are affected by memory disorders;

- Circle of Friends Program includes: healthcare services at a community health clinic in Huntington Beach for the senior community of Orange County; and

- Kelly Lukart's Vision for the Future Program includes: free eyeglasses for elementary school children.

Charity Care and Bad Debt

The table below shows Prime's charity care and bad debt as a percentage of operating expenses in comparison to the statewide average. Overall, Prime's charity care as a percentage of operating expenses is 1.0% compared to the statewide average of 2.0%. Prime's percentage of charity care and bad debt combined as a percentage of operating expenses (9.7%) far exceeds the statewide average of 3.7%.



Source: OSHPD Disclosure Reports, 2013

ANALYSIS OF THE HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 14 ZIP Codes, from which approximately 82% of its discharges originated in FY 2013. Approximately 64% of the Hospital's discharges came from the top 4 ZIP Codes, located in Daly City, South San Francisco, and Pacifica. In FY 2013, the Hospital's market share in the service area was 17% based on inpatient discharges.

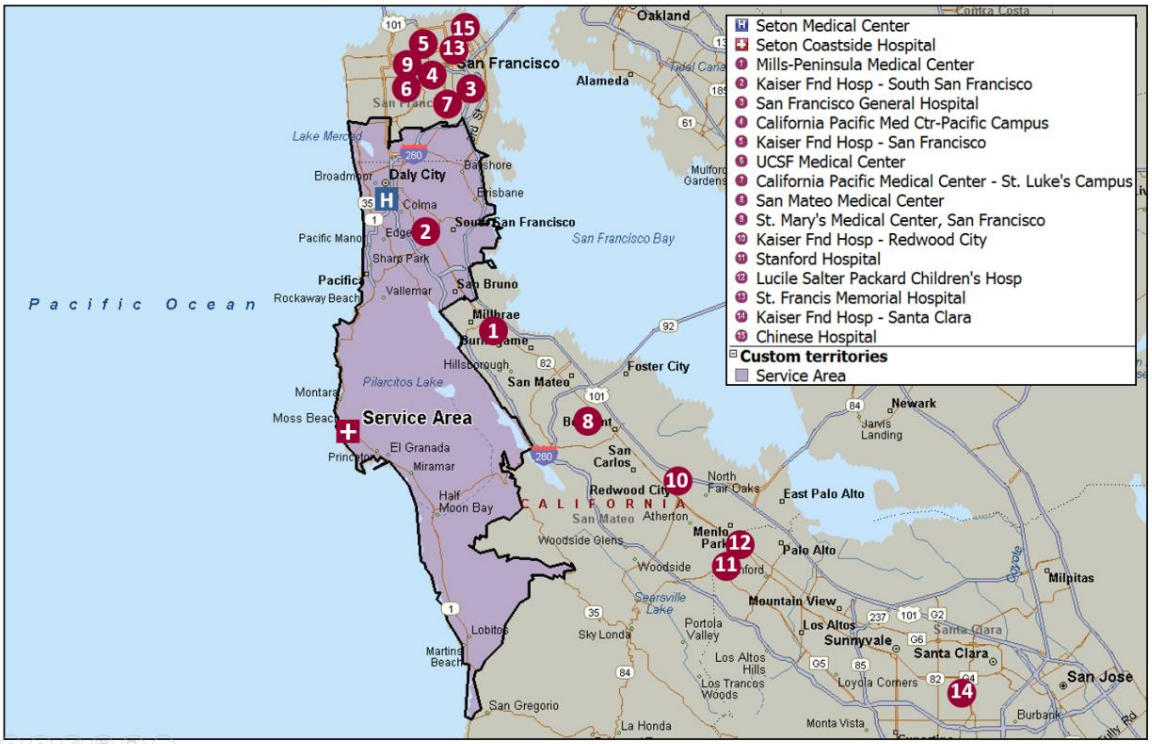
SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94015	Daly City	1,706	23.9%	23.9%	4630	36.8%
94014	Daly City	1,090	15.3%	39.2%	3377	32.3%
94080	South San Francisco	968	13.6%	52.7%	5059	19.1%
94044	Pacifica	771	10.8%	63.5%	2999	25.7%
94112	San Francisco	417	5.8%	69.4%	6838	6.1%
94066	San Bruno	402	5.6%	75.0%	3521	11.4%
94134	San Francisco	143	2.0%	77.0%	3732	3.8%
94132	San Francisco	124	1.7%	78.7%	1901	6.5%
94019	Half Moon Bay	87	1.2%	80.0%	1157	7.5%
94038	Moss Beach	46	0.6%	80.6%	252	18.3%
94005	Brisbane	44	0.6%	81.2%	374	11.8%
94018	El Granada	33	0.5%	81.7%	224	14.7%
94037	Montara	20	0.3%	82.0%	148	13.5%
94017	Daly City	11	0.2%	82.1%	46	23.9%
	Sub-Total	**5,862**	**82.1%**	**82.1%**	**34,258**	**17.1%**
	All Other	1,277	17.9%	100%		
	Total	**7,139**	**100%**			

Source: OSHPD Patient Discharge Database, 2013
Note: Excludes normal newborns

Service Area Map

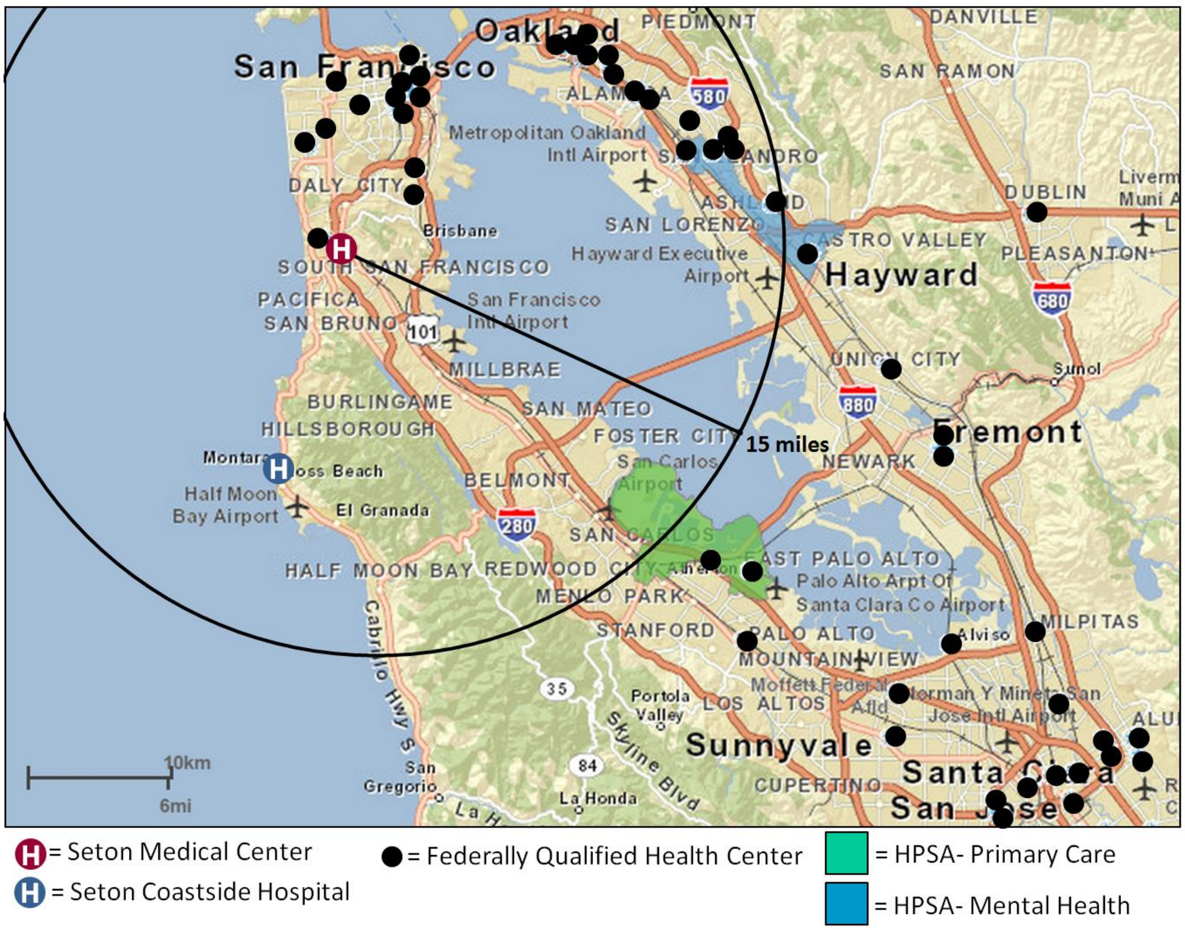
The Hospital's service area, with approximately 443,000 residents, includes the communities of Daly City, South San Francisco, San Francisco, Pacifica, San Bruno, Half Moon Bay, Moss Beach, Brisbane, El Granada, and Montara.

