

EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE



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September 22, 2010

Thomas Jeffry Jr., Esq.
Arent Fox LLP
555 W 5th St 48th Fl
Los Angeles, CA 90013

RE: Proposed Sale of Mission Community Hospital

Dear Mr. Jeffry:

The Attorney General hereby conditionally consents, pursuant to Corporations Code section 5914, to the sale of Mission Community Hospital to Deanco Healthcare LLC, a California limited liability company, as set forth in the Notice filed on June 23, 2010. Corporations Code section 5917 and section 999.5, subdivision (f), of title 11 of the California Code of Regulations set forth factors that the Attorney General must consider in determining whether to consent to a proposed transaction between a nonprofit corporation and a for-profit corporation or entity. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions, which are incorporated by reference herein.

Thank you for your cooperation and that of your client and the purchaser throughout the review process.

Sincerely,

[Original signed]

WENDI A. HORWITZ
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

Attachment

cc: Joseph D. Epps, Esq.
50729823.doc

Conditions to Approval of Sale of Mission Community Hospital

I.

For the purposes of these conditions, and unless the context indicates otherwise, the term “Buyer” shall mean Deanco Healthcare, LLC, a California limited liability company, the proposed acquirers of Mission Community Hospital¹, any other subsidiary, parent, general partner, affiliate, successor, or assignee of Deanco Healthcare, LLC, any entity succeeding thereto by consolidation, merger or acquisition of all or substantially all of the assets of Mission Community Hospital, any entity owned by the Buyer that subsequently becomes the owner or licensed operator of Mission Community Hospital, any entity that owns the Buyer that subsequently becomes the owner or licensed operator of Mission Community Hospital, any future entity that purchases Mission Community Hospital from the Buyer, and any entity owned by a future purchaser that subsequently becomes the owner or licensed operator of Mission Community Hospital. These conditions shall be legally binding on any and all current and future owners or operators of Mission Community Hospital.² The term “Seller” shall mean San Fernando Community Hospital, Inc., doing business as Mission Community Hospital, a California nonprofit public benefit corporation.

II.

The transaction approved by the Attorney General between the Buyer and Seller consists of the Consulting Services Agreement dated on or about June 1, 2010, Hospital Management Services Agreement dated on or about June 10, 2010, Business Associate Addendum to Services Agreement dated June 1, 2010, Staff Leasing Agreement dated June 10, 2010, Asset Purchase Agreement dated June 10, 2010, First Amendment to Asset Purchase Agreement dated September 14, 2010, and Loan and Security Agreement dated at the time the Seller’s assets are transferred to the Buyer. Buyer and Seller shall fulfill the terms and conditions of the transaction. Buyer and Seller shall notify the Attorney General in writing of any proposed modification of the transaction, including a proposed modification or rescission of any of the agreements. Such notification shall be provided at least thirty (30) days prior to the effective date of such modification in order to allow the Attorney General to consider whether the proposed modification affects the factors set forth in Corporations Code section 5917.

¹Throughout this document, the term Mission Community Hospital shall mean the general acute care hospital currently called Mission Community Hospital and any other clinics, laboratories, units, services, or beds included on the license issued to San Fernando Community Hospital to operate Mission Community Hospital-Panorama Campus with the California Department of Public Health, effective November 20, 2009, unless otherwise indicated.

²If the Hospital Management Services Agreement is terminated pursuant to its sections 6.2 and 6.3 or if the Asset Purchase Agreement is terminated pursuant to its section 10.2 or does not close pursuant to its section 2.6 (i.e., the Seller’s assets are never transferred to the Buyer), the Seller will not be required to comply with these Conditions beyond the effective date of the termination.

III.

The Buyer and all future owners or operators of Mission Community Hospital shall be required to provide written notice to the Attorney General sixty (60) days prior to entering into any agreement or transaction to do either of the following:

(A) Sell, transfer, lease, exchange, option, convey, or otherwise dispose of Mission Community Hospital.

(B) Transfer control, responsibility, or governance of Mission Community Hospital. The substitution of a new corporate member of the Buyer or its members that transfers the control of, responsibility for or governance of the Buyer shall be deemed a transfer for purposes of this condition. The substitution of one or more members of the governing body of the Buyer, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of the Buyer, shall also be deemed a transfer for purposes of this Condition.

IV.

Until the transfer of the Seller's assets to the Buyer³, Seller shall operate and maintain Mission Community Hospital as a licensed general acute care hospital (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 9 emergency stations/beds) with the same types and levels of services and in compliance with California law regarding seismic safety requirements that require retrofitting 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);
- b) Acute inpatient psychiatric services as currently licensed (minimum of 60 beds) and maintain the certification of Mission Community Hospital's psychiatric program as an "LPS" (Lanterman-Petris-Short) facility so that it can continue to admit patients with acute psychiatric needs on an involuntary basis under Welfare and Institutions Code section 5150;
- c) Critical Care Services (minimum of 5 Intensive Care beds and 5 Coronary Care beds);
- d) Outpatient psychiatric services, including day treatment services and a Psychiatric Evaluation Team ("PET") that evaluates patients in the Emergency Department and off-campus; and
- e) Medical detoxification services (minimum of 5 beds).

