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December 20, 2017

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FILE NO. 89887.902

VIA MESSENGER

Scott Chan, Esq.
California Department of Justice
Office of the Attorney General
Charitable Trusts Section
455 Golden Gate Ave., Suite 11000
San Francisco, CA 94102

Re: Request to Modify Condition IV(b) of the Attorney General's Conditions to Change in Control and Governance of ValleyCare Health System

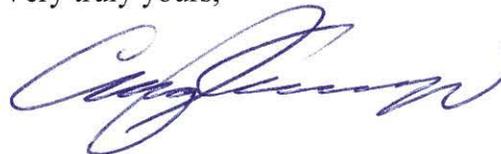
Dear Mr. Chan:

Enclosed please find an application submitted on behalf the Hospital Committee for the Livermore-Pleasanton Areas, a California nonprofit public benefit corporation and general acute care hospital doing business as ValleyCare Health System ("ValleyCare") requesting a modification to Condition IV (b) of the California Attorney General's Conditions to Change in Control and Governance of ValleyCare issued April 7, 2015 in connection with ValleyCare's affiliation with Stanford Hospital and Clinics (the "Conditions"). This request is being submitted pursuant to Cal. Code Regs tit. 11 § 999.5(h). As described in greater detail in the enclosed application, ValleyCare's request for the modification is prompted by a recent adverse survey finding by the Joint Commission on Accreditation of Health Care Organizations that reflects a significantly changed regulatory environment that could not have reasonably been foreseen at the time that the Attorney General prepared the Conditions.

Scott Chan
December 20, 2017
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Once you have an opportunity to review ValleyCare's application, we would be happy to set up a meeting if you believe it would be helpful. Please let me know if there is any additional information we can provide in connection with this request.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Craig Cannizzo", written in a cursive style.

Craig Cannizzo

Enclosures

The Hospital Committee for the Livermore-Pleasanton
Areas

Request for Modification of Condition IV (b) of Attorney
General Consent Regarding Acute Psychiatric Services

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Introduction and Purpose

The Hospital Committee for the Livermore-Pleasanton Areas, a California nonprofit public benefit corporation and general acute care hospital doing business as ValleyCare Health System (“ValleyCare”), is requesting modification of Condition IV (b) set forth in the California Attorney General’s Conditions to Change in Control and Governance of The Hospital Committee for the Livermore-Pleasanton Areas doing business as ValleyCare Health System and Approval of the Affiliation Agreement between ValleyCare Health System and Stanford Hospital and Clinics¹ (the “Attorney General Approval Conditions”). The Attorney General Approval Conditions dated April 7, 2015 require ValleyCare to provide 14 acute psychiatric beds and geriatric behavioral health services at Valley Memorial Hospital (referred to herein as the “geropsychiatric unit,” “geropsychiatric program,” or “acute psychiatric unit”) for five years from the date of the Stanford affiliation closing, which took place on May 18, 2015, under Condition IV (b) as set forth below:

“For five years from the closing date of the Affiliation Agreement unless otherwise stated, ValleyCare Facilities shall be operated and maintained 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 at current² licensure, types, and/or levels of services:

- a) Twenty-four hour emergency medical services, including a minimum of 18 emergency beds/stations at ValleyCare Medical Center;

¹ As stated in the Attorney General Approval Conditions, on October 9, 2014, Stanford Hospital and Clinics filed amended Articles of Incorporation with the California Secretary of State that changed its name to Stanford Health Care.

² The term “current” as used in the Attorney General Approval Conditions, excerpted here, meant as of December 9, 2014.

- b) Acute psychiatric services, including a minimum of 14 beds and geriatric behavioral health services at ValleyCare Memorial Hospital;
- c) Cardiac Services, including, but not limited to, the cardiac catheterization laboratory, and the designation as a STEMI Receiving Center at ValleyCare Medical Center;
- d) Critical Care services, including a minimum of 9 Coronary Care beds and 13 Intensive Care beds at ValleyCare Medical Center;
- e) Obstetrics Services, including a minimum of 15 beds at ValleyCare Medical Center;
- f) Orthopedic services, including, but not limited to, joint replacement and spine care services at ValleyCare Medical Center;
- g) Neonatal intensive care services, including a minimum of 10 neonatal intensive care beds at ValleyCare Medical Center;
- h) Women's imaging and mammography services including, but not limited to, those provided at ValleyCare Medical Center and ValleyCare Medical Plaza located at 5725 W. Las Positas Blvd., Pleasanton, CA 94588;
- i) Urgent care services, including, but not limited to, those provided at the ValleyCare Medical Plaza located at 1133 E. Stanley Blvd., Livermore, CA 94550 and the ValleyCare Urgent Care located at 4000 Dublin Blvd., Suite 150, Dublin, CA 94568; and
- j) Women's reproductive health care services for ten years from the closing date of the Affiliation Agreement, at ValleyCare Facilities.

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

ValleyCare requests modification of the requirements set forth in Condition IV (b) to permit ValleyCare to de-license fourteen (14) acute psychiatric beds at the Valley Memorial Hospital in Livermore, California. ValleyCare will continue to operate all other services outlined in the Attorney General Approval Conditions.

In accordance with Condition IX of the Attorney General Approval Conditions, ValleyCare has consulted with the ValleyCare Charitable Foundation prior to making changes to medical services. The Board of Directors of the ValleyCare Charitable Foundation has reviewed a copy of this request to modify Condition IV (b) to permit ValleyCare to de-license fourteen acute psychiatric beds at Valley Memorial Hospital. After discussing the issue in detail with ValleyCare, the ValleyCare Charitable Foundation Board voted to approve this request on December 19, 2017.