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



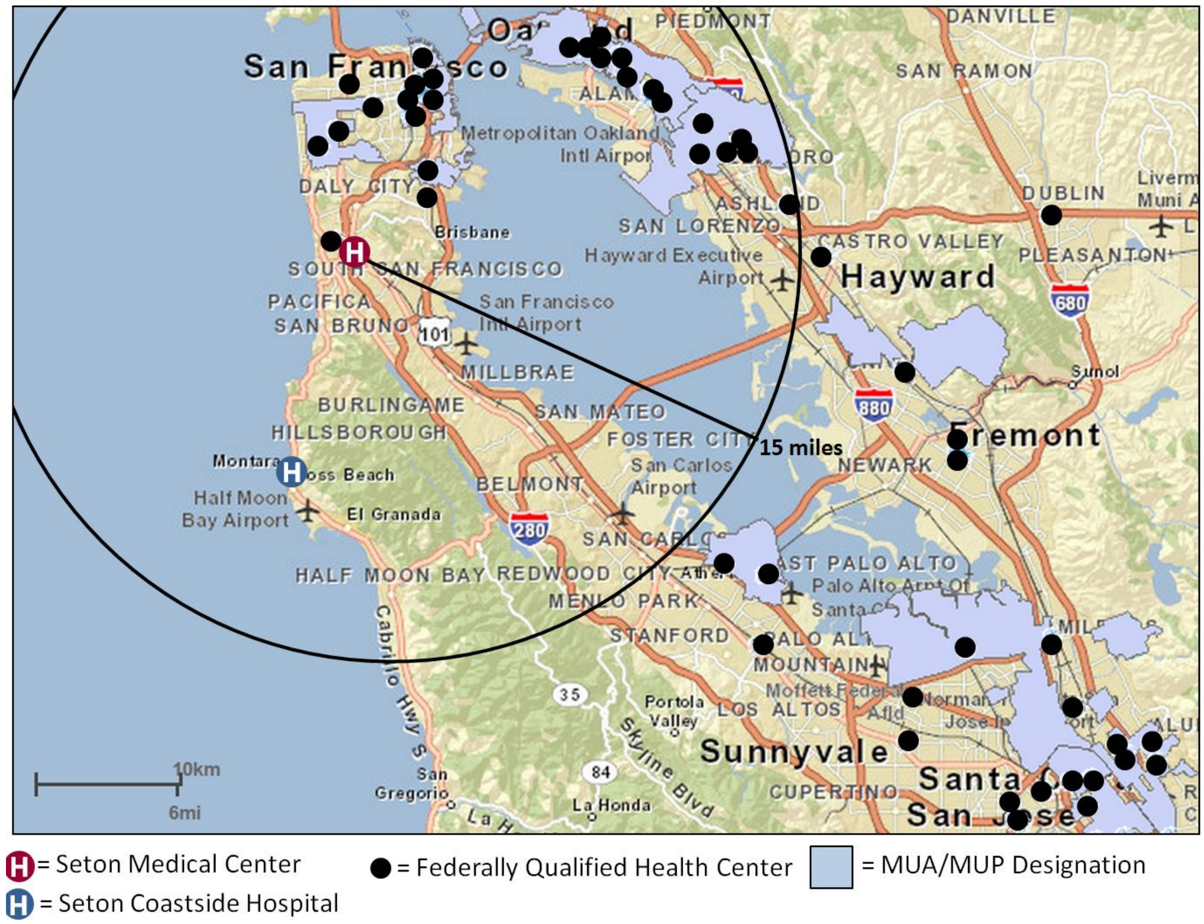
Health Professional Shortage Areas, Medically Underserved Areas, & Medically Underserved Populations

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



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

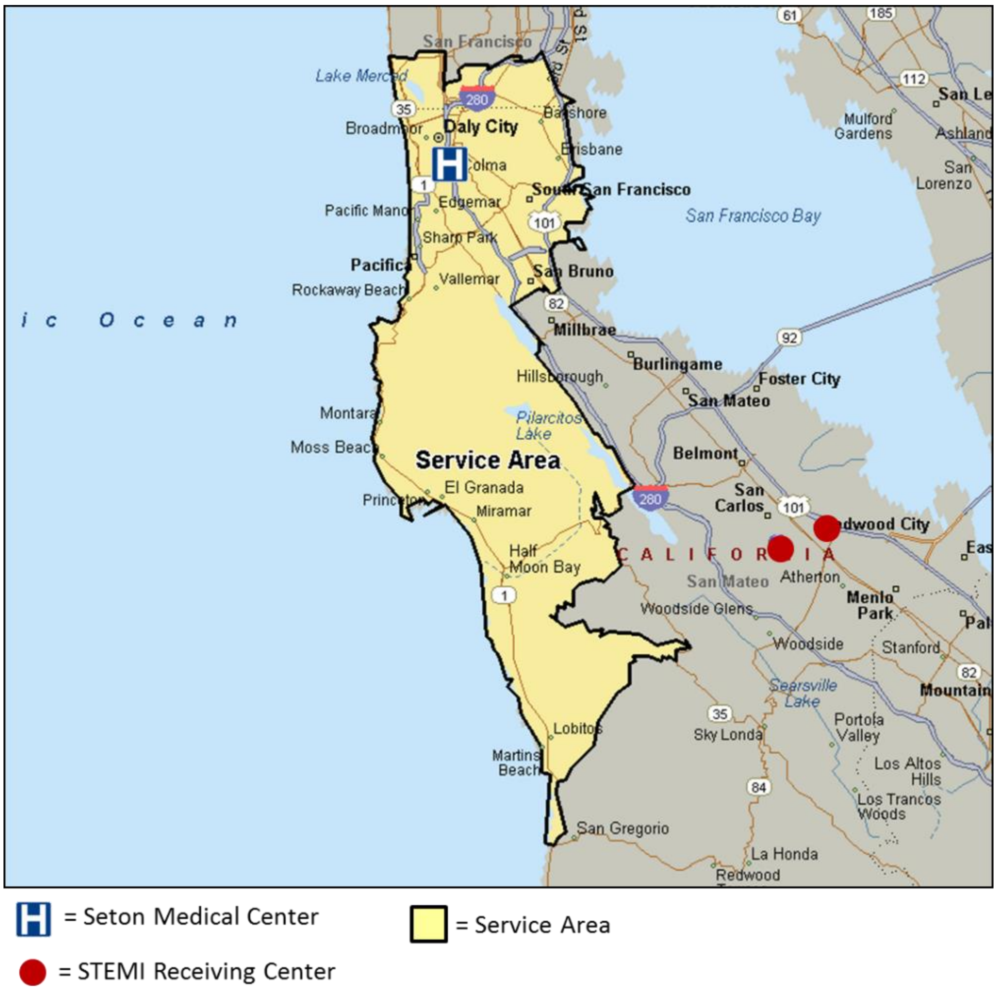
Medically Underserved Populations are permanently set and no renewal process is necessary. The map below depicts the Medically Underserved Areas and Medically Underserved Populations relative to the Hospital's location.



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

STEMI Receiving Centers in San Mateo County

There are three STEMI Receiving Centers in San Mateo County that provide percutaneous coronary intervention for patients experiencing an acute heart attack. In addition to the Hospital, both Kaiser Foundation Hospital – Redwood City and Sequoia Hospital are also designated STEMI Receiving Centers. Further, the Hospital is the only STEMI Receiving Center within its service area.



Certified Stroke Centers in San Mateo County

In addition to the Hospital, there are four other Certified Primary Stroke Centers in San Mateo County, including Kaiser Foundation Hospital – South San Francisco, Kaiser Foundation Hospital – Redwood City, Sequoia Hospital, and Mills-Peninsula Medical Center.

Demographic Profile

The Hospital's service area population is projected to grow by 2.1% over the next five years. This is higher than the expected growth rate for San Mateo County (1.5%) but lower than the expected growth rate statewide (4%).

SERVICE AREA POPULATION STATISTICS 2014-2019			
	2014 Estimate	2019 Projection	% Change
Total Population	443,039	452,429	2.1%
Households	143,458	147,036	2.5%
Percentage Female	50.8%	50.7%	2.0%

Source: Alteryx's Analytic Apps

The median age of the population in the Hospital's service area is 39.4 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 16% between 2014 and 2019. The number of women of child-bearing age is expected to decrease 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	70,530	15.9%	71,409	15.8%
Age 15-44	185,190	41.8%	183,580	40.6%
Age 45-64	125,878	28.4%	126,033	27.9%
Age 65+	61,441	13.9%	71,407	15.8%
Total	**443,039**	**100%**	**452,429**	**100%**
Female 15-44	90,039	20.3%	89,043	19.7%
Median Age	39.4		40.1	

Source: Alteryx's Analytic Apps

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

SERVICE AREA POPULATION RACE/ETHNICITY: 2014-2019		
	2014	2019
White	35.2%	33.9%
Black	3.8%	3.7%
American Indian or Alaska Native	0.5%	0.5%
Asian or Pacific Islander	43.5%	43.9%
Some Other Race	11.6%	12.2%
Two or More Races	5.4%	5.7%
Total	**100%**	**100%**
Hispanic Ethnicity	25.5%	26.5%
Non-Hispanic or Latino	74.5%	73.5%
Total	**100%**	**100%**

Source: Alteryx's Analytic Apps

The Hospital's service area households have an average household income of $102,727. This is nearly 25% lower than the county average of $127,685, but approximately 17% 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 (33%) than those for the county (25%) and the state (28%).