Buyer shall not place all or any portion of its above-listed licensed-bed capacity in voluntary suspension or surrender its license for any of these beds.

³ Throughout this document, the phrase "transfer of the Seller's assets to the Buyer" refers to the closing date of the Asset Purchase Agreement

V.

For five years from the date of the transfer of the Seller's assets to the Buyer, Buyer shall operate and maintain Mission Community Hospital as a licensed general acute care hospital (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 9 emergency stations/beds) with the same types and levels of services and in compliance with California law regarding seismic safety requirements that require retrofitting 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);
- b) Acute inpatient psychiatric services as currently licensed (minimum of 60 beds) and maintain the certification of Mission Community Hospital's psychiatric program as an "LPS" (Lanterman-Petris-Short) facility so that it can continue to admit patients with acute psychiatric needs on an involuntary basis under Welfare and Institutions Code section 5150;
- c) Critical Care Services (minimum of 5 Intensive Care beds and 5 Coronary Care beds);
- d) Outpatient psychiatric services, including day treatment services and a Psychiatric Evaluation Team ("PET") that evaluates patients in the Emergency Department and off-campus; and
- e) Medical detoxification services (minimum of 5 beds).

Buyer shall not place all or any portion of its above-listed licensed-bed capacity in voluntary suspension or surrender its license for any of these beds.

VI.

Until the transfer of the Seller's assets to the Buyer, Seller shall:

- a) Be certified to participate in the Medi-Cal program for as long as it operates Mission Community Hospital as a general acute care hospital and provides emergency services.
- b) Maintain a contract with the State of California for Hospital Inpatient Services under the Medi-Cal Program⁴ to provide the same types and levels of emergency and non-emergency services at Mission Community Hospital to Medi-Cal beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions.
- c) Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Mission Community Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

⁴ This contract is often referred to as the California Medical Assistance Commission ("CMAC") contract.

VII.

For five years from the date of the transfer of the Seller's assets to the Buyer, Buyer shall:

- a) Be certified to participate in the Medi-Cal program for as long as it operates Mission Community Hospital as a general acute care hospital and provides emergency services.
- b) Maintain a contract with the State of California for Hospital Inpatient Services under the Medi-Cal Program to provide the same types and levels of emergency and non-emergency services at Mission Community Hospital to Medi-Cal beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions.
- c) Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Mission Community Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

Until the transfer of the Seller's assets to the Buyer, Seller shall maintain a contract with the County of Los Angeles, without interruption of service or quality, to provide the same services under the following contracts: Mental Health Services Agreement Contract Allowable Rate – Fee for Service Medi-Cal Acute Psychiatric Inpatient Hospital Services and its addendum Psychiatric Inpatient Hospital Services PMRT Diversion Program, Hospital and Medical Care Agreement (CHIP-Formula Hospital Funds), and Health Resources and Services Administration Funds National Bioterrorism Hospital Preparedness Program Expanded Agreement and the Hospital Bioterrorism Preparedness Expanded Agreement.

IX.

For five years from the date of the transfer of the Seller's assets to the Buyer, Buyer shall maintain a contract with the County of Los Angeles, without interruption of service or quality, to provide the same services under the following contracts: Mental Health Services Agreement Contract Allowable Rate – Fee for Service Medi-Cal Acute Psychiatric Inpatient Hospital Services and its addendum Psychiatric Inpatient Hospital Services PMRT Diversion Program, Hospital and Medical Care Agreement (CHIP-Formula Hospital Funds), and Health Resources and Services Administration Funds National Bioterrorism Hospital Preparedness Program Expanded Agreement and the Hospital Bioterrorism Preparedness Expanded Agreement.

X.

Beginning fiscal year July 1, 2010-June 30, 2011 and until the transfer of the Seller's assets to the Buyer, Seller shall provide an annual amount of Charity Care (as defined below) at Mission Community Hospital equal to or greater than \$2,218,948 (the "Minimum Charity Care Amount"). For purposes hereof, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by the Seller in connection with the operations and provision of services at Mission Community Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as that used by the California Office of Statewide Health Planning and Development ("OSHPD") for annual

hospital reporting purposes.⁵ The Seller shall use the same charity care and collections policies attached hereto as Exhibit 1. If the transfer of Seller's assets to the Buyer occurs on a date other than the first day of Seller's fiscal year, the Minimum Charity Care Amount will be prorated on a daily basis.

For each fiscal year thereafter, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the "12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of Charity Care provided by Seller at Mission Community Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seller shall use an amount equal to the deficiency for its San Fernando Campus for Health and Education within nine (9) months following the end of such fiscal year.

XI.

With respect to each of Buyer's six (6) fiscal years after the transfer of the Seller's assets to the Buyer, Buyer shall provide an annual amount of Charity Care (as defined below) at Mission Community Hospital equal to or greater than the annual "Minimum Charity Care Amount" required by the Seller at the time of the transfer of Seller's assets to the Buyer. For purposes hereof, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by the Buyer in connection with the operations and provision of services at Mission Community Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as that used by the California Office of Statewide Health Planning and Development (OSHPD) for annual hospital reporting purposes. The Buyer shall use the same charity care and collections policies attached hereto as Exhibit 1. If the transfer of Seller's assets to the Buyer occurs on a date other than the first day of Buyer's fiscal year, the Minimum Charity Care Amount will be prorated on a daily basis.