Basis for This Request

The reasons for this request to de-license the ValleyCare 14-bed geropsychiatric unit are as follows. A significantly changed regulatory environment following consummation of the Stanford affiliation prevents ValleyCare from continuing to operate its geropsychiatric program as it existed at the time of affiliation. Compliance with these new regulatory requirements and associated building codes would require physical plant repairs estimated to cost between \$8,147,280 and \$11,021,760. ValleyCare's independent architectural consultants estimate that these repairs would require approximately two years to complete. Furthermore, there is no other available space on either hospital campus that could be converted for use for the acute geropsychiatric service that would not present the same physical plant deficiencies as identified by the recent Joint Commission findings respecting the existing program.

This altered regulatory setting has forced ValleyCare to seriously re-evaluate the efficacy and viability of its existing geropsychiatric unit by examining the current program's utilization, community impact, and the availability of alternative community resources. Additionally, the construction work required to comply with the new regulatory standards would delay availability of the unit for new admissions until the beginning of 2020, at the earliest. Under the best of circumstances, less than four months would remain prior to expiration of the five-year service obligation, ending on May 17, 2020, contained in the Attorney General Approval Conditions (less than ten years would remain before the building no longer meets seismic requirements). Permit and construction delays could actually result in expiration of the Attorney General's approval conditions prior to reopening of the geropsychiatric unit.

ValleyCare has conducted a thorough re-assessment of the above factors: the capital costs associated with the changed regulatory requirements; the current program's poor and declining utilization, the availability of sufficient community acute psychiatric resources, and the very limited "amortization" window that would be available to recover the significant unbudgeted capital outlay required to achieve regulatory compliance. Based on that assessment, ValleyCare does not believe that the capital costs associated with compliance with the new regulatory requirements can be justified for a geropsychiatric program that is little utilized and for which adequate alternative resources are readily available. For these compelling reasons, ValleyCare requests modification of its Attorney General Approval Conditions to allow early termination of its 14-bed geropsychiatric program.

The following sections provide additional information and background concerning the ValleyCare re-assessment process.

Increased Environmental Standards and Cost of Improvement

ValleyCare was surveyed by The Joint Commission in July of 2014. This was the last Joint Commission survey prior to the Stanford affiliation. No significant environmental deficiencies for the hospital's acute geropsychiatric unit were identified at that time. ValleyCare was again surveyed by The Joint Commission in June 2017. In the three-year interval between these two surveys, The Joint Commission significantly altered its application of its environmental standards for acute psychiatric units. Even though nothing had been modified in ValleyCare's acute psychiatric unit, during the 2017 survey, The Joint Commission noted multiple deficiencies under Environment of Care standards EC.02.01.01 and EC.02.6.01 related to patient safety and ligature risks that it had not previously been identified in the same setting during the 2014 survey process. The recorded observations indicate increased scrutiny by The Joint Commission of environmental ligature risks targeted for higher level acuity and suicidal patients atypical of the geriatric patient population customarily treated in the ValleyCare acute psychiatric unit.

The majority of the findings are related to ligature risk points in patient care areas with a significant number relating to current anti-ligature fixtures including plumbing, lights, and windows that no longer meet patient safety requirements. None of the deficiencies were noted in the 2014 Joint Commission survey.

Following the patient safety risks identified during the June 2017 survey, ValleyCare stopped accepting new patients into the acute geropsychiatric unit due to significant patient safety risks, per direction from the Joint Commission. This was done in order to allow for evaluation of the environment and develop a plan for corrective action.

The resulting third party risk assessment indicates a significant required financial investment estimated at \$2,447,966 to remove the identified patient safety risks. These improvements include changes to bathrooms, doors, casework, hardware, and fixtures in both patient rooms and community areas. Remediation of additional identified risks includes installation of a camera monitoring system, installation of an observation window between nurse's station and the activity room, and significant updates to the activity room and patio area.

Remediation of the identified risks will require additional review and approval by California's Office of Statewide Health Planning and Development ("OSHPD") and result in additional costs not included in the above estimate. Removing the identified patient safety risks will require Americans with Disabilities Act ("ADA") upgrades to patient and staff bathrooms, water fountains, and floor grading in the activity room and patio area.³ Additional OSHPD required improvements will also most likely include the fire system, fire safety egress on the second floor, public telephones, signage improvement and restoration or improvement of fire ratings in all work areas. Due to path of travel, ADA upgrades will be required in the front entrance, ground floor public restrooms, and elevators. Due to the age of the building that houses the geropsychiatric unit, additional improvements may also be required and significant cosmetic updates are needed that are not included in the above estimate. These additional required upgrades have been estimated by ValleyCare's independent architectural consultants to increase the total costs of the mitigation efforts to comply with the Joint Commission deficiency findings to an estimated amount ranging from a low of \$8,147,280 and a high of \$11,021,760.

³ These additional upgrades are triggered by the substantial improvements and repairs that are required to directly address the Joint Commission environmental deficiencies.

ValleyCare's architectural consultants estimate the design, permit and construction work required to comply with the new regulatory standards will require at least two years to complete and will delay availability of the unit for new admissions until the beginning of 2020, at the earliest. Under the best of circumstances, less than four months would remain prior to expiration on May 17, 2020 of the five-year service obligation contained in the Attorney General's approval conditions. Furthermore, the building will only meet seismic requirements through 2030 providing only ten years of meaningful use following construction. Permit and construction delays could result in expiration of the Attorney General's approval conditions prior to reopening of the geropsychiatric unit.

Acute Psychiatric Capacity: Internal Utilization Analysis

ValleyCare's acute geropsychiatric program is a single 14 bed unit located on the second floor of the Valley Memorial Hospital located in Livermore, California. Since the beginning of calendar year 2013 the unit has had an average daily census of only 6.5 patients and average length of stay of 13.4 days resulting in an occupancy rate of 46.1%. During that time 51.0% of patients came from ValleyCare's primary service area and 40.8% came from outside of the extended service area.