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2014-2019												
	2014 Estimate						2019 Projection					
	Service Area		San Mateo County		California		Service Area		San Mateo County		California	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
$0 - $15,000	10,783	7.5%	17,390	6.4%	1,484,147	11.3%	8,890	6.0%	14,283	5.2%	1,275,300	9.3%
$15,000 - $24,999	10,108	7.0%	16,902	6.3%	1,325,082	10.1%	9,125	6.2%	14,986	5.5%	1,235,052	9.0%
$25,000 - $34,999	10,056	7.0%	17,705	6.6%	1,220,260	9.3%	9,130	6.2%	15,761	5.7%	1,144,140	8.4%
$35,000 - $49,999	16,085	11.2%	26,512	9.8%	1,672,179	12.7%	14,610	9.9%	23,726	8.7%	1,576,670	11.5%
$50,000 - $74,999	24,114	16.8%	40,314	14.9%	2,235,800	17.0%	20,494	13.9%	33,588	12.2%	2,142,699	15.7%
$75,000 - $99,999	19,840	13.8%	33,971	12.6%	1,600,574	12.2%	17,729	12.1%	28,470	10.4%	1,749,144	12.8%
$100,000 - $149,999	29,027	20.2%	52,881	19.6%	1,944,936	14.8%	35,990	24.5%	63,068	23.0%	2,453,231	17.9%
$150,000 +	23,444	16.3%	64,021	23.7%	1,644,190	12.5%	31,069	21.1%	80,319	29.3%	2,108,282	15.4%
Total	**143,458**	**100%**	**269,696**	**100%**	**13,127,168**	**100%**	**147,036**	**100%**	**274,201**	**100%**	**13,684,518**	**100%**
Average Household Income	**$102,727**		**$127,685**		**$87,521**		**$120,014**		**$149,376**		**$100,285**	

Source: Alteryx's Analytic Apps

Medi-Cal Eligibility

As of 2011, the California Department of Health Care Services reported that 15% of the population in the Hospital's service area was eligible for Medi-Cal. With the implementation of the ACA and the expansion of Medi-Cal, the number and percentage of the State of California's population that is currently eligible for Medi-Cal have greatly increased, reporting more than 2.7 million total enrollees in the Medi-Cal program in 2014. 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 service area income demographics, and the Hospital's payer mix consisting of 18% Medi-Cal patients, many of the service area residents will qualify for Medi-Cal coverage under the expansion.

Selected Health Indicators

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

- Health indicators in San Mateo County are superior to health indicators statewide in first trimester prenatal care and adequate/adequate plus care. The rate of low birth weight infants in San Mateo County is equal to the rate of California overall. Measures for all three indicators are better to the national goals.

NATALITY STATISTICS: 2014			
Health Status Indicator	San Mateo County	California	National Goal
Low birth weight infants	6.8%	6.8%	7.8%
First Trimester Prenatal Care	90.2%	83.6%	77.9%
Adequate/Adequate Plus Care	84.2%	79.5%	77.6%

Source: California Department of Health Care Services, 2014

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

MORTALITY STATISTICS: 2014 RATE PER 100,000 POPULATION				
	San Mateo County		(Age Adjusted)	
Selected cause	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	634.1	542.4	641.5	n/a
- All Cancers	163.7	142.9	153.3	160.6
- Colorectal Cancer	15.1	12.8	14.2	14.5
- Lung Cancer	35.7	31.4	34.8	45.5
- Female Breast Cancer	24.9	19.6	20.9	20.6
- Prostate Cancer	18.1	19.2	20.5	21.2
- Diabetes	13.7	11.9	20.4	n/a
- Alzheimer's Disease	37.4	30.2	30.5	n/a
- Coronary Heart Disease	90.6	76.3	106.2	100.8
- Cerebrovascular Disease (Stroke)	37.1	21.4	36.6	33.8
- Influenza/Pneumonia	21.7	17.5	16.1	n/a
- Chronic Lower Respiratory Disease	29.5	25.8	36.2	n/a
- Chronic Liver Disease And Cirrhosis	10.4	9.0	11.5	8.2
- Accidents (Unintentional Injuries)	23.3	21.1	27.3	36.0
- Motor Vehicle Traffic Crashes	4.4	4.4	7.3	12.4
- Suicide	9.3	8.5	10.1	10.2
- Homicide	3.0	3.2	5.2	5.5
- Firearm-Related Deaths	4.7	4.7	7.7	9.2
- Drug-Induced Deaths	8.0	7.3	10.8	11.3

Source: California Department of Public Health, Center for Health Statistics, 2014

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

MORBIDITY STATISTICS: 2014 RATE PER 100,000 POPULATION			
Health Status Indicator	San Mateo County	California	National Goal
AIDS	4.1	8.6	12.4
Chlamydia	262.3	434.5	n/a
Gonorrhea Female 15-44	43.3	139.6	251.9
Gonorrhea Male 15-44	92.7	186.6	194.8
Tuberculosis	7.9	6.1	1.0

Source: California Department of Health Care Services

2013 Community Health Needs Assessment

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

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

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

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

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

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

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

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

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

Hospital Supply, Demand, & Market Share

There are only two general acute care hospitals within the Hospital's service area, Kaiser Foundation Hospital – South San Francisco and the Hospital. Together they have a combined total of 477 licensed beds and an aggregate occupancy rate of approximately 38%. The Hospital runs at an occupancy rate of nearly 37%. Kaiser Foundation Hospital – South San Francisco has 120 licensed beds and runs at a slightly higher occupancy rate of 44%. The Hospital's 357 licensed beds represent approximately 75% of the area's beds, and its inpatient volume accounts for approximately 58% of discharges and 71% of patient days.

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

AREA HOSPITAL DATA
FY 2013

Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Seton Medical Center[1]	**Daughters of Charity Health System**	**Daly City**	**X**	**357**	**7,125**	**47,479**	**130**	**36.4%**	**-**
Kaiser - South San Francisco	Kaiser Foundation Hospitals	South San Francisco	X	120	5,175	19,263	53	44.0%	2.7
SUB-TOTAL				**477**	**12,300**	**66,742**	**183**	**38.3%**	
California Pacific Medical Center - St. Luke's	Sutter Health	San Francisco		228	3,886	31,595	87	38.0%	6.2
UCSF Medical Center	Regents of the University of California	San Francisco		650	27,861	176,916	485	74.6%	6.4
San Francisco General Hospital	City and County of San Francisco	San Francisco		645	16,531	125,938	345	53.5%	7.8
St. Mary's Medical Center - San Francisco	Dignity Health	San Francisco		403	6,437	34,904	96	23.7%	7.8
Mills-Peninsula Medical Center	Sutter Health	Burlingame		376	13,991	62,960	172	45.9%	10.7
California Pacific Medical Center - Pacific	Sutter Health	San Francisco		970	25,948	151,769	416	42.9%	11.3
Saint Francis Memorial Hospital	Dignity Health	San Francisco		288	6,210	35,350	97	33.6%	11.5
Chinese Hospital	Chinese Hospital Association	San Francisco		54	1,902	11,255	31	57.1%	11.6
Kaiser - San Francisco	Kaiser Foundation Hospitals	San Francisco		247	11,520	50,471	138	56.0%	11.6
San Mateo Medical Center	County of San Mateo	San Mateo		509	4,293	107,404	294	57.8%	17.9
TOTAL				**4,847**	**130,879**	**855,304**	**2343**	**48.3%**	

Source: OSHPD Disclosure Reports
Excludes Seton Coastside

- The aggregate occupancy rate for all area hospitals is 48%. Only UCSF Medical Center runs at an occupancy rate above 70%; and

- The four largest providers of inpatient services to the service area by market share (the Hospital, Mills-Peninsula Medical Center, Kaiser Foundation Hospital – South San Francisco, and San Francisco General Hospital) operate at a combined average occupancy rate of 53%.

Hospital Market Share

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

HOSPITAL MARKET SHARE FY 2009-2013						
Hospital	**2009**	**2010**	**2011**	**2012**	**2013**	**Trend**
Seton Medical Center	**20.9%**	**19.3%**	**17.5%**	**16.8%**	**17.1%**	↘
Mills-Peninsula Medical Center	11.2%	11.3%	11.7%	11.8%	12.4%	↗
Kaiser Fnd Hosp - South San Francisco	11.2%	11.5%	12.4%	11.5%	10.8%	↘
San Francisco General Hospital	7.8%	8.6%	9.0%	9.4%	9.4%	↗
California Pacific Med Ctr-Pacific Campus	10.5%	10.5%	10.2%	8.7%	9.0%	↘
Kaiser Fnd Hosp - San Francisco	8.7%	8.7%	9.0%	8.9%	7.8%	↘
UCSF Medical Center	7.2%	7.2%	7.0%	7.0%	7.8%	↗
California Pacific Medical Center - St. Luke's Campus	4.9%	4.4%	4.4%	4.5%	4.2%	↘
San Mateo Medical Center	2.6%	2.6%	2.9%	2.8%	2.8%	↔
St. Mary's Medical Center, San Francisco	2.8%	2.9%	2.9%	2.8%	2.5%	↘
Other Discharges	12.3%	13.0%	13.2%	15.8%	16.2%	↗
Total Percentage	**100%**	**100%**	**100%**	**100%**	**100%**	
Total Discharges	**36,931**	**35,803**	**34,491**	**34,857**	**34,258**	↘

Source: OSHPD Patient Discharge Database

Note: Excludes normal newborns and Seton Coastside

- The number of discharges in the Hospital's service area has decreased by 8% between FY 2009 and FY 2013;

- Over the last five years, the Hospital has consistently ranked first in terms of overall market share for its service area based on discharges (17% in FY 2013). However, the Hospital's market share has decreased from nearly 21% in FY 2009 to 17% in FY 2013;

- Mills-Peninsula Medical Center, San Francisco General Hospital, and UCSF Medical Center have increased their market share between FY 2009 and FY 2013; and