For each fiscal year thereafter, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the "12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of Charity Care provided by Buyer at Mission Community Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Buyer shall pay an amount equal to the deficiency to a nonprofit public benefit corporation for direct medical care to residents in

⁵ OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as ...charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

the Mission Community Hospital's primary service area for Medical/Surgical Services, as defined on page 30 of the Health Care Impact Report, and in the ZIP Codes for Inpatient Psychiatric Services that are specifically referenced on page 31 of the Health Care Impact Report and Homeless in such areas. (Exhibit 2) Such payment shall be made within nine (9) months following the end of such fiscal year.

XII.

Prior to the transfer of the Seller's assets to the Buyer, Seller shall transfer responsibility for the community benefit services and programs operated at the San Fernando Campus for Health and Education to a nonprofit public benefit corporation that would be eligible to receive grant funds from foundations and other organizations that support such services. Until the transfer of the Seller's assets to the Buyer, Seller and the nonprofit public benefit corporation that will assume the responsibility from the Seller shall continue to offer similar types of services and programs currently being provided at the San Fernando Campus for Health and Education and continue to provide space, rent-free and without occupancy expenses, to those nonprofit organizations.

For five years from the date of the transfer of the Seller's assets to the Buyer, Buyer shall assume the role of tenant for the San Fernando Campus for Health and Education pursuant to the Lease with the City of San Fernando. In at least twenty percent of the square footage of the building at the San Fernando Campus for Health and Education, Buyer shall provide space, rent-free and without occupancy expenses, to the nonprofit public benefit corporation that will assume the responsibility from the Seller, to the nonprofit organizations that currently provide programs and services, and to other future nonprofit organizations that provide similar services and programs currently being provided.

XIII.

Until the transfer of the Seller's assets to the Buyer, Seller shall maintain academic affiliations that allow students from local nursing schools to participate in clinical rotations at the Hospital.

For five years from the date of the transfer of the Seller's assets to the Buyer, Buyer shall maintain academic affiliations that allow students from local nursing schools to participate in clinical rotations at the Hospital.

XIV.

For five years from the date of the transfer of the Seller's assets to the Buyer, the Buyer's Board of Trustees for Mission Community Hospital, as designated in section 7.6 of the Asset Purchase Agreement, shall include Mission Community Hospital's chief executive officer, physicians on Mission Community Hospital's medical staff, and community representatives. In addition to the duties of the Board of Trustees stated in section 7.6 of the Asset Purchase Agreement, the Buyer shall consult with the Board of Trustees prior to eliminating any medical services, making any changes to community benefit programs, and making any changes to the charity care and collection policies and services at the Hospital. Such consultation shall occur at least thirty (30) days prior to the effective date of such changes. The Board of Trustees shall approve any reports submitted to the Attorney General regarding compliance with these Conditions.

XV.

As required in section 1.3 of the Hospital Management Services Agreement, Buyer shall independently fund or finance no less than \$5,000,000 for renovation of the North Tower at Mission Community Hospital.

XVI.

Prior to the date of the transfer of the Seller's assets to the Buyer, Seller shall transfer all remaining Restricted Purpose Funds and Designated Purpose Funds to a nonprofit public benefit corporation to be used in accordance with those restricted and designated purposes.

XVII.

Any waiver of the terms set forth in the Asset Purchase Agreement or Hospital Management Services Agreement related to performance thresholds and benchmarks (i.e., EBITDA amounts) by the Seller's Board of Directors must be set forth in a written resolution that contains the basis for the waiver. Any board members appointed by the Buyer must be excluded from any discussions and from any vote on such a waiver. The written resolution must be provided to the Attorney General at least thirty (30) days before the effective date of the waiver.

XVIII.

Beginning fiscal year July 1, 2010-June 30, 2011 and until the transfer of the Seller's assets to the Buyer, Seller shall submit to the Attorney General, no later than six (6) months after the conclusion of each fiscal year, a report describing in detail its compliance with each Condition set forth herein including, but not limited to, an itemization of the costs and description for the renovations of the North Tower. The chief executive officer of Seller shall certify that the report is true and correct.

For each of the Buyer's six (6) fiscal years after the transfer of the Seller's assets to the Buyer, Buyer shall submit to the Attorney General, no later than six (6) months after the conclusion of each fiscal year, a report describing in detail its compliance with each Condition set forth herein including, but not limited to, an itemization of the costs and description for the renovations of the North Tower. The chief executive officer of Buyer shall certify that the report is true and correct and show approval from the Board of Trustees for Mission Community Hospital.

XIX.