Between CY2013 and CY2016 (the last complete year of data) patient days fell from 2448 to 2136, a reduction of 12.7%. As a result, bed occupancy fell from 47.9% to 41.7%, a decrease of 13.0%. During that same time the percentage of patients from ValleyCare's primary service area fell from 57.4% to 49.0%, a decrease of 14.5%. In addition, patients from outside the extended service area increased 21.1% from 34.0% to 41.2%, and further increased to 55.7% for 2017 year to date.

Limitations in current commercial insurance contracts and a focus on senior patients results in 98.5% Medicare patients with a significant number of insurance-related denials for patients with commercial or private insurance. The payer mix and denials contribute to the low occupancy rate and significantly impact the level of reimbursement.

ACUTE PSYCHIATRIC SERVICE VOLUMES: CY2013-CY2017									
Year	Days	Patients	Patient Days	Avg LOS	Avg Census	Bed Occupancy	% Primary Service Area	% Extended** Service Area	% Outside Service Area
2013	365	197	2448	12.4	6.7	47.9%	57.4%	66.0%	34.0%
2014	365	190	2504	13.2	6.9	49.0%	50.3%	58.7%	41.3%
2015	365	176	2403	13.7	6.6	47.0%	50.3%	58.3%	41.7%
2016	366	154	2136	13.9	5.8	41.7%	49.0%	58.8%	41.2%
2017*	169	70	1025	14.6	6.1	43.3%	41.4%	44.3%	55.7%
Total	1630	787	10516	13.4	6.5	46.1%	51.0%	59.2%	40.8%

*No patients discharges after 6/18/17

**Extended Service Area includes Primary, Secondary, and Tertiary service areas

Changes to Acute Psychiatric Care Reimbursement

The Balanced Budget Refinement Act of 1999 modified the type and rate of reimbursement for Medicare and Medicaid patients by establishing a per diem rate of reimbursement for patients in acute psychiatric care settings. The new rate was a significant drop in reimbursement and created an additional financial strain on an already challenged patient care setting and a loss of profitability and therefore sustainability for many programs. This impact is magnified for programs like the ValleyCare's geropsychiatric program with nearly all patients falling under Medicare.

In the last two decades, inpatient acute psychiatric providers felt the pressure from the decreased rate of reimbursement and the need for often costly improvements from increasing psychiatric environment of care standards. Between 2000 and 2013, a total of 34 acute psychiatric facilities/units in California closed with a number of other facilities decreasing their total licensed acute psychiatric beds. Prior to these changes there were a number of providers within the immediate San Francisco bay area with programs with lower acuity patients similar to ValleyCare's acute psychiatric population that were among those that closed.

The changes in Medicare reimbursement have resulted in an unprofitable acute psychiatric unit at ValleyCare. In fiscal year 2016, ValleyCare's acute psychiatric unit had a net loss of \$2,146,372 or \$901 per patient day when including indirect costs. Fiscal years 2014 and 2015 saw similar results with a trend of increased cost per patient day without an associated increase in reimbursement. This creates a significant financial burden on the organization even without accounting for additional costly improvements required to reduce current identified patient safety risks.

ValleyCare has determined that this level of operating deficit is not sustainable. This is especially true under present difficult economic circumstances since ValleyCare sustained a net loss from operations of \$7,362,000 in its most recent fiscal year ending August 31, 2017.

Acute Psychiatric Capacity: Market Analysis

Between fiscal years 2011 and 2015, the number of licensed acute psychiatric beds within ValleyCare's OSHPD service area decreased by 23.5% in general acute care facilities like ValleyCare, while increasing by 30.8% in freestanding acute psychiatric facilities. This indicates a shift toward the provision of acute psychiatric services in specialized psychiatric care facilities, which ValleyCare is not. Similar trends are seen in other service areas in the San Francisco bay area.

In fiscal year 2015, ValleyCare had 14 licensed acute psychiatric beds comprising only 3.1% of such beds within the service area. Excluding ValleyCare, there was an average occupancy rate for ValleyCare's OSHPD service area of 71.5% and an average 125.9 beds available in fiscal year 2015.

This demonstrates sufficient capacity at other facilities within the service area to support

ValleyCare's average daily census of 6.7 during that period

ACUTE PSYCHIATRIC UTILIZATION: FY 2011-2015 OSHPD SERVICE AREA 5 - EAST BAY									
Facility	Facility Type	FY 2011				FY2015			
		Licensed Beds	Discharges	Patient Days	Occupancy	Licensed Beds	Discharges	Patient Days	Occupancy
Stanford Health Care - ValleyCare	General Acute Care	14	201	2783	54.5%	14	179	2432	47.6%
Eden Medical Center	General Acute Care	23	446	2563	30.5%	0	0	0	N/A
Alta Bates Summit Medical Center	General Acute Care	105	2739	18520	48.3%	69	2070	16016	63.6%
Highland Hospital	General Acute Care	80	2764	24758	84.8%	80	3223	24910	85.3%
Contra Costa Regional Medical Center	General Acute Care	43	857	7027	44.8%	43	584	6709	42.7%
Fremont Hospital	Acute Psychiatric	96	3623	31049	88.6%	148	5430	39478	73.1%
John Muir Behavioral Health Center	Acute Psychiatric	73	2885	19434	72.9%	73	3191	18918	71.0%
Telecare Heritage Psychiatric Health Facility	Psychiatric Health Facility	26	1207	7665	80.8%	26	1256	7690	81.0%
Telecare Willow Rock Center	Psychiatric Health Facility	16	523	3277	56.1%	16	589	3724	63.8%
Service Area 5 - East Bay: Total		462	15044	114293	67.8%	455	16343	117445	70.7%
	General Acute Care	251	6806	52868	57.7%	192	5877	47635	68.0%
	Acute Psychiatric	169	6508	50483	81.8%	221	8621	58396	72.4%
	Psychiatric Health Facility	42	1730	10942	71.4%	42	1845	11414	74.5%

Source: OSHPD Annual Disclosure Reports 2011, 2015

Community Impact

Since the ValleyCare geropsychiatric program stopped accepting new patients in June 2017, following the significant patient safety risks identified by The Joint Commission during its June 2017 survey, there has been limited evidence of impact on the community. A request for feedback conducted in November 2017 from ValleyCare's historical referral sources (facilities and physicians) for acute psychiatric patients resulted in the identification of one facility with a single referral and a second facility with an average of 1 to 2 referrals per month that would have sent psychiatric patients to ValleyCare during the four-month time period since ValleyCare's geropsychiatric program stopped accepting new patients in June 2017. All other feedback noted that there were no patients in that time that would have been appropriate to refer to ValleyCare's acute geropsychiatric program.