- The Kaiser Foundation Hospitals had a combined market share of nearly 19% 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	Seton Medical Center	Mills-Peninsula Medical Center	Kaiser Fnd Hosp - South San Francisco	San Francisco General Hospital	California Pacific Med Ctr-Pacific Campus	Kaiser Fnd Hosp - San Francisco	UCSF Medical Center	California Pacific Medical Center - St. Luke's Campus	All Others	Total
Medicare	13,491	23.2%	13.4%	17.2%	5.4%	6.1%	5.0%	6.9%	4.2%	18.7%	100%
Private Coverage	11,464	7.6%	13.9%	11.1%	2.8%	13.2%	16.5%	8.9%	2.2%	23.7%	100%
Medi-Cal	6,353	16.8%	9.5%	0.7%	27.6%	10.2%	0.8%	10.2%	8.4%	15.8%	100%
All Other	2,195	33.9%	3.8%	0.6%	14.0%	2.4%	0.9%	1.9%	1.0%	41.5%	100%
Self Pay	755	6.2%	22.3%	8.3%	15.9%	4.0%	4.1%	3.0%	7.7%	28.5%	100%
Grand Total	**34,258**	**17.1%** **5,862**	**12.4%** **4,259**	**10.8%** **3,714**	**9.4%** **3,231**	**9.0%** **3,075**	**7.8%** **2,665**	**7.8%** **2,660**	**4.2%** **1,427**	**21.5%** **7,365**	**100%**

Note: Excludes normal newborns and Seton Coastside

Source: OSHPD Patient Discharge Database

- For FY 2013, the largest payer types, based on service area inpatient discharges, are Medicare at 39% and Private Coverage at 33%;
- The Hospital is the market share leader for Medicare at 23% and All Other (34%);
- Mills-Peninsula Medical Center is the market share leader for Self Pay (22%);
- San Francisco General Hospital ranks first in Medi-Cal (28%); and
- Kaiser Foundation Hospital – San Francisco is the Private Coverage market share leader at 17%.

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**	**Seton Medical Center**	**Mills-Peninsula Medical Center**	**Kaiser Fnd Hosp - South San Francisco**	**San Francisco General Hospital**	**California Pacific Med Ctr-Pacific Campus**	**Kaiser Fnd Hosp - San Francisco**	**UCSF Medical Center**	**California Pacific Medical Center - St. Luke's Campus**	**All Others**	**Total**
General Medicine	10,260	**21.8%**	10.8%	16.6%	8.4%	7.0%	5.0%	7.8%	4.7%	17.8%	100%
Obstetrics	4,905	**11.5%**	13.3%	0.1%	7.4%	19.9%	18.4%	7.0%	7.9%	14.4%	100%
Cardiac Services	3,589	**27.6%**	11.0%	13.7%	8.4%	6.6%	7.3%	7.1%	2.5%	15.8%	100%
General Surgery	2,687	**15.7%**	11.8%	16.9%	11.5%	7.0%	5.5%	7.1%	4.0%	20.5%	100%
Orthopedics	2,285	**16.7%**	11.9%	21.4%	8.7%	6.7%	4.0%	6.1%	2.7%	21.9%	100%
Neonatology	1,920	**12.9%**	13.1%	0.0%	9.4%	13.9%	21.7%	9.0%	5.4%	14.7%	100%
Behavioral Health	1,907	**1.7%**	33.9%	1.0%	13.3%	3.8%	0.3%	0.9%	0.7%	44.3%	100%
Neurology	1,440	**21.9%**	10.8%	12.3%	10.5%	6.1%	5.6%	10.5%	2.1%	20.3%	100%
Oncology/Hematology	1,190	**18.3%**	8.4%	10.1%	9.2%	9.7%	2.7%	18.1%	1.1%	22.5%	100%
Rehabilitation	718	**0.1%**	1.3%	0.0%	6.1%	7.7%	0.0%	0.0%	9.9%	74.9%	100%
Spine	586	**14.0%**	7.0%	3.4%	10.8%	3.1%	1.0%	8.0%	1.2%	51.5%	100%
Other	567	**11.1%**	6.0%	13.4%	28.9%	4.6%	3.9%	6.9%	0.4%	24.9%	100%
Vascular Services	567	**20.8%**	15.3%	5.3%	5.1%	6.7%	16.8%	7.2%	4.2%	18.5%	100%
ENT	460	**10.7%**	10.4%	9.8%	17.0%	6.1%	5.2%	15.4%	2.0%	23.5%	100%
Urology	414	**14.5%**	11.6%	10.9%	7.7%	7.7%	5.1%	13.8%	1.7%	27.1%	100%
Gynecology	373	**7.5%**	19.6%	6.2%	8.8%	12.6%	9.7%	8.3%	5.1%	22.3%	100%
Neurosurgery	303	**11.2%**	3.6%	1.7%	18.2%	3.6%	1.3%	24.4%	0.3%	35.6%	100%
All others	87	**19.5%**	11.5%	2.3%	6.9%	5.7%	5.7%	19.5%	3.4%	25.3%	100%
Grand Total	**34,258**	**17.1%** **5,862**	**12.4%** **4,259**	**10.8%** **3,714**	**9.4%** **3,231**	**9.0%** **3,075**	**7.8%** **2,665**	**7.8%** **2,660**	**4.2%** **1,427**	**21.5%** **7,365**	**100%**

Source: OSHPD Patient Discharge Database

Note: Excludes normal newborns and Seton Coastside

- The Hospital is the service line leader in seven out of 17 services lines: general medicine (22%), cardiac services (28%), neurology (22%), oncology/hematology (18%), spine (14%), vascular services (21%), and urology (15%);

- The Hospital also has a notable market share in general surgery (16%), orthopedics (17%), and neonatology (13%);

- Mills-Peninsula Medical Center holds 34% of the market share for behavioral health services and approximately 20% of market share for gynecology services; and

- Kaiser Foundation Hospital – South San Francisco holds 21% of the market share for orthopedics and 17% of market share for general surgery.

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	Seton Medical Center	Mills-Peninsula Medical Center	Kaiser Fnd Hosp - South San Francisco	San Francisco General Hospital	California Pacific Med Ctr-Pacific Campus	Kaiser Fnd Hosp - San Francisco	UCSF Medical Center	California Pacific Medical Center - St. Luke's Campus	All Others	Total
94112	San Francisco	6,838	6.1%	1.0%	4.9%	24.1%	13.9%	10.2%	13.0%	9.3%	17.5%	100%
94080	South San Francisco	5,059	19.1%	23.5%	18.7%	1.5%	5.4%	6.0%	3.0%	1.5%	21.3%	100%
94015	Daly City	4,630	36.8%	7.3%	13.7%	1.7%	7.7%	7.9%	6.2%	2.0%	16.7%	100%
94134	San Francisco	3,732	3.8%	1.3%	3.6%	27.1%	14.2%	10.8%	12.4%	9.5%	17.3%	100%
94066	San Bruno	3,521	11.4%	37.2%	13.5%	1.3%	4.3%	5.0%	3.7%	1.1%	22.4%	100%
94014	Daly City	3,377	32.3%	8.4%	14.5%	2.5%	7.2%	7.9%	5.2%	4.5%	17.6%	100%
94044	Pacifica	2,999	25.7%	17.2%	16.4%	1.4%	6.4%	6.5%	4.8%	1.0%	20.6%	100%
94132	San Francisco	1,901	6.5%	1.2%	3.6%	12.2%	16.3%	10.4%	18.8%	2.3%	28.7%	100%
94019	Half Moon Bay	1,157	7.5%	23.4%	2.7%	0.2%	1.7%	0.3%	2.5%	0.1%	61.6%	100%
94005	Brisbane	374	11.8%	20.3%	15.5%	1.3%	7.5%	9.9%	4.8%	1.6%	27.3%	100%
94038	Moss Beach	252	18.3%	19.8%	6.0%	0.8%	1.6%	2.8%	1.2%	0.0%	49.6%	100%
94018	El Granada	224	14.7%	24.6%	3.6%	0.9%	0.9%	0.9%	2.7%	0.0%	51.8%	100%
94037	Montara	148	13.5%	20.9%	11.5%	0.7%	4.7%	4.7%	3.4%	0.7%	39.9%	100%
94017	Daly City	46	23.9%	8.7%	10.9%	0.0%	8.7%	8.7%	13.0%	4.3%	21.7%	100%
			17.1%	**12.4%**	**10.8%**	**9.4%**	**9.0%**	**7.8%**	**7.8%**	**4.2%**	**21.5%**	**100%**
Grand Total		**34,258**	**5,862**	**4,259**	**3,714**	**3,231**	**3,075**	**2,665**	**2,660**	**1,427**	**7,365**	

Source: OSHPD Patient Discharge Database

Note: Excludes normal newborns and Seton Coastside

- The Hospital is the market share leader in four of the ZIP Codes within its service area. In two of these ZIP Codes, the Hospital had over 30% of the market share in FY 2013. The communities represented by these ZIP Codes include Daly City and Pacifica;

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

- Kaiser Foundation Hospital – South San Francisco is not a market share leader for any of the fourteen ZIP Codes even though it is third in overall market share; and

- San Francisco General Hospital is the market share leader for two service area ZIP Codes located in San Francisco.

Service Availability by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, critical care, obstetrics, pediatrics, neonatal, and emergency services (FY 2013 data).