At the request of the Attorney General, Buyer and Seller shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with the terms and Conditions of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, or is privileged under state or federal law, or if the public interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XX.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. Pursuant to Government Code section 12598, the Attorney General shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

EXHIBIT 1



TITLE: Charity Care

Effective Date: 6/00

Reviewed Date:

Revised Date: 6/03, 7/08, 4/10, 9/10

1. PURPOSE

To define the policy and procedures of Mission Community Hospital ("MCH") for the processing of full and partial financial assistance for financially qualified patients, as defined below, and define the criteria for patient eligibility. Recognizing its charitable mission, it is the policy of MCH to provide a reasonable amount of services without charge, or at significantly discounted prices, to eligible Patients who cannot afford to pay for care.

2. APPLICABILITY

This policy shall apply to all facilities owned and/or operated by MCH which accept patients for treatment

3. CHARITY CARE /DISCOUNT POLICY

MCH recognizes its responsibility to the community to provide quality health care services with efficiency and commitment to human dignity and wellness of the individual, without regard to the individual's race, creed, color, sex, national origin, sexual orientation, handicap, age or ability to meet the costs of health care and the quality of services we provide.

It is MCH's policy to be fully compliant with applicable State and Federal Law and industry practices and to apply the general guidelines for full and partial financial assistance for financially qualified patients to patients who do not have or cannot obtain adequate financial resources to pay for all or part of their health care services, and who demonstrate an inability to pay through the financial screening process. Alternative means of funding to cover the cost of services will be explored in the manner provided in this policy and other MCH policies.



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MCH staff will render every assistance in accomplishing the application process and shall not make a verbal determination of the appropriateness of the application, or deny any individual the right to request assistance.

The necessity for medical treatment of any patient will be based upon appropriate clinical judgment, without regard to the financial status of the patient.

4. NOTICES

MCH provides the following notices regarding Full and Partial Charity Care for qualified patients:

a. Posted Signage – Notice of MCH's Charity Care Policy is posted in the following locations: the Emergency Department, the Admitting Department, centralized and decentralized registration areas and other outpatient settings as deemed appropriate. (*See Attachment A*).

b. MCH Website

- i. The MCH website shall be updated to prominently provide information concerning MCH's Charity Care and Collections policies.
- ii. All information on MCH's website concerning the Charity Care and Collections policies shall be updated as necessary to reflect (a) any changes in the policies themselves, and/or (b) changes to the examples provided (for instance, to reflect changes brought about by revisions of the Federal Poverty Level)

c. Notices Hand-Delivered to Patients – During the registration or admission process, patients are provided with the following:

- i. Notice of Financial Assistance containing the criteria for eligibility for MCH's Charity Care policy;

**TITLE: Charity Care****Effective Date: 6/00****Reviewed Date:****Revised Date: 6/03, 7/08, 4/10, 9/10**

- ii. Application for Financial Assistance and summary of the MCH Charity Care policy, including a summary of the appeals process for patients whose applications for financial assistance are denied;
- iii. Notice of the Rosenthal Fair Debt Collection Act;
- iv. A list of easily accessible non-profit credit counseling services; and
- v. A summary of the MCH collections policy stating, among other things:
 - 1. MCH will not undertake extraordinary collections prior to a determination of eligibility for Charity Care, and patients attempting to qualify for Charity Care will not be referred to a collection agency;
 - 2. Standards for debt collection, including written notice provided to the patient prior to the commencement of debt collection, and MCH's policy not to report adverse information less than 150 days after the initial billing;
 - 3. Extension of collection actions for patients in the appeals process; and
 - 4. The availability of interest-free extended payment plans.
- d. Notice to Self-Pay Patients
 - i. Statements mailed to self-pay patients shall contain a summary of financial assistance available at MCH, and the method for applying.
 - e. All notices identified above shall be provided in English, Spanish, and in additional languages as required pursuant to a determination of their necessity which MCH will make in accordance with the procedures outlined in California Government Code sections 7290 *et seq.*

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5. PROCEDURE

- a. The care provided to patients by MCH may be categorized in whole or in part as Charity Care based on various criteria – as described below – depending on the patient's status and how the patient's account is processed through the hospital's registration and accounting systems. All or part of the care provided to a patient may be categorized as charity for the following reasons:
 - i. The patient applies and is approved for a Charity Care discount.
 - ii. The patient agrees to pay a portion of their bill, but is unable to pay the full cash price requested by the hospital. The patient is given a "low-income" discount in addition to the normal cash discount .
 - iii. Charges for services provided to patients eligible for Medi-Cal that are not paid for by Medi-Cal will be accounted for as Charity care. This includes charges related to denied stays, denied days of care and non-covered services. Treatment Authorization Request (TAR) denials and any lack of payment for non-covered services provided to patients eligible for or covered by Medi-Cal will be accounted for as Charity Care.
 - iv. Co-insurance and deductibles for Medicare patients who have Medi-Cal secondary coverage will be considered Charity Care to the extent that these co-insurance and deductible amounts are not covered by Medi-Cal and Medicare does not reimburse them as bad debts.
 - v. Patients without coverage are initially identified as potentially eligible for Medi-Cal, but are eventually determined to not be eligible.
- b. The MCH Admitting Department is responsible for compiling the information necessary for making a determination of a patient's eligibility for charity assistance (discount). Because substantially more effort is



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required to compile this information after a patient has been discharged from the hospital, the Admitting Department will make every effort to evaluate the patient's financial condition prior to discharge – or, in the case of emergency room patients and outpatients, as soon as practicable after discharge. The Financial Counselor will interview each patient who lacks adequate insurance coverage to determine (a) those patients potentially eligible for the Medi-Cal program, and (b) those patients potentially eligible for Charity Care. Patients who are initially identified as potentially eligible for the Medi-Cal program, but who are subsequently determined to be ineligible, will qualify for Charity Care without submitting an application.