The respondents indicated that the most common reason for referrals to ValleyCare's geropsychiatric program involved patients that were starting or changing medications and thus could benefit from increased socialization or observation. However, in the absence of ValleyCare as an option, the respondents explained that they were still able to appropriately implement alternative care plans by instead utilizing the patients' existing home support structure or engaging home care services when required. They further explained that patients who posed a significant risk to themselves would not meet the criteria for admission to the ValleyCare geropsychiatric program and thus continue to be referred to a higher acuity facility like John George Psychiatric Hospital or John Muir, both of which are more appropriately equipped to care for the specific needs of these high risk psychiatric patients. Additionally, the Jewish Home and

Rehabilitation Center in San Francisco continues to accept voluntary admissions for geropsychiatric patients with similar criteria as ValleyCare.

Alternative Psychiatric Care

ValleyCare is currently partnering with Axis Community Health to provide additional mental health services in the community through the financial support of a licensed Marriage and Family Therapist. Through a grant from ValleyCare, Axis Community Health has added an additional therapist to serve an estimated 25-30 patients per week in an outpatient setting. ValleyCare's support of this resource will provide an additional capacity of 1,000 visits for patients in the community suffering from mental health conditions such as depression and anxiety. This resource is helping to support the lower acuity mental health needs of the community and provide a referral source for patients that present to the ValleyCare emergency department with non-acute conditions that are not appropriate for admission to ValleyCare.

Summary

The ValleyCare acute geropsychiatric unit has historically provided a valuable service to the tri-valley community. Dramatically increased regulatory requirements have resulted in a shift from general acute care facilities to more targeted and specialized freestanding acute psychiatric facilities. Further, these regulations have created additional financial and patient safety burdens on low acuity psychiatric facilities by requiring them to maintain the same level of standards as high acuity psychiatric facilities despite a meaningful difference in the patient population served and reduced reimbursement rates for psychiatric services.

The increased regulations and standards have changed the circumstances for the operation of the ValleyCare acute geropsychiatric unit. Correction of the deficiencies identified in the June 2017 survey by the Joint Commission and additional patient safety concerns identified in a detailed risk assessment would require the significant financial investment of at least \$2,447,966. Associated building code compliance upgrades would increase the required capital investment to an amount estimated to range from a low of \$8,147,280 to a high of \$11,021,760. These additional process and environmental changes would create additional strain and ongoing costs in an already unprofitable unit for ValleyCare. Furthermore, by the time that the required building repairs can be completed, less than four months, at most, would remain before expiration of the Attorney General Approval Conditions. Permit and construction delays actually could result in expiration of the Attorney General's approval conditions prior to reopening of the geropsychiatric unit.

The majority of patients, 55.7% since the start of 2017, cared for in the geropsychiatric unit are coming from outside of ValleyCare's extended service area. ValleyCare's OSHPD service area has

an average occupancy rate of 71.5% excluding ValleyCare. This indicates an average of 125.9 beds available in the service area which is sufficient to cover the 14-bed capacity of ValleyCare which has an average daily census of only 6.5 patients. A permanent suspension of the acute geropsychiatric unit at ValleyCare would not negatively affect the access to acute psychiatric services in the community and would alleviate regulatory and financial pressures at ValleyCare to allow a focus on other medical services needed in our community and direct patient population. This is especially true under present difficult economic circumstances since ValleyCare sustained a net loss from operations of \$7,362,000 in its most recent fiscal year ending August 31, 2017. An unbudgeted additional capital expenditure estimated to range from a low of \$8,147,280 to a high of \$11,021,760 for an under-utilized program cannot be justified when adequate alternative resources are readily available in the local community.



VALLEYCARE
LEGENDS RISK ASSESSMENT, EVALUATION & REPORT

VALLEY MEMORIAL CENTER
LIVERMORE, CALIFORNIA

NOVEMBER 14, 2017
Project: 37049.00



ValleyCare

RATCLIFF

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INTRODUCTION

The LEGENDS Senior Behavioral Health Unit at Valley Memorial Center (ValleyCare) is a short-term, voluntary inpatient program for patients age 65 and older, providing specific care due to issues of aging. This includes memory loss, disorientation, hallucinations, depression, anxiety, manic depressive illness, acute psychosis and adjustment disorders.

The behavioral health unit is currently in need of architectural and associated infrastructure upgrades that will address the unique conditions of a mental and behavioral health population. This scope of study and implementation is part of a plan to improve patient, staff and support spaces serving the needs for mental health patients at ValleyCare.

PROJECT

Representatives of Valley Memorial Center requested the services of Ratcliff to prepare a report reviewing spaces programmed for the LEGENDS Senior Behavioral Health care on the second floor. This includes the patient rooms, corridors, activity/day rooms, shower and bathing rooms, and staff support areas. The scope of work outlined in this report focuses on an inventory of these spaces, analyzes the existing conditions, and offers recommendations that allow the hospital to provide a comprehensive strategy in creating a safer environment for both patients and care staff.