Medical/Surgical Capacity Analysis

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

MEDICAL/SURGICAL BEDS FY 2013							
Hospital	Miles from Hospital	Wihtin Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center*	**-**	**X**	**201**	**5,294**	**25,966**	**71.1**	**35.4%**
Kaiser - South San Francisco*	2.7	X	105	5,066	17,204	47.1	44.9%
SUB-TOTAL			**306**	**10,360**	**43,170**	**118.3**	**38.7%**
California Pacific Medical Center - St. Luke's*	6.2		98	2,177	10,214	28.0	28.6%
UCSF Medical Center	6.4		324	19,691	106,582	292.0	90.1%
San Francisco General Hospital	7.8		305	10,457	55,087	150.9	49.5%
St. Mary's Medical Center - San Francisco	7.8		263	4,559	17,914	49.1	18.7%
Mills-Peninsula Medical Center*	10.7		160	7,605	29,730	81.5	50.9%
California Pacific Medical Center - Pacific*	11.3		541	15,422	65,397	179.2	33.1%
Saint Francis Memorial Hospital*	11.5		205	4,179	16,612	45.5	22.2%
Chinese Hospital*	11.6		49	1,850	10,243	28.1	57.3%
Kaiser - San Francisco*	11.6		161	7,534	32,381	88.7	55.1%
San Mateo Medical Center	17.9		86	2,589	10,284	28.2	32.8%
TOTAL			**2,498**	**86,423**	**397,614**	**1089.4**	**43.6%**

Source: OSHPD Disclosure Reports

* Unaudited data includes the Hospital and excludes Seton Coastside

- The Hospital reported approximately 5,294 inpatient hospital discharges and 25,966 patient days resulting in an occupancy rate of 35% and an average daily census of 71 patients for FY 2013;

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

- UCSF Medical Center reported the highest occupancy rate, running at over 90%; and

- Overall, the service area and area hospitals have capacity to accommodate more medical/surgical volume.

Intensive Care/Coronary Care Capacity Analysis

There are 43 intensive care and coronary care beds within the service area, with an overall occupancy rate of approximately 49%. The Hospital has 14 licensed intensive care beds and 14 licensed coronary care beds with a combined 55% average occupancy rate in FY 2013 (average daily census of approximately 15 patients).

INTENSIVE CARE/CORONARY CARE BEDS FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center*	**-**	**X**	**28**	**1,148**	**5,619**	**15.4**	**55.0%**
Kaiser - South San Francisco*	2.7	X	15	109	2,059	5.6	37.6%
SUB-TOTAL			**43**	**1,257**	**7,678**	**21.0**	**48.9%**
California Pacific Medical Center - St. Luke's*	6.2		15	151	1,460	4.0	26.7%
UCSF Medical Center	6.4		90	914	17,721	48.6	53.9%
San Francisco General Hospital	7.8		30	443	8,705	23.8	79.5%
St. Mary's Medical Center - San Francisco	7.8		37	150	2,951	8.1	21.9%
Mills-Peninsula Medical Center*	10.7		24	301	3,075	8.4	35.1%
California Pacific Medical Center - Pacific*	11.3		44	383	9,707	26.6	60.4%
Saint Francis Memorial Hospital*	11.5		18	274	4,548	12.5	69.2%
Chinese Hospital*	11.6		5	52	1,012	2.8	55.5%
Kaiser - San Francisco*	11.6		32	529	6,651	18.2	56.9%
San Mateo Medical Center	17.9		7	114	1,276	3.5	49.9%
TOTAL			**345**	**4,568**	**64,784**	**177.5**	**51.4%**

Source: OSHPD Disclosure Reports

* Unaudited data includes the Hospital and excludes Seton Coastside

- The average daily census for all service area hospitals was 21 patients based on 7,678 patient days for FY 2013; and
- The Hospital provided 65% of the service area's intensive care/coronary care beds in FY 2013.

Obstetrics Capacity Analysis

As shown below, in FY 2013, the Hospital was the only provider of obstetrics services in the service area. The Hospital has 18 obstetric beds with an occupancy rate of 27%.

OBSTETRICS BEDS FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center*	**-**	**X**	**18**	**567**	**1,753**	**4.8**	**26.7%**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**18**	**567**	**1,753**	**4.8**	**26.7%**
California Pacific Medical Center - St. Luke's*	6.2		20	1,039	2,763	7.6	37.8%
UCSF Medical Center	6.4		29	2,164	7,960	21.8	75.2%
San Francisco General Hospital	7.8		23	1,884	3,364	9.2	40.1%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center*	10.7		30	2,009	8,522	23.3	77.8%
California Pacific Medical Center - Pacific*	11.3		77	5,388	17,988	49.3	64.0%
Saint Francis Memorial Hospital*	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		22	2,762	5,775	15.8	71.9%
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**219**	**15,813**	**48,125**	**131.8**	**60.2%**

Source: OSHPD Disclosure Reports

* Unaudited data includes the Hospital and excludes Seton Coastside

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

- As the only provider of obstetrics beds in the service area, the Hospital's obstetrics services are especially important to the service area population. The closest obstetrics services are offered at California Pacific Medical Center – St. Luke's, which is over six miles away; and

- California Pacific Medical Center – Pacific, the market share leader for obstetrics services, had 17,988 patient days and an occupancy rate of 64%.

Neonatal Intensive Care Capacity Analysis

NEONATAL INTENSIVE CARE BEDS FY 2013							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center*	**-**	**X**	**3**	**71**	**349**	**1.0**	**31.9%**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**3**	**71**	**349**	**1.0**	**31.9%**
California Pacific Medical Center - St. Luke's*	6.2		8	104	358	1.0	12.3%
UCSF Medical Center	6.4		51	610	12,639	34.6	67.9%
San Francisco General Hospital	7.8		12	21	307	0.8	7.0%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center*	10.7		-	-	-	-	-
California Pacific Medical Center - Pacific*	11.3		36	485	9,258	25.4	70.5%
Saint Francis Memorial Hospital*	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		22	229	4,501	12.3	56.1%
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**132**	**1,520**	**27,412**	**75.1**	**56.9%**

Source: OSHPD Disclosure Reports

* Unaudited data includes the Hospital and excludes Seton Coastside

- The Hospital reported a low volume with approximately 71 inpatient hospital discharges and 349 patient days, resulting in a very low average daily census of one patient; and

- The market share leaders for neonatology services are Kaiser Foundation Hospital – San Francisco with 21.7% market share and California Pacific Medical Center – Pacific with 13.9% market share.

Acute-Psychiatric Care Capacity Analysis

The Hospital is licensed for 24 acute-psychiatric care beds, though these beds have been in suspense for many years and have been non-operational. Therefore, the Hospital did not provide any psychiatric services during FY 2013.

ACUTE PSYCHIATRIC CARE BEDS FY 2013							
Hospital	Miles from Hospital	Wihtin Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center*	**-**	**X**	**24**	**-**	**-**	**-**	**-**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**24**	**0**	**0**	**0.0**	**0.0%**
California Pacific Medical Center - St. Luke's*	6.2		-	-	-	-	-
UCSF Medical Center	6.4		-	-	-	-	-
San Francisco General Hospital	7.8		47	68	16,139	44.2	94.1%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center*	10.7		-	-	-	-	-
California Pacific Medical Center - Pacific*	11.3		-	-	-	-	-
Saint Francis Memorial Hospital*	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		-	-	-	-	-
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**71**	**68**	**16,139**	**44.2**	**62.3%**

Source: OSHPD Disclosure Reports, FY 2013 & Daughters

* Unaudited data includes the Hospital and excludes Seton Coastside

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

- San Francisco General Hospital is the only facility with licensed acute psychiatric care beds within 20 miles of the Hospital that provided services during FY 2013. The occupancy rate was high at approximately 94% with an average daily census of 44 patients.

Sub-Acute Care Capacity Analysis

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

SUB-ACUTE CARE BEDS FY 2013							
Hospital	Miles from Hospital	Wihtin Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center*	**-**	**X**	**44**	**45**	**13,792**	**37.8**	**85.9%**
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			**44**	**45**	**13,792**	**37.8**	**85.9%**
California Pacific Medical Center - St. Luke's*	6.2		60	58	11,939	32.7	54.5%
UCSF Medical Center	6.4		-	-	-	-	-
San Francisco General Hospital	7.8		-	-	-	-	-
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center*	10.7		-	-	-	-	-
California Pacific Medical Center - Pacific*	11.3		-	-	-	-	-
Saint Francis Memorial Hospital*	11.5		-	-	-	-	-
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		-	-	-	-	-
San Mateo Medical Center	17.9		-	-	-	-	-
TOTAL			**104**	**103**	**25,731**	**70.5**	**67.8%**

Source: OSHPD Disclosure Reports, FY 2013 & Daughters

* Unaudited data includes the Hospital and excludes Seton Coastside

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

- The Hospital transfers many of its non-sub-acute skilled nursing care patients to Seton Coastside. In FY 2013, Seton Coastside had 38,782 patient days and 101 discharges for an average daily census of 106.3 and an occupancy rate of 92%. Within the Hospital's service area there are other skilled nursing facilities that provide an additional 327 skilled nursing beds with an occupancy rate of 93% in FY 2013;

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

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

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

Emergency Department Volume at Hospitals in the Service Area

In 2013, the Hospital had 18 emergency treatment stations and Seton Coastside had seven emergency treatment stations. Kaiser Foundation Hospital – South San Francisco has 19 emergency stations, bringing the total to 44 treatment stations among the service area hospitals. As shown below, the Hospital reported 26,955 visits, totaling 44% of the visits among the service area hospitals (61,391 visits). Seton Coastside had nearly 3,400 emergency department visits.