- c. In-house patients not qualifying for public assistance will be asked to complete a financial statement application form.
- d. Post-discharge patients requiring financial assistance with the resolution of their hospital bill will be asked to complete a financial statement application form.
- e. The Admitting Department will make every effort to conduct a pre-admission interview with the patient, responsible party, and/or patient representative. If a pre-admission interview is not possible, the interview will take place on admission or as soon as possible thereafter. In the case of an emergency admission, MCH's evaluation of payment alternatives will not take place until the required medical care has been provided.
- f. The patient interview will ascertain the following information:
 - i. Routine and comprehensive demographic data;
 - ii. Complete information regarding all existing third-party insurance coverage;



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- iii. Eligibility and actual benefit coverage levels will be verified by MCH, at which point MCH will:
1. Estimate actual patient liability based on the patient's anticipated length of stay;
 2. Conduct an interview with the patient, responsible party, and/or patient representative to determine ability to pay anticipated balances (see 5.g. below for details); and
 3. Identify and initiate the application for available programs as well as financing programs for which the patient may qualify.
- iv. Based on the outcome of the above-described steps, patients who appear unable to meet their anticipated financial obligations will be assisted in applying for Charity Care.

g. Application Process

- i. MCH will assist the patient in completing the County of Los Angeles CHIP form, for which the following minimum information is required:
1. Family size;
 2. Family income, as shown by a copy of income tax filing for the prior year;
 3. Source of wages, salary, etc. (e.g., Social Security);
 4. Maiden name of the patient's mother;
 5. Patient's place of birth;
 6. Patient's date of birth;
 7. Patient's Social Security Number;
 8. Patient's signature attesting to the accuracy of the information.



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ii. Additional Information to be used in the Decision-Making Process. The responses to these questions can be used as an adjunct to family income criteria

1. Is any member of the family unable to work due to illness or injury?
2. Are there any other medical or financial problems within the family unit?
3. What are the family assets, e.g., equity in home, equity in automobile? MCH will utilize external tools to assist in determining the existence of such assets, and the extent, if any, to which the assets are encumbered.
4. Has the patient filed for bankruptcy recently?

iii. Application for Discount

1. For the purposes of determining eligibility for a discounted rate for high medical costs – as opposed to full charity coverage – MCH will base its determination of income *solely* on one or both of the following sources of information:
 - a. Recent Tax returns.
 - b. Recent pay stubs.
2. Patients who receive a discount pursuant to this policy are also eligible for an interest-free extended payment plan, the terms of which may be negotiated with MCH upon determination of eligibility.

h. Determination of Eligibility

- i. The applicable guidelines and rates of discount are noted in Exhibit I.
- ii. The guidelines are calculated at 200% – 350% of the then current FPL.



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iii. The Charity Care program does not cover:

1. Physician charges
2. Anesthesiologist, Radiologist, Pathologist interpretation charges
3. Services covered by third-party payers, including Medicare and Medi-Cal.

iv. Full coverage of medical costs is available to MCH patients who:

1. Do not possess third-party coverage from a health insurer, health care service plan, Medicare or Medi-Cal, Healthy Families or similar health benefit coverage, and whose injury is not a compensable injury for purposes of Workers' Compensation, automobile insurance, or other insurance;
2. Have incomes at or below 200% of the then-current FPL; and
3. Are unable to pay by other Assets, as defined below.

v. Partial coverage of medical costs (discount) is available to MCH patients with high medical costs and incomes at or below 350% of the then current FPL. As noted above (Section 5(g)(3)) determination of income for discounts is based solely on recent pay stubs or tax returns, and not on a consideration of assets.

vi. Assets

1. The consideration of Assets in determining eligibility is limited to unencumbered assets. This includes assets that are readily convertible to cash, such as bank accounts and publicly traded stocks. Retirement plans, deferred



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compensation plans (both qualified and nonqualified under the IRS code) will not be considered “Assets” for the purposes of determining eligibility.