REPORT CONTENT

The following report is based on a tour of the patient rooms and support spaces of the LEGENDS Senior Behavioral Health wing in the Valley Memorial Center, conducted on October 31, 2017. The findings of the site inventory and photographic investigation of the spaces programmed for psychiatric patient treatment and support spaces are sorted into categories for clarity. Information regarding architectural

finishes, accessories, fixtures, hardware, layout, and circulation space is documented graphically and in text to illustrate the existing conditions of the patient wing. Each component is then evaluated in best practices for patient safety, staff safety, building code compliance, and resilience of the rooms while in use over time.

The report content relies on the following assumptions:

- The current LEGENDS Senior Behavioral Health wing was previously an Acute care wing of the hospital. It was converted to a mental/behavioral health facility in 1991.
- Per OSHPD, Valley Memorial Center is classified under the Structural Performance Category, SPC-2. Valley Memorial Center is required to be brought into compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act, its regulations or its retrofit provisions by January 1, 2030, or be removed from acute care service.
- LEGENDS Senior Behavioral Health's patient program at Valley Memorial Center focuses primarily on diagnosis and care for patients 65 and older, but would ideally have the flexibility to treat patient populations of various ages.
- The ability of LEGENDS Senior Behavioral Health's patient program to have the flexibility to accommodate patients of all ages will also require the flexibility to accommodate those who pose the greatest danger/threat to themselves and others, including highly-volatile, high-risk patients as well as the separation of patient population groups.

OVERALL SAFETY CONSIDERATIONS

The openness of the facility and overall safety conditions should be determined by the type of psychiatric treatment program planned by the facility. In terms of building design and maintenance, it is essential to base determinations on the potential risk to the specific patient population served. The design should avoid physical hazards, blind corners, and narrow passages and hidden alcoves for patients and staff. Ideally, there should be visual control of corridors. Although an environment should not be relied upon as an absolute preventative measure, an effective design will promote staff awareness and minimize the behavioral risks of different patient populations.

ACCESS CONTROL & SECURITY REQUIREMENTS

As with any psychiatric patient treatment facility, the design shall provide a level of security appropriate for the specific type of services or program provided, as well as the age level, acuity and risk of parties served. LEGENDS Senior Behavioral Health's program specializes in diagnosing and treating patients 65 years and older, with a focus on memory loss (from Alzheimer's or dementia), disorientation, hallucinations, depression, anxiety, manic depressive illness, acute psychosis and adjustment disorders from the aging process; however, representatives from the program would allow for the ability to support patient populations from other age groups. Perimeter security shall address flight risk, prevention of contraband smuggling, visitor access control, and ingress and egress procedures. The owner, or designer, should review with the authorities having jurisdiction regarding the acceptability of perimeter security and access control in a mixed patient population. Electric locks should have a fail secure function with key override. These locks may also have card or proximity readers to ease staff access.

SURVEILLANCE & MONITORING

Use of security cameras and other security measures consistent with a safety risk assessment may be used in locations where staff may have obstructed views directly into patient observation areas. Surveillance and monitoring can also be performed by staff from a central nursing station or a security office.

LIGATURE-RESISTANT HARDWARE, FIXTURES & FINISHES

Tamper proof fixtures, high impact finishes, and ligature-resistant hardware are typically associated with the design of psychiatric facilities. Special considerations for injury and suicide prevention should be given in designing architectural details and selecting surface materials and furnishings. Finishes, fixtures, heights, door hardware, etc. should be selected in the context of the Emergency Services Department's safety risk assessment. This is standard practices for psychiatric facilities, particularly where full observation is not possible.

OSHPD & CALIFORNIA BUILDING CODE COMPLIANCE

The Valley Memorial Center is required to comply with the following Codes and Standards:

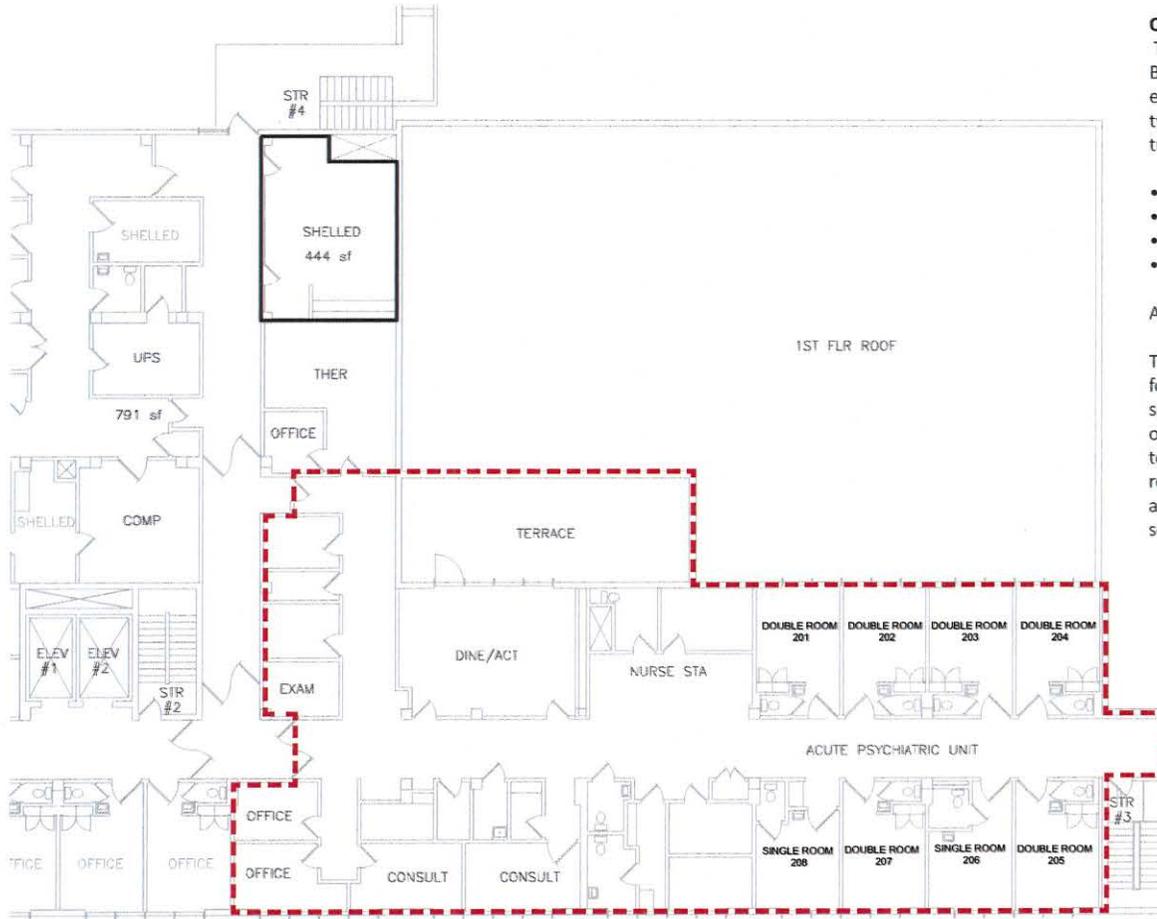
- 2016 California Building Standards Administrative Code, Part 1, Title 24 C.C.R.
- 2016 California Building Code, Part 2, Title 24 C.C.R.
- 2016 California Electrical Code, Part 3, Title 24 C.C.R.
- 2016 California Mechanical Code, Part 4, Title 24 C.C.R.
- 2016 California Plumbing Code, Part 5, Title 24 C.C.R.
- 2016 California Fire Code, Part 9, Title 24 C.C.R.
- California Code of Regulations Title 22
- 2010 ADA Standards for Accessibility Design
- 2012 NFPA Life Safety and Fire Code