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

EMERGENCY DEPARTMENT VISITS BY CATEGORY 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
Seton Medical Center	**-**	**X**	**Basic**	**18**	**26,955**	**1,009**	**5,043**	**7,201**	**2,987**	**1,918**	**21.5%**	**1,244**
Kaiser - South San Francisco	2.7	X	Basic	19	34,436	8,707	6,923	9,012	8,849	945	10.5%	0
Seton Medical Center - Coastside	**13.3**	**X**	**Standby**	**7**	**3,381**	**123**	**1,714**	**1,194**	**331**	**19**	**-**	**0**
SUB-TOTAL				**44**	**64,772**	**9,839**	**13,680**	**17,407**	**12,167**	**2,882**	**14.5%**	**1,244**
California Pacific Medical Center - St. Luke's	6.2		Basic	10	24,783	44	2,673	11,938	7,814	2,314	**8.3%**	874
UCSF Medical Center	6.4		Basic	33	40,099	654	1,275	12,408	7,735	18,027	**25.7%**	807
San Francisco General Hospital	7.8		Comprehensive	24	63,280	17,088	12,656	13,403	3,993	1,662	**22.9%**	3,241
St. Mary's Medical Center - San Francisco	7.8		Basic	13	16,856	333	2,482	7,234	5,583	1,224	**16.0%**	162
Mills-Peninsula Medical Center	10.7		Basic	23	45,425	8,107	10,465	14,863	10,891	1,099	**18.7%**	0
California Pacific Medical Center - Pacific	11.3		Basic	19	27,987	33	1,138	6,407	8,242	12,167	**28.1%**	211
Saint Francis Memorial Hospital	11.5		Basic	19	31,666	694	5,152	14,096	8,927	2,797	**11.7%**	544
Chinese Hospital	11.6		Standby	5	6,121	1,300	1,062	1,596	1,362	801	**23.6%**	1663
Kaiser - San Francisco	11.6		Basic	24	33,179	7,889	7,360	8,788	7,705	1,437	**13.9%**	75
San Mateo Medical Center	17.9		Basic	15	41,916	2,220	11,137	13,825	12,387	2,347	**7.0%**	0
TOTAL				**229**	**396,084**	**48,201**	**69,080**	**121,965**	**86,806**	**46,757**	**16.7%**	**8,821**

Source: OSHPD Alirts Annual Utilization Reports

- The Hospital's emergency department had 1,244 hours of diverted emergency department traffic in 2013;
- Nearly 22% of the Hospital's Emergency Department visits resulted in admission;
- Approximately 15% of the service area's emergency department visits resulted in an inpatient admission; and
- As the only 24-hour standby emergency department along the 55-mile stretch between Santa Cruz and Daly City, Seton Coastside is an important provider of emergency services to residents of Moss Beach and its surrounding communities. Critically ill patients are transferred via air or ground to a tertiary facility as necessary.

Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2013, the Hospital's emergency department was operating at 75% of its 18-bed capacity. Emergency department capacity at Kaiser Foundation Hospital – South San Francisco is higher, operating at nearly 91% capacity. Seton Coastside is an important provider of emergency services for residents of Moss Beach and surrounding communities.

EMERGENCY DEPARTMENT CAPACITY FY 2013						
Hospital	Miles from Hospital	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Seton Medical Center	**-**	**Basic**	**18**	**26,955**	**36,000**	**9,045**
Kaiser - South San Francisco	2.7	Basic	19	34,436	38,000	3,564
Seton Medical Center - Coastside	**13.3**	**Standby**	**7**	**3,381**	**14,000**	**10,619**
SUB-TOTAL			**44**	**64,772**	**88,000**	**23,228**
California Pacific Medical Center - St. Luke's	6.2	Basic	10	24,783	20,000	(4,783)
UCSF Medical Center	6.4	Basic	33	40,099	66,000	25,901
San Francisco General Hospital	7.8	Comprehensive	24	63,280	48,000	(15,280)
St. Mary's Medical Center - San Francisco	7.8	Basic	13	16,856	26,000	9,144
Mills-Peninsula Medical Center	10.7	Basic	23	45,425	46,000	575
California Pacific Medical Center - Pacific	11.3	Basic	19	27,987	38,000	10,013
Saint Francis Memorial Hospital	11.5	Basic	19	31,666	38,000	6,334
Chinese Hospital	11.6	Standby	5	6,121	10,000	3,879
Kaiser - San Francisco	11.6	Basic	24	33,179	48,000	14,821
San Mateo Medical Center	17.9	Basic	15	41,916	30,000	(11,916)
TOTAL			**229**	**396,084**	**458,000**	**61,916**

Source: OSHPD Alirts Annual Utilization Reports

- Overall, the service area's hospitals' emergency departments are at approximately 73% capacity and have little extra available capacity.

Summary of Interviews

In August, November, and December of 2014, both in-person and telephone interviews were conducted with representatives of the Hospital, Daughters, and Prime, as well as physicians, San Mateo County representatives, health plan representatives, hospital employees, union representatives, and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed change in governance and control of the ownership and operations from Ministry and Daughters to Prime Inc. and Prime Foundation. 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 why a transaction was necessary, including the following:

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

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

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

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

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

    - Individual sale of the Health Facilities may result in the closure of some of Daughters' hospitals or in reduced services;

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

Importance of the Hospital and Seton Coastside to the Communities

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

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

- Health Benefits Resource Center;

- Women and children's services, including the Saint Ann Elizabeth Seton New Life Center and women's diagnostic imaging and gynecological services;

    - While some of those interviewed said obstetrics services were not essential due to low volumes, others stated that these services were essential because of the need for available services in the local community that would also accept Medi-Cal patients; and
    - Many mentioned that the neonatal intensive care unit was not essential due to very low volumes and services that are available when there are newborns that require transport.

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

- Ophthalmology services;

    - Some of those interviewed believed the Hospital's ophthalmology services are important for diabetic service area residents with cataracts and diabetic retinopathy.

- Wound care services, including the Seton Center for Advanced Wound Care; and

- Orthopedic services, including joint replacement and spine care services.

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

- Skilled nursing services;

- Emergency services; and

- Physical therapy and speech therapy services.

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

Selection of Prime for the Proposed Transaction

Members of the Hospital's management team, medical staff, and Seton's Board who were interviewed explained that a number of factors were involved in finalizing the selection of Prime. While three other alternatives for a potential buyer were considered among the final bids, these offers were not believed to provide the same level of benefits and assurances as Prime. Some of the factors that resulted in the selection of Prime that were cited in the interviews include the following:

- Prime Inc.'s commitment to continue the operation of the Health Facilities, including the Hospital, as general acute care facilities;
- Prime Inc.'s commitment to retain services at the Health Facilities;
- Commitment to $150 million in capital investment;
- Experience with turning around distressed hospitals (Prime Inc. has not closed any hospitals that is has acquired);
- Ability to assume all debt and bond obligations;
- Ability to accept all liabilities, therefore avoiding losses of jobs, employee pensions, and available healthcare services;
- Commitment to retain the CBAs of the employees at each of the Health Facilities;
- Ability of Prime Inc. to operate the Health Facilities efficiently and profitably;
- Prime's enhanced financial support and access to capital; and
- Ability to leverage and negotiate better contracts.

The majority of those interviewed from the Hospital's management and medical staff, as well as from Seton's Board, were supportive of the proposed transaction and the selection of Prime. Additionally, most people also conveyed an overall understanding and knowledge of the pressing financial issues and the necessity for Daughters to engage in a transfer of ownership and operation for the system and its related facilities in order to become financially sustainable, fund the pension obligations, retire outstanding bond debt, avoid bankruptcy filings, and to ensure continued operations of the Health Facilities.

While many of those interviewed believed that Prime was the best selection, many of these individuals also expressed concerns regarding the potential effects that the proposed transaction could have on the Hospital if the transaction were approved. Some of the concerns with the selection of Prime included the following:

- Prime may not commit to building the New Patient Tower, especially if Measure A funds were no longer provided;
- Prime Inc. may reduce necessary staffing and other types of expenses, which in turn, could have a negative impact on the quality and delivery of patient care;
- Prime Inc. may reduce or eliminate unprofitable or unfavorable services that could negatively impact the accessibility and availability of essential healthcare services for the communities served by the Hospital and Seton Coastside;
- Prime Inc. may not have the same commitments as Daughters to Emergency Department on-call coverage, medical directorships, medical staff relations, employees, union contracts, charity care, community benefit programs, etc.;
- Prime Inc. may not sustain the level of commitment, funding, or provider network breadth that is required to support the community's needs for healthcare;

The Hospital employees interviewed, many of which were also members of unions, understood the reasons for the transaction, but they were split with some believing Prime was the best choice, and others believing Blue Wolf Capital Partners would be the better owner.

Members of the community and representatives of San Mateo County were concerned that:

- Prime would not construct the New Patient Tower as planned;
- Prime would reduce outpatient services that are especially important locally for Medi-Cal patients;
- Prime would not keep Seton Coastside open and available for Medi-Cal patients; and
- Prime would not contract with the Health Plan of San Mateo.

Views of National & Regional Health Plan Representatives

The majority of health plan representatives expressed that they had enjoyed strong, long-lasting relationships with Daughters. Their views are divided into two categories below: views from the larger, national health plans whose membership is primarily insured by commercial health products, and views from representatives of health plans that are regional, with a focus on lower income Medi-Cal and dual Medicare/Medi-Cal eligible patient populations.

The commercial-focused health plans stated that their relationships with Daughters have always been strong. These plans tend to believe that there are hospital alternatives to the Hospital, and therefore, are less concerned with the effects of the transaction on their membership. Despite some uncertainty regarding the reputation of Prime as being uncooperative in contract negotiations, they believed they would be able to establish a contractual relationship with Prime.

The views of representatives from the locally-based health plan and physician organizations were different as they expressed concern surrounding the selection of Prime. These payers have had strong relationships with Daughters, and especially the Hospital, since the Hospital's patient population is comprised of many low-income and Medi-Cal eligibles.