2. The first \$10,000 of a patient’s assets will not be considered, and 50% of a patient’s monetary assets above \$10,000 will not be considered.
3. Fully encumbered assets are not factored in the determination of eligibility for Partial Financial Assistance.

vii. Income

1. Employment status shall be considered along with future earning capacity and expendable cash. The likelihood of future earnings sufficient to meet the obligation within a reasonable period of time shall be considered.

viii. Deductions

1. Financial obligations including living expenses and other items of reasonable and necessary nature will be considered.

ix. Patient Maximum Out-Of-Pocket Expense

1. Any payment from a patient pursuant to this policy is limited to the greater of the amount of payment MCH would receive from Medicare for providing services.
 - a. *Uninsured Inpatient Maximum.*
Patients that were treated on an inpatient basis and qualified for a charity discount less than 100% will not be financially responsible for more than the amount of



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the Medicare DRG. Any difference between the charity discount applied and the inpatient maximum will be treated as an additional financial assistance discount.

b. *Uninsured Outpatient Maximum:*

Patients that were treated on an outpatient basis and qualified for a charity discount less than 100% will not be financially responsible for more than our average outpatient Medicare reimbursement rate.

i. Reevaluation

- i. Upon notification, any determination for financial assistance may be reevaluated if any of the following occur:
1. Income change.
 2. Family size change.
 3. A determination is made that any part of the patient's application for assistance is false or misleading.

j. Timeframe for Application

- i. The application must be returned to the Admitting Department within five (5) working days of receipt by the applicant.
- ii. The Application is compiled by the Admitting Director and sent to the Business Office Director for final approval prior to adjusting the patient's account. The Chief Financial Officer will review the Charity write-offs quarterly.
- k. Patients without insurance coverage are offered a discount from standard charges for payment in cash at the time of service. Patients who indicate that they are unable to pay the discounted amount are offered a further



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discount (“low-income discount”), which is also dependent on payment at the time of service. Because these patients are unable to pay the discounted cash price, they are presumed to be low-income patients eligible for charity discounts for a portion of their bill. Upon verification of income, the discounts provided to these patients are considered Charity Care.

- I. Patients Initially Identified as Potentially Eligible for the Medi-Cal Program
 1. Patients who do not have insurance coverage and indicate that they are unable to pay for their care are initially evaluated for potential eligibility for the Medi-Cal Program. Patients who are initially considered for potential Medi-Cal eligibility are assigned a “Pending” status. No attempts are made to either collect from these patients or to qualify them for Charity Care.
 2. The Hospital assists Pending patients to pursue Medi-Cal coverage. When efforts to qualify Pending patients for Medi-Cal coverage are exhausted without the patients becoming eligible, the patients are deemed to be qualified for Charity Care for 100% of the services they received, unless the denial was based on:
 - a. A fraudulent application; or
 - b. high income or financial resources .
 3. Patients denied Medi-Cal coverage for the reasons listed above may independently apply for a discount or full payment of their medical costs.



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6. APPEAL PROCESS

- a. If a patient's application is denied, the patient may appeal the denial.
- b. If the Patient appeals the denial and submits additional information within 15 working days from the date of the denial notice, this information will be evaluated within 30 working days.
- c. If the additional information results in the patient qualifying for assistance, the Patient is sent an Approval Letter.
- d. If the additional information does not change the denial, the patient is sent a letter of Denial After Appeal.
- e. A First Level Appeal review will be performed by the Business Office Director
- f. A Second Level Appeal, if appropriate, will be conducted by the MCH Chief Financial Officer

7. RESPONSIBLE PERSONNEL

All questions, appeals, comments, or issues relating to the administration of MCH's Charity Care Policy should be directed to:

Director of Admitting

Mission Community Hospital Admitting Department

14850 Roscoe Blvd

Panorama City, CA 91402

Telephone Number: (818) 904-3594



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EXHIBIT I

ELIGIBILITY STANDARDS AND CRITERIA
CHARITY CARE ASSISTANCE PROGRAM

1. Persons unable to pay the full cost of services.
2. Persons who can pay part of the total charge.
3. The following criteria is set forth describing the family* size with dependent children and the monthly net income with the dollar amount per family.

Size of Family	Poverty Guideline (2009)	200% of Poverty Guidelines	350% of Poverty Guidelines
1	10,830	21,660	37,905
2	14,750	29,140	50,995
3	18,310	36,620	64,085
4	22,050	44,100	77,175
5	25,790	51,580	90,625
6	29,530	59,060	103,355
7	33,270	66,540	116,445
8	37,010	74,020	129,535
* add \$3,740 for each family member over 8	3,740	3,740	3,740

4. Persons who are unemployed at the time of needed service, or who are on temporary disability, have no income insurance, and for some reason are not eligible for Medi-Cal benefits.
5. Persons who may have suffered a loss of wages due to an extended illness and in case of insurance coverage the resources are less than anticipated or the costs of services are greater than anticipated.
6. Undocumented persons in the United States who would otherwise qualify for Medi-Cal. These persons are subject to the same application, review and approval process as other applicants.
7. Legal aliens on a non-immigrant status in the United States such as visitors, students, aliens in transit, etc., who are caught by sudden illness and are unable to pay in full or in part for needed services.
8. Persons unable to identify themselves and who need emergency service.

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Applications for determining eligibility are available at the Admitting or Patient Financial Services Departments.

*** Note:** The definition of "family" also includes college students as follows:
Students, regardless of their residence, who are supported by their parents or others related by birth, marriage, or adoption.

Approved by the Board of Directors on September 13, 2010.



TITLE: Collection Policy

Effective Date: 9/13/10

Reviewed Date:

Revised Date:

PURPOSE

This policy defines the collection policy for all patients who receive services at Mission Community Hospital ("MCH").

POLICY

This collection policy covers all patients, regardless of payer type and/or patient coverage.