APPLICABLE PLANNING CODES

Per section 1224.31 of the 2016 CBC, the Psychiatric Nursing Unit shall provide the following:

- Windows modified to prevent patients from leaving the unit
- Access control at entries and exits, which may be locked if necessary
- Observation room(s) for acutely disturbed patients, to allow for visual observation and located near the nursing station and a bathroom
- Consultation rooms used for interviewing patients
- Dining and recreation rooms with a minimum of 30sf per patient
- Storage closets or cabinets for recreational or occupational therapy equipment
- Exam or treatment room for physical examinations and medical treatment.
- Activity spaces both indoor and outdoor for therapeutic activities.
- Facilities for occupational therapy
- Recreation room with minimum 100sf space
- Toilet rooms that have doors which are not lockable from within, capable swinging outward.
- Handwashing fixtures
- Service areas

Visual privacy in multi-bed rooms (privacy curtains) is not required by code. Nurse call is also not required; however, if provided, should have the ability to be removed.



OVERALL PROGRAMMING SUMMARY

The following plan identifies the survey area and extents for the LEGENDS Behavioral Health Services Wing of ValleyCare Hospital. For studying and evaluation purposes, the spaces and rooms are grouped by programming types - to help target the specific upgrades needed for a facility used to treat patients that require mental and behavioral health care:

- Inpatient Rooms: Single and Double Occupancy
- Staff Areas
- Patient Gathering Areas
- Patient Support

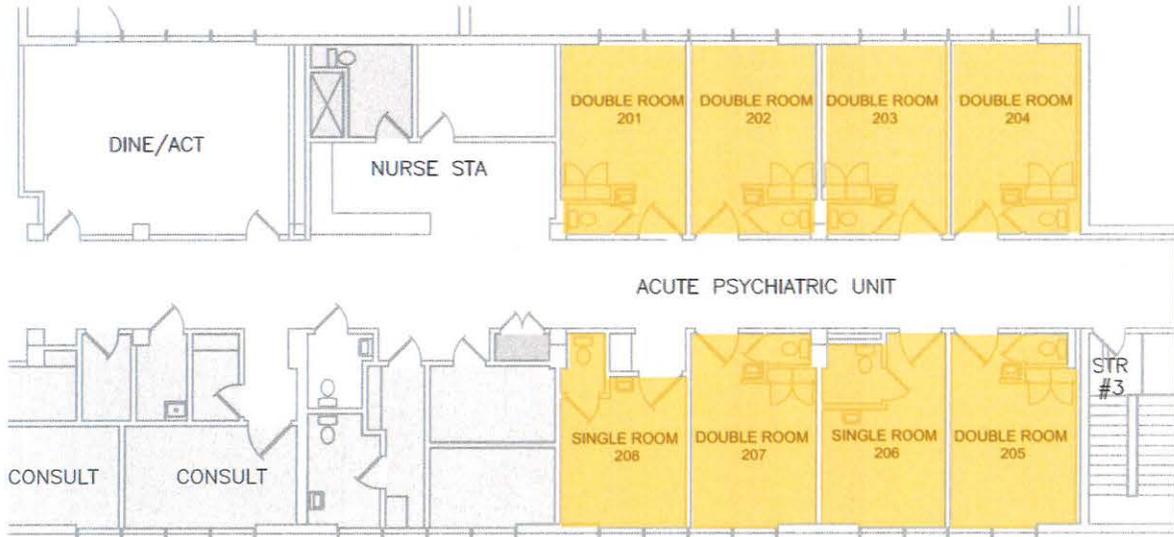
Alcove spaces are highlighted with a hatch pattern.

There are spaces in the survey area that were not accessible/ reviewed for this study. This includes consult rooms, exam rooms and staff support spaces. These areas are highlighted as gray in the plan diagram. A review of the program and how the rooms operate will provide specific architectural recommendations to maximize patient and staff safety. General recommendations include ligature resistant door hardware, secured wall and ceiling equipment and accessories with tamperproof fasteners and sealant, secured wall base.