They expressed that if Prime did not contract or if it raised rates, it would impact managed care and integrated delivery models, reducing provider choice, patient access, and service availability.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the change of governance would lead to some level of change in regard to access and/or availability of certain services. While many believed that the transaction was necessary in order to keep the Health Facilities in operation as general acute care hospitals, and that Prime was in fact the best selection among the final proposals, they also believed there would be reductions and even elimination of some unprofitable services. However, a number of those interviewed who supported the selection of Prime felt that the selection of Prime would have a negative impact on the availability or accessibility of some healthcare services to lower-income and underserved populations historically served by the Hospital and Seton Coastside.

Alternatives

The majority of those interviewed believed that the transaction and the selection of Prime was necessary and that there were no other alternatives for Daughters in order to avoid insolvency and bankruptcy and to ensure the full protection of the Church and Multi-Employer Plans for the non-union and unionized employees. Most believed that if Daughters went into bankruptcy, services would be curtailed, some of the Health Facilities could close, and some employee pension funds would be lost. Many believed that the Hospital and Seton Coastside would be most likely to close without the transaction. Additionally, many individuals believed Prime's offer was the strongest and provided the highest level of confidence in terms of the assumption and funding of the pension liabilities, continuation of the Health Facilities as general acute care hospitals, and future financial sustainability of the Health Facilities and their operations.

Some interviewed believed that Blue Wolf Capital Partners would have been the best selection for the transaction. A minority of those interviewed believed that if the Hospital closed, the other acute-care area hospital providers could absorb the Hospital's inpatient volume without serious negative impacts to patient access. However, it was felt that closure of Seton Coastside would have a severe negative impact on access.

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

Importance of the Hospital and Seton Coastside to the Surrounding Communities

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

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

Continuation as a General Acute Care Hospital

In the Definitive Agreement, Prime states that it will continue to maintain the Hospital as a general acute care facility for a minimum of five years, subject to availability of physicians necessary to support these services. Additionally, Prime states this commitment shall also be subject to any changes that are deemed necessary, based on community needs, market demand, and the financial viability of such services.

The terms of the Definitive Agreement anticipate that there could be a reduction, or even elimination, of some programs and/or services that are currently offered at the Hospital. According to Prime, Prime will maintain the Hospital's services and provide the same levels of charity care and community benefit services.

Emergency Services

In FY 2013, the Hospital reported nearly 27,000 visits to its 18 emergency treatment stations, operating at 75% capacity (based on a standard of 2,000 visits per station, per year). The Hospital is an important ambulance receiving facility that gets a high volume of emergency transports from the San Francisco area when hospitals in San Francisco go on diversion[22]. Kaiser Foundation Hospital – South San Francisco, located three miles away from the Hospital, also ran at a high occupancy rate of 91% in FY 2013.

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

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

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

Medical/Surgical Services

Despite a low occupancy rate of 35% on 201 licensed medical/surgical beds, the Hospital, with an average daily census of 71 patients, is an important provider of these services for the local community.

Intensive Care/Coronary Care Services

The Hospital has an occupancy rate of 55% on its 28 licensed intensive care and coronary care beds. The Hospital provided 65% of the service area's intensive care and coronary care beds in FY 2013.These services are an important resource for supporting the Emergency Department and other surgical and medical services. Kaiser – South San Francisco is the only other service area hospital, located nearly approximately three miles away that has intensive care and coronary care beds and runs at 38% occupancy.

Obstetrics Services

Despite falling volumes and low occupancy rates, as the only provider of obstetrics beds in the service area, the Hospital's services are important to the local area population. The Hospital has 18 obstetric beds with approximately 500 deliveries and an occupancy rate of approximately 27% based on an average daily census of five patients. While obstetrics is important to maintain at the Hospital, the number of licensed beds is greater than what is needed.

Neonatal Intensive Care Services

The Hospital operates three licensed neonatal intensive care beds with an occupancy rate of approximately 32% or an average daily census of one patient. The neonatal intensive care unit's volume is so small that its patients requiring this service could be transferred elsewhere for care.

Sub-Acute Care Services

The Hospital has 83 licensed skilled nursing care beds, of which 44 beds are being utilized as sub-acute care beds and are for medically fragile patients who require special services such as inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management. The Hospital is the only provider of ventilated dialysis services in San Mateo County and runs at a high occupancy rate of 86%. The remaining 39 skilled nursing beds are in suspense, sub-acute care services are

Psychiatric Care Beds

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

Skilled Nursing Care Beds at Seton Coastside

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

Reproductive Health Services

The Hospital is an important provider of a range of healthcare services for women, including approximately 600 obstetrics deliveries per year. Some women's reproductive health services are prohibited by the Ethical and Religious Directives of the Catholic Church, including elective abortions and tubal ligations. Since the Hospital will no longer be sponsored by Daughters of Charity of St. Vincent de Paul, Province of the West, the Hospital will no longer be required to adhere to the Ethical and Religious Directives. Since Prime will not be subject to the Ethical and Religious Directives, it is expected that patients will not be referred elsewhere for these services.

It is expected that patients and physicians will seek elective reproductive services at the Hospital including tubal ligations. Prime has stated in its interview with MDS that it will not prohibit physicians from offering or performing reproductive procedures and at the request of community members and physicians, will support the addition of other reproductive procedures as may be needed. Additionally, without the Ethical and Religious Directives, physicians will no longer be prohibited from offering reproductive services in their campus offices, and access and availability of these services should improve. According to Prime, the physicians at its hospitals provide services that include sterilizations, access to contraception, and other reproductive services. Prime cited that these services have been added at St. Mary's Regional Medical Center, a formerly Catholic hospital in Reno, Nevada, that was purchased by Prime in 2012.

Below is a table showing instances where the Hospital recorded a small number of reproductive-related procedures that were in accordance with the Ethical and Religious Directives in 2013. The table shows Prime's combined California Hospitals providing a wider range of reproductive services when compared to the Hospital.

REPRODUCTIVE SERVICES BY DIAGNOSTIC RELATED GROUP		
Diagnostic Related Group	Seton Medical Center	Prime
770: AbortionW D&C, Aspiration Curettage or Hysteroctomy	1	192
778: Threatened Abortion	9	81
779: Abortion w/o D&C	0	56
777: Ectopic Pregnancy	1	114
767: Vaginal Delivery W Sterilization &/OR D&C	3	180
Total 2013 Discharges	**14**	**623**

Source: OSHPD Patient Discharge Database

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

Approximately 78% of the Hospital's inpatients are reimbursed through Medicare (51%) and Medi-Cal (27%). San Mateo County has a County Organized Health System, the Health Plan of San Mateo. It offers health coverage and a provider network to more than 100,000 underserved residents. Currently, the Hospital is contracted with the Health Plan of San Mateo to provide care for Medi-Cal managed care beneficiaries. As a provider of care for Health Plan of San Mateo patients and indigent San Mateo County residents, keeping the Hospital open for inpatient and outpatient services was viewed as important by those interviewed.

Prime has made a commitment in the Definitive 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. However, in order for the Medicare and Medi-Cal patients to access other key services not provided through the Hospital's Emergency Department, the Hospital must maintain its participation in both programs, as well as maintain its contractual agreements with payers. In the Definitive Agreement, Prime has not made any specific commitments regarding continued participation in the Medicare and the Medi-Cal managed care programs, nor has Prime committed to maintain current contractual agreements.

However, Prime has stated in its interview with MDS that it would be willing to accept reasonable rates for Medi-Cal managed care that were comparable to other similarly situated hospitals, and Prime is also willing to accept the Medi-Cal default rate, which is likely to be higher, if it were to not contract for Medi-Cal managed care. Additionally, Prime will also commit to accepting Medi-Cal patients for elective medical procedures, and Prime stated that it currently contracts with Medi-Cal managed care plans in all of the California counties where Prime hospitals are located.

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

Effects on the Level and Type of Charity Care Historically Provided

Many uninsured and 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 $1.9 million per year over the last five years (on a cost basis). Prime has agreed to maintain and adhere to Daughters' current policy on charity care (or a comparable policy) for a minimum of five years, though no specific commitment has been made to maintain historical levels of financial support for charity care at the Hospital.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging $1.1 million per year over the last five years (on a cost basis). The Hospital supports a significant number of community benefit programs that serve residents from the surrounding lower-income communities. Some of the Hospital's community benefit programs include Health Benefits Resource Center, RotaCare Clinic, Saint Ann Elizabeth New Life Center, and the Diabetes Institute, among others. Prime has not made any specific commitments in the Definitive Agreement to maintain the Hospital's community benefit programs.

Effects on Staffing and Employee Rights

Prime has agreed to continue the employment at comparable salaries, job titles, and duties, for both the unrepresented employees and unionized employees at the Hospital, DCHS Medical Foundation, and Caritas Business Services, who remain in good standing and are still employed by Daughters as of the closing date. Prime has agreed to adhere to severance obligations as defined in the written employment agreements, or if no such agreement exists, Prime will adhere to Daughters' severance pay obligations for a period of twelve months following the closing date.

In addition to the Hospital's employees, Prime has agreed to make offers of employment to Daughters' system office employees, Daughters' executives, the Health Facilities' CEOs, the DCHS Medical Foundation President and CMO, and the Caritas Business Services' Senior Directors, who remain in good standing and are still employed by Daughters as of the closing date. Prime shall offer salaries, wages, job titles, and duties that are comparable to those in place prior to the closing.

While Prime makes short-term commitments for employment, it is expected that Prime will reduce labor costs by eliminating some management and other positions within the Hospital. It is also expected that the number of employees will be reduced unless the Hospital's patient volume increases. Additionally, Prime is viewed as a tough negotiator of union agreements and as a result, employees may experience changes to salaries, wages, and benefits when many of the union contracts expire in 2015.