PROCEDURE

- All attempts will be made by Admitting Department to evaluate the patient's financial condition at time of service.
- The Financial Counselor will interview each patient who lacks adequate insurance coverage and demonstrates a financial need.
- All bills are held for minimum of 3 days to ensure all charges are posted accurately and diagnosis coding is completed for services rendered.
- When billing patients in any context, MCH will provide each patient with the following:
 1. A statement of charges for services rendered by hospital;
 2. A request that the patient notify MCH of existing medical coverage;
 3. Notification of the availability of government programs for patients without medical coverage;
 4. Notification of MCH's Charity Care/Discount policy, including contact information for the department responsible for administering the policy.
- The hospital abides by the state fair pricing policy, as defined Health and Safety Code §§ 127400 *et seq.*
- The hospital shall make all reasonable efforts to obtain and collect payment from payors identified at the time of or subsequent to registration as having responsibility for paying the patient's account.
- Discounts can be offered for prompt payment.
- All patients with cash balances will receive a statement from MCH or designee.
- A minimum of 2 statements and/or a telephone call is required within a 120-day period.
- Open balances aged beyond 120 days with no activity may be referred to an outside collection agency. Written agreements are in place with outside collections agencies, which require that agency to adhere to MCH's standards and scope of practices.
- If a patient qualifies for assistance under the hospital's financial assistance policy and is reasonably cooperating with the hospital in an effort to settle an outstanding bill, the hospital should not send the unpaid bill to any outside collection agency.
- All collections efforts shall adhere to the Fair Debt Collection Practice Act. Prior to commencement of collection activities, MCH will provide patients with a plain language

**TITLE:** Collection Policy**Effective Date:** 9/13/10**Reviewed Date:****Revised Date:**

summary of patient's rights according to Rosenthal Fair Debt Collection Practices Act, and notification concerning the availability of non-profit debt and credit counseling services.

- After 150 days from initial billing, the collection agency may cancel back any account that they feel is uncollectible. The determination of uncollectibility will be at the discretion of the collection agency. The collection agency is not permitted to submit information to credit reporting services prior to 150 days after the initial billing to the patient.
- Any legal action taken by a collection agency needs prior authorization from the hospital.
- If, after discharge, a patient expresses an inability to pay and requests Charity Care consideration, the following steps will be taken:
 1. A Charity Care application and cover letter outlining the documentation required for determination will be sent or given to the patient for completion.
 2. The patient will be instructed to submit the documentation that supports their financial situation indicated in the cover letter.
 3. All applications will be sent with self-addressed return envelope to ensure that they are return to the Admitting Department for review.
 4. Approval process can take up to 60 days once completed application is received.
 5. Patient will receive written notification once decision is determined.

APPLICATION TO PATIENTS ELIGIBLE FOR OR APPLYING FOR ASSISTANCE UNDER THE MCH CHARITY CARE POLICY AND/OR EXTENDED PAYMENT PLANS

- MCH will not charge interest on amounts owed by a patient applying for or receiving assistance under the MCH Charity Care policy, including, without limitation, amounts owed under any Extended Payment Plan.
- At no time will MCH – or any collections agency to which MCH refers outstanding patient bills – use wage garnishments, or liens on primary residences.
- Information gathered by MCH in the course of a patient's application for Charity Care and/or a discount pursuant to MCH's Charity Care policy will not be used in any collections activities.
- MCH will not use extraordinary collection actions before making a reasonable effort to determine a patient's eligibility for assistance under government programs or MCH's Charity Care policy.
- In its discretion, MCH may require a patient to make a deposit for an elective procedure that would be performed before the patient's eligibility for Charity Care assistance is determined.
- If Charity Care eligibility is approved and the applicable procedure qualifies, the deposit shall be immediately returned to the patient.
- Health insurers and health plans are prohibited from reducing their reimbursement of a claim to MCH for hospital services because the hospital has waived all or a portion of a patient's bill pursuant to the hospital's Charity Care policy.



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COLLECTIONS POLICY SPECIFIC TO EXTENDED PAYMENT PLANS

- An Extended Payment Plan may be cancelled, at MCH's discretion, after the patient fails to make all consecutive payments due during any ninety (90) day period.
- Prior to canceling an Extended Payment Plan, the hospital, collection agency or assignee will make a reasonable attempt to notify the patient, by telephone at the last known telephone number and in writing at the last known address, that the Extended Payment Plan may be cancelled and there might be an opportunity to renegotiate.
- MCH, its collection agencies, or assignees, in good faith, will attempt to renegotiate the terms of any defaulted Extended Payment Plan if requested by the patient.
- MCH is not required to compromise further solely on the basis of the patient's default.
- If the Patient fails to make all consecutive payments of an Extended Payment Plan and fails to renegotiate a Payment Plan, then nothing limits or alters the patient's obligation to make payments from the first date due on the obligation owing to MCH pursuant to any contract or applicable statute.
- MCH, its collection agencies, or assignees, will not report adverse information to a consumer credit reporting agency or commence a civil action against the patient or responsible party for nonpayment prior to effective date of the cancellation of the Extended Payment Plan.