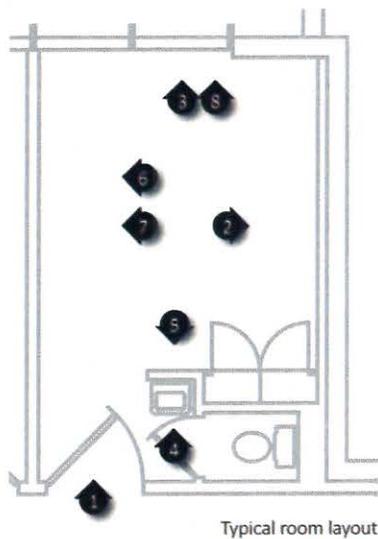
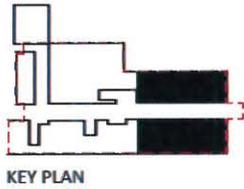


OBSERVATIONS | EXISTING CONDITIONS

The LEGENDS Behavioral Health Wing currently contains eight single and double occupant patient rooms. Each room contains a toilet room with sink, with med gas panels (quantity dependent upon room occupancy) mounted above the location of the patient beds. Some rooms include built-in storage options, including closets and wardrobes. Large, expansive windows are on the exterior wall elevation of the patient room with curtains and hardware. Each door is 4' wide with standard butt hinges and push/pull paddles, and swings into the patient room.



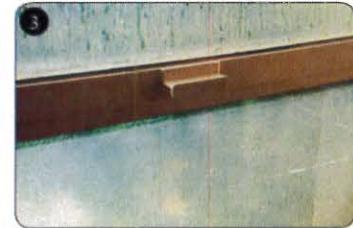
23



Patient room door



Med gas system



Window hardware



Handwash sink



Resilient base



Casework



Furniture and chair rail



Curtain track at window

RECOMMENDATIONS

Many of the accessories and finishes existing in the patient rooms are typical for standard acute care. This makes sense as this part of the hospital was previously an acute care wing. They are however pose a high level of risk to psychiatric patients and the staff that will treat them. Chapter 12 (Interior Environment of the latest California Building Code contains specific regulatory requirements for psychiatric patient facilities. As these rooms are the primary interface for psychiatric patients requiring care, the following recommendations are provided:

- Toilet Room with sink, including dimensions, fixture clearances in each patient room need to meet current accessibility code requirements. Per current building codes, 10%, but not fewer than one, of the total patient rooms are required to be accessible. In the case of the LEGENDS Mental and Behavioral Health, one patient room will need to upgrade its toilet room for accessibility.
- Standard bumper guards and handrails can be pulled off the wall or used as a device for creating a ligature, presenting a risk to staff and other patients. Though handrails are required by code, installation according to manufacturer instructions, tamperproof fasteners and tamperproof sealants minimize patient risk, and increase safety.
- Privacy curtains provide a ligature risk to patients. Replace with tear-away privacy curtain with associated mounting hardware.
- Resilient base can be pulled away from the wall, creating a risk to staff and other patients. Items can also be stored between the base and the wall. Recommend replacing with wood base, attached with tamperproof hardware and sealant.
- Inswing doors present a barricade risk, while outswing doors encroach on the code-required corridor egress width. Recommendation is to use Wicket Doors, that permit access to patient room in case of an emergency.
- Gasket at patient room doors can easily be removed by patients, creating a risk to them staff, and compromising the code-required life safety compliance of the building.
- Ensure there are no cracks or openings around the perimeter, use tamper-proof fasteners.
- Metal, thermoplastic wall plates are acceptable, and recommended in the patient rooms.
- Currently use a standard patient bed. Recommendation is to use a patient bed that is sealed on all faces.
- Windows inside the patient rooms are not operable; however, they have a handle that appears to be an integral part of the window assembly. It is recommended to remove this, or replace the window assembly altogether.
- It is recommended that the doors and associated hardware to existing storage in the patient rooms be removed.
- Existing curtains at the windows should be replaced with curtains that can tear away with minimum 5lb of applied force.