Effects on Medical Staff

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

Alternatives

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

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

As a result of Daughters' current pressing financial situation, the majority of those interviewed believed bankruptcy would occur, resulting in the possible reduction of services or closure of some of the Health Facilities. Bankruptcy could have a negative impact on employees, employee pensions, creditors, and the services offered to the community.

Conclusions

Daughters contends the proposed Definitive Agreement and change in governance and control of Daughters and Seton will help ensure continued operation of the medical services offered at the Hospital and Seton Coastside, and avoid bankruptcy.

Potential Conditions for Transaction Approval by the California Attorney General

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

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

2) For at least ten 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 ten 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. Cardiac services, including the 2 cardiac catheterization labs, and at minimum, the San Francisco Heart & Vascular Institute, and the designation as a STEMI Receiving Center;
   b. Critical care services, including a minimum of 28 intensive care beds;
   c. Advanced certification as a Primary Stroke Center;
   d. Obstetric services, including a minimum of 8 beds, and at minimum, and the Saint Elizabeth Ann Seton New Life Center;
   e. Women's health services, including the Saint Elizabeth Ann Seton New Life Center, Seton Breast Health Center, and women's imaging and mammography services; and
   f. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification and Joint Commission Accreditation as a sub-acute unit.

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

   a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
   b. Cancer services, including inpatient oncology unit, interventional radiology, radiation therapy, and the Outpatient Infusion Center;
   c. Orthopedics and rehabilitation services, including joint replacement and spine care services, San Francisco Spine Institute;
   d. Diabetes services, including Northern California Diabetes Institute;

e. Urgent Care services, including Seton Express Care;
f. Wound care services, including Seton Center for Advanced Wound Care; and
g. Nephrology services, including inpatient and outpatient dialysis services.

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

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

6) For at least five years from 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 $1,948,367 (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 San Francisco-Oakland-San Jose, California. All Items, 1982-1984=100;

7) For at least five years from the closing date of the transaction, the Hospital shall continue to expend an average of no less than $1,054,020 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California. All Items, 1982-1984=100. The following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services that are currently being provided:

a. Health Benefits Resource Center;
b. RotaCare Clinic; and
c. Saint Elizabeth Ann Seton New Life Center.

8) For at least ten 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 Health Plan of San Mateo contract;

9) For at least ten 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) Prime shall maintain privileges for current medical staff members at the Hospital who are in good standing as of the closing date of the transaction. Further, the closing shall not change the medical staff officers, committee chairs or independence of the Hospital's medical staff and those such persons shall remain for the remainder of their tenure;

11) Prime shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070), including:

    a. Construction and completion of the New Patient Tower, with at least 104 beds for general acute care, perinatal care, and intensive care services, as set forth in the "Master Plan" as follows: 84 general acute care beds, 12 critical care beds, and eight perinatal beds.

12) Prime shall comply with the $150 million "Capital Commitment" set forth in section 7.9 of the Definitive Agreement.

APPENDICES

List of Interviewees

Last Name	First Name	Position	Affiliation
Ahn	Tina	Chief Development Officer & Vice President, Seton Foundation	Seton Medical Center
Allen	Joanne	President & CEO	Seton Medical Center & Seton Coastside
Altman	Maya	Chief Executive Officer	Health Plan of San Mateo
Amour	Deb	Representative	California Nurses Association
Battles	Stephanie	Vice President, Human Resources	Daughters of Charity Health System
Beattie	Lynne	Director, Telemetry	Seton Medical Center
Bowman	Cathy	Director, Seton Coastside	Seton Coastside
Colman, MD	Ryan	Board Member	Seton Medical Center
Cook	Judy	Director, Subacute Services	Seton Medical Center
Del Mundo	Jonathan	Nursing Director & Director, ICU/CCU, Spine & Orthopedics	Seton Medical Center
Diedrich	Dee	Chief Medical Officer	Daughters of Charity Health System
Enriquez	Manny	Field Vice President, Contracting	Humana
Faye	Kim	Director, Emergency Department	Seton Medical Center
Ferrari	Lisa	Regional Vice President, Southern California	Anthem Blue Cross of California
Fick	Beverly	Chief Nurse Executive & Clinical Operations Officer	Seton Medical Center
Forrester	Shawn	Vice President, Network Management	Aetna
Freeburg, DC	Sister Paule	Board Member, Seton Foundation	Seton Medical Center
Gordon	Sister Arthur	Vice President, Mission Integration	Seton Medical Center
Gutierrez, PT	Richard	Representative	Service Employees International Union, Seton Coastside
Heather	Mike	Chief Financial Officer	Prime Healthcare Services, Inc.
Hillman	Don	Director, Imaging Services	Seton Medical Center
Horsley	Don	Board of Supervisors, District 3	San Mateo County
Isaai	Robert	President & CEO	Daughters of Charity Health System
Javidi	Mitra	Regional Network Director	Health Net Community Solutions
Lapolla	Nancy	Manager	Emergency Medical Services, San Mateo County
Leitao	Sister Ann	Chair, Board of Direcotrs	Seton Coastside
Maltbie	John	County Manager, San Mateo County	San Mateo County
Melikian	Annie	Chief Financial Officer	Daughters of Charity Health System
Morales	Adilia	Manager, New Life Center & Specialty Clinics	Seton Medical Center
Pakuckas	Paul	Regional Vice President, Solutions Medicaid California	Anthem Blue Cross of California
Papouchian	Arminé	Vice President, Network Management	Blue Shield of California
Patel	Paryus	Corporate Chief Medical Officer	Prime Healthcare Services, Inc.
Rabin	Gaynor	Director, Managed Care	Daughters of Charity
Reddy, MD, FACC, FCCP	Prem	Chairman, President, & CEO	Prime Healthcare Services, Inc.
Rispoli	Anthony	Interim CFO	Seton Medical Center
Rumack, MD	James	Board Member, Seton Foundation	Seton Medical Center
Schell	Troy	General Counsel	Prime Healthcare Services, Inc.
Schuller, MD	Elden	Medical Director, Emergency Department	Seton Medical Center
Schwefler	Ernie	Regional Vice President, California	Anthem Blue Cross of California
Scott	Steve	Vice President, Payor Solutions	Anthem Blue Cross of California
Shabanian	Tina	Director, Provider Contracting and Specialty Networks	Blue Shield of California
Siebert	Greg	Vice President, Network Management	United HealthCare
Troxel	Sue	Board Member, Seton Foundation	Seton Medical Center
Valin	Rudy	Representative	Service Employees International Union
Wallerstein	Ernie	President & CEO	DCHS Medical Foundation
Walters	Bob	Vice President, Facilitites Planning & Development	Daughters of Charity Health System
Weinstein	Diane	Senior Associate, General Counsel	Anthem Blue Cross of California
Wells	Moriah	Director, Peri-Operative Services	Seton Medical Center
Yasavolian	Martha	Senior Director, Ancillary Services and Pharmacy	Seton Medical Center

Hospital License

License: 220000026
Effective: 01/01/2014
Expires: 12/31/2014
Licensed Capacity: 478

State of California
Department of Public Health

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

this License to

Seton Medical Center

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

SETON MEDICAL CENTER
1900 Sullivan Ave
Daly City, CA 94015-2200

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

Bed Classifications/Services

250 General Acute Care
- 18 Perinatal
- 14 Coronary Care
- 14 Intensive Care
- 3 Intensive Care Newborn Nursery
- 201 Unspecified General Acute Care

24 Acute Psychiatric (D/P)
83 Skilled Nursing (D/P)

Other Approved Services

- Basic Emergency
- Cardiovascular Surgery
- Mobile Unit - Other - CT/PET - Steriotactic Biopsy
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - Ambulatory Surgery at Ambulatory Surgery Center, 1850 Sullivan Avenue, Suite 400, Daly City
- Outpatient Services - Imaging Services at Campus Drive Imaging, 901 Campus Drive, Suite 113, Daly City
- Outpatient Services - Imaging Services at NSI Imaging Svcs & Block Suite, 1850 Sullivan Avenue, Suite 100, Daly City
- Outpatient Services - Joint Replacement Program at Seton Orthopedic Institute Outpatient Center, 1850 Sullivan Avenue, Suite 150, Daly City
- Outpatient Services - Prenatal Care at St. Elizabeth Ann Seton New Life Center, 1500 Southgate Avenue, Suite 112, Daly City

(Additional Information Listed on License Addendum)

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

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 220000026
Effective: 01/01/2014
Expires: 12/31/2014
Licensed Capacity: 478

SETON MEDICAL CENTER (Continued)
1900 Sullivan Ave
Daly City, CA 94015-2200

Other Approved Services (cont'd)
- Outpatient Services - Primary Care at Seton Express Care, 1850 Sullivan Avenue, Suite 150, Daly City
- Outpatient Services - Rehabilitation at Rehabilitation Center, 45 Southgate Avenue, Daly City
- Outpatient Services - Women's Health Services at Breast Health Center, 1850 Sullivan Avenue, Suite 190, Daly City
- Physical Therapy
- Podiatry Service
- Radiation Therapy
- Respiratory Care Services
- Social Services

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

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

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

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
24 Acute Psychiatric beds suspended from 01/01/2011 to 12/31/2014 at 1900 Sullivan Ave.
39 Skilled Nursing beds suspended from 01/01/2012 to 12/31/2014 at 1900 Sullivan Ave.
CONSOLIDATED

Ron Chapman, MD, MPH
Director & State Health Officer

Diana Marana
Diana Marana, District Manager

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

POST IN A PROMINENT PLACE