REFUNDS

- MCH will reimburse Patients for amounts they paid in excess of the amount due pursuant to this or other applicable Policies, including interest, at the rate of 10% per annum.

Approved by the Board of Directors September 13, 2010.

EXHIBIT 2

Mission Community Hospital Service Area Analysis

Definition of the Hospital's Service Areas

In 2008, the Hospital's service area for inpatient medical/surgical services was comprised of 25 ZIP codes. Based on inpatient origin data, Verité designated 12 of these ZIP codes as the Hospital's Primary Service Area (PSA), and 13 as the Secondary Service Area (SSA). Each PSA ZIP code accounted for at least 50 inpatient medical/surgical discharges in 2008 (Table 15).

**Table 15: Mission Community Hospital's Inpatient Origin,
Medical/Surgical Services, 2008**

ZIP Code	City	Discharges	% of Total Discharges	Cumulative % of Total Discharges
Primary Service Area (PSA)				
91402	Panorama City	943	26.7%	26.7%
91343	North Hills	360	10.2%	36.9%
91331	Pacoima	226	6.4%	43.3%
91342	Sylmar	202	5.7%	49.0%
91344	Granada Hills	154	4.4%	53.4%
91606	North Hollywood	154	4.4%	57.7%
91605	North Hollywood	154	4.4%	62.1%
91405	Van Nuys	148	4.2%	66.3%
91411	Van Nuys	88	2.5%	68.8%
91406	Van Nuys	87	2.5%	71.2%
91325	Northridge	85	2.4%	73.6%
91345	Mission Hills	68	1.9%	75.6%
Subtotal		2,582	75.6%	75.6%
Secondary Service Area (SSA)				
91352	Sun Valley	48	1.4%	76.9%
91335	Reseda	46	1.3%	78.2%
91340	San Fernando	41	1.2%	79.4%
91401	Van Nuys	40	1.1%	80.5%
91324	Northridge	36	1.0%	81.5%
91311	Chatsworth	31	0.9%	82.4%
91304	Canoga Park	30	0.8%	83.3%
91306	Winetka	29	0.8%	84.1%
91020	Montrose	24	0.7%	84.8%
91326	Porter Ranch	23	0.7%	85.4%
91604	Studio City	21	0.6%	86.0%
91042	Tujunga	17	0.5%	86.5%
91601	North Hollywood	15	0.4%	86.9%
Subtotal		488	13.8%	86.9%
Other ZIP Codes		432	12.2%	99.2%
Homeless		30	0.8%	100.0%
Total		3,532	100.0%	100.0%

Source: OSHPD Patient Discharge Database, 2008.

Approximately 76 percent of Mission Community Hospital's medical/surgical inpatient discharges⁶ originated from the PSA. The Hospital's inpatient psychiatric program draws from a much broader service area than the Hospital's acute medical/surgical services (Table 16).

**Table 16: Mission Community Hospital's Inpatient Origin,
Inpatient Psychiatric Services, 2008**

ZIP Code	City	Discharges	% of Total Discharges	Cumulative % of Total Discharges
91402	Panorama City	151	4.3%	4.3%
91342	Sylmar	119	3.4%	7.7%
91331	Pacoima	115	3.3%	11.0%
91343	North Hills	95	2.7%	13.8%
91335	Reseda	89	2.6%	16.3%
91406	Van Nuys	86	2.5%	18.8%
91605	North Hollywood	75	2.1%	20.9%
91405	Van Nuys	75	2.1%	23.1%
91606	North Hollywood	73	2.1%	25.2%
91306	Winettka	72	2.1%	27.2%
91344	Granada Hills	64	1.8%	29.1%
91411	Van Nuys	57	1.6%	30.7%
91401	Van Nuys	50	1.4%	32.1%
91601	North Hollywood	48	1.4%	33.5%
91352	Sun Valley	48	1.4%	34.9%
91345	Mission Hills	47	1.3%	36.2%
93550	Palmdale	45	1.3%	37.5%
91325	Northridge	44	1.3%	38.8%
91205	Glendale	42	1.2%	40.0%
91324	Northridge	32	0.9%	40.9%
93063	Simi Valley	30	0.9%	41.8%
93535	Lancaster	27	0.8%	42.5%
91311	Chatsworth	27	0.8%	43.3%
91304	Canoga Park	27	0.8%	44.1%
91042	Tujunga	27	0.8%	44.9%
93534	Lancaster	26	0.7%	45.6%
91436	Encino	25	0.7%	46.3%
91356	Tarzana	25	0.7%	47.0%
91351	Canyon Country	24	0.7%	47.7%
90057	Los Angeles	24	0.7%	48.4%
91367	Woodland Hills	23	0.7%	49.1%
91340	San Fernando	23	0.7%	49.7%
91040	Sunland	22	0.6%	50.4%
Subtotal		1,757	50.4%	50.4%
Other ZIP Codes		1,200	34.4%	84.8%
Homeless		532	15.2%	100.0%
Total		3,489	100.0%	100.0%

Source: OSHPD Patient Discharge Database, 2008.

⁶ Medical/surgical refers to all discharges except for Acute Psychiatric cases in Major Diagnostic Categories 19 and 20.