

September 1, 2016

Attorney General, Charitable Trusts Section
300 South Spring Street
Los Angeles, CA 90013-1230
Attn: Wendi A. Horwitz
Deputy Attorney General

Re: Hoag Memorial Hospital Presbyterian – Request for Modification of Condition of Consent (11 CCR § 999.5(h))

Dear Ms. Horwitz:

Hoag Memorial Hospital Presbyterian (“Hoag”) hereby requests that the Office of the Attorney General (AG) amend and modify Condition IV (b) of the Conditional Consent to the Affiliation of Hoag and St. Joseph Health System, dated February 8, 2013, so as to permit Hoag to de-license twelve (12) Intensive Care Unit (ICU) beds at its Newport Beach campus that are currently wholly unutilized and to use that space to add eighteen (18) acute rehabilitation (IRF) beds that are needed by the community. Hoag will continue to maintain nineteen (19) ICU beds at its Newport Beach campus (as well as twelve (12) ICU beds at its Irvine campus), which are more than sufficient to meet all ICU needs at both facilities.

As will be discussed below, the conversion of the 12 ICU beds to IRF beds (to be done over a 5 year period) will allow Hoag to utilize the currently unneeded and unused ICU space and to create an acute rehabilitation program that is both much desired by the community and which will add approximately 25-30 jobs over the five year implementation period. This request meets each and every one of the standards set forth in 11 CCR § 999.5(h) and will provide substantial benefits to the community served by Hoag. As such, we request AG approval for this amendment to AG Conditional Consent.

Discussion of Factors

At the time of the initial AG Conditional Consent, Hoag had 31 licensed ICU beds at the Newport Beach campus. These beds are located on 1 south (11 beds); 4 west (8 beds) and 3 west (12 beds). For the last two years, the overall ICU daily census has been 14.7 patients and the 3 west unit (with 12 beds) has not been utilized at any time and has been dormant space, i.e. all ICU patients have been treated in the 1 south and 4 west units and the 3 west unit has been vacant during the entire period. Moreover, projections indicate no increase in patient volumes for ICU beds and no need for the 3 west ICU beds. Rather than continue to fail to utilize this valuable space, and in response to community and staff support for an acute rehabilitation service, Hoag proposes to convert the 3 west space to 18 IRF beds in order to meet this significant and ongoing community need.

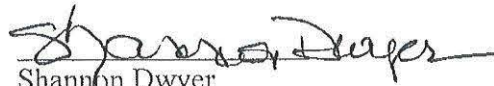
Hoag currently does not provide acute rehabilitation services. Acute care rehabilitation

consists of longer term, intensive rehabilitation following a major health impact, such as stroke, brain tumor surgery, spinal cord injury, congenital deformity, fracture for femur (hip), brain injury, and neurological disorders such as multiple sclerosis and Parkinson's disease. Hoag discharges an average of 400 patients per year to acute rehabilitation facilities which oft times are not convenient for the patients and their supporting caregivers and may be disruptive to the patient-physician relationship. Additionally, Hoag is unable to ensure quality outcomes for these patients. Hoag treated approximately 1,000 stroke patients in calendar year 2015, which is the highest in the state of California. Stroke patients often require acute rehabilitation services and having it on campus would allow Hoag to offer a full continuum of care for these patients in a convenient location.

As demonstrated above, the proposed change is consistent with the goal of maintaining needed ICU services while, at the same time, fully utilizing the available hospital resources to maximize the benefits to the community. The proposed amendment will increase the availability and accessibility of health care services to the community, add jobs in the new IRF unit, and provide a badly needed service to the community.

For the reasons set forth above, we respectfully request that Condition IV(b) be modified to permit the conversion of ICU beds to IRF beds as described above. If you have any questions or need any additional information, please feel free to contact me and we will be pleased to provide such. Thank you in advance for your consideration in this regard.

Very truly yours,



Shannon Dwyer
Executive Vice President and
General Counsel
Providence St. Joseph Health

III.

For five years from the closing date of the Affiliation Agreement, the Affiliated Entities and all future owners, managers, lessees, or operators of Hoag Memorial Hospital Presbyterian shall be required to provide written notice to the Attorney General and obtain the Attorney General's approval at least ninety days prior to entering into any agreement or transaction to do any of the following:

(A) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Hoag Memorial Hospital Presbyterian;

(B) Transfer control, responsibility, management, or governance of Hoag Memorial Hospital Presbyterian. The substitution or addition of a new corporate member or members of the Affiliated Entities that transfers the control of, responsibility for or governance of the Affiliated Entities shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of the Affiliated Entities, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of the Affiliated Entities, shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Affiliation Agreement, Hoag Memorial Hospital Presbyterian shall be operated and maintained as two licensed general acute care hospitals (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services:

- a) Twenty-four hour emergency medical services as currently licensed (minimum of 58 Emergency beds/stations at the Newport Beach Hospital and 14 Emergency beds/stations at the Irvine Hospital) with the same types and levels of services as currently provided²;
- b) Intensive Care services as currently licensed (minimum of 31 beds at the Newport Beach Hospital and 12 beds at the Irvine Hospital) with the same types and levels of services as currently provided;
- c) Coronary Care services as currently licensed (minimum of 12 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided;
- d) Obstetrical services as currently licensed (minimum of 70 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided;
- e) Neonatal Intensive Care services as currently licensed (minimum of 21 beds at the Newport Beach Hospital) with the same types and levels of services as currently provided; and

² The term "currently provided" means types and levels of services provided as of October 1, 2012.