24



Mechanical diffuser



Door hardware



Privacy curtain and track



Grab bar



Patient room wall accessories



Lighting fixture over patient bed



Handwash sink, lighting, med gas system



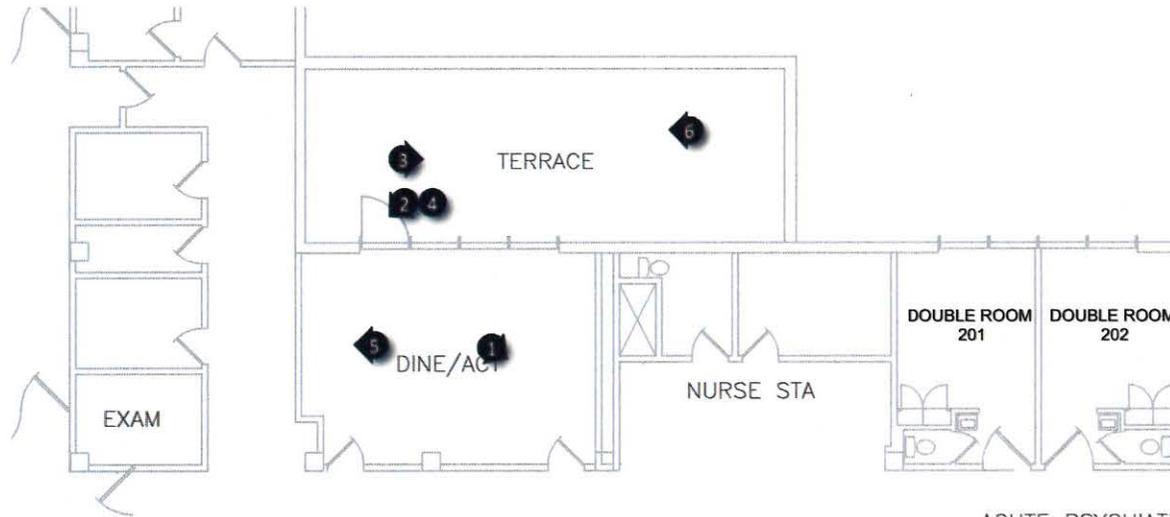
Door closer hardware



Push/pull trim



Smoke detector



OBSERVATIONS | EXISTING CONDITIONS

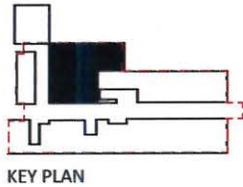
The dining/activity room is the main focus space of the LEG-ENDS Behavioral Health wing. As a room centrally located where patients can meet and interact with one another and staff, it becomes an integral space important for the health and safety. The dining/activity room contains small tables and chairs that can be moved, built in casework with open shelving and cabinets with doors, moveable equipment, refrigerator and electric stove with separate range hood. The terrace contains outdoor patio furniture including small tables and chairs. The door leading to the terrace has a keypad, to allowed for secured access. There is a small ramp leading up from the dining/activity room to the terrace.

RECOMMENDATIONS

Based on observations of the existing conditions in the Dining/Activity Room & Terrace, the following recommendations are made:

- Existing casework has associated door hardware that can pose ligature risk; The program and nature of the space will need to balance between patient safety and what is required by code to be compliant. Code requires that handles and operable parts shall be operable with one hand and shall not require tight grasping, pinching, or twisting of the wrist. The force required to activate operable parts shall be 5lbs maximum.
- The ramp leading to terrace is not compliant. Handrails may be required (a further detailed investigation of this feature is required to measure the slope).
- Replace door hardware at door that leads to the terrace, including the keypad, handle, and hinges.
- There is no direct visual access into the Dining/Activity Room or the Terrace from the nurse station. Direct visual access into the room via new window from the Nurse Station, or through a security camera is ideal to minimize any events that may happen in the space.

25



Dining/Activity room furniture



Terrace door keypad



Terrace



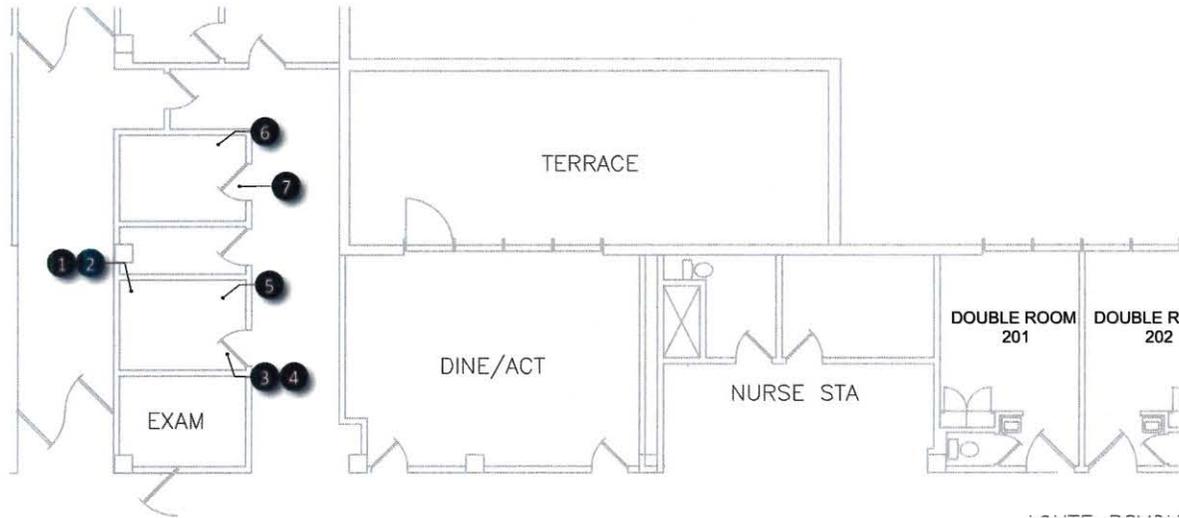
Terrace door hardware



Dining/Activity room kitchenette



Terrace and existing furniture



OBSERVATIONS | EXISTING CONDITIONS

Existing patient rooms contain a toilet room with sink. Showering and bathing facilities are accessed from the corridor space, and shared among the patients in the LEGENDS wing. Patients are escorted to the appropriate bathing facility and are attended to by staff.

The shower room contains a roll-in shower with standard grab bars, shower seat, and valve fixtures. A privacy curtain provides additional modesty protections from the door and roll-in shower. A handwashing sink with standard wall mounted mirror is included.

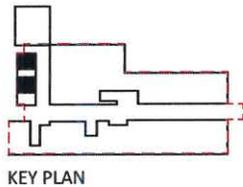
The bathing room contains a modular tub unit, handwashing sink with standard wall-mounted mirror and paper towel dispenser.

RECOMMENDATIONS

Based on observations of the existing conditions in the Shower Room and Bathing Room, the following recommendations are made:

- Swap existing plumbing fixtures with ligature resistant fixtures, to minimize patient risk.
- Swap the existing shower seat with a seat that minimizes patient risk.
- Replace existing privacy curtain and track with privacy curtain that breaks away from the track with code required 5lb minimum applied load.
- Ensure that existing mirror is mounted to the wall securely with tamperproof fasteners and sealant.
- Replace door hinges with continuous hinge and hospital tips - a design feature that prevents hanging objects on the tip of the hinge.

26



Shower room fixtures



Shower seat



Privacy curtain



Shower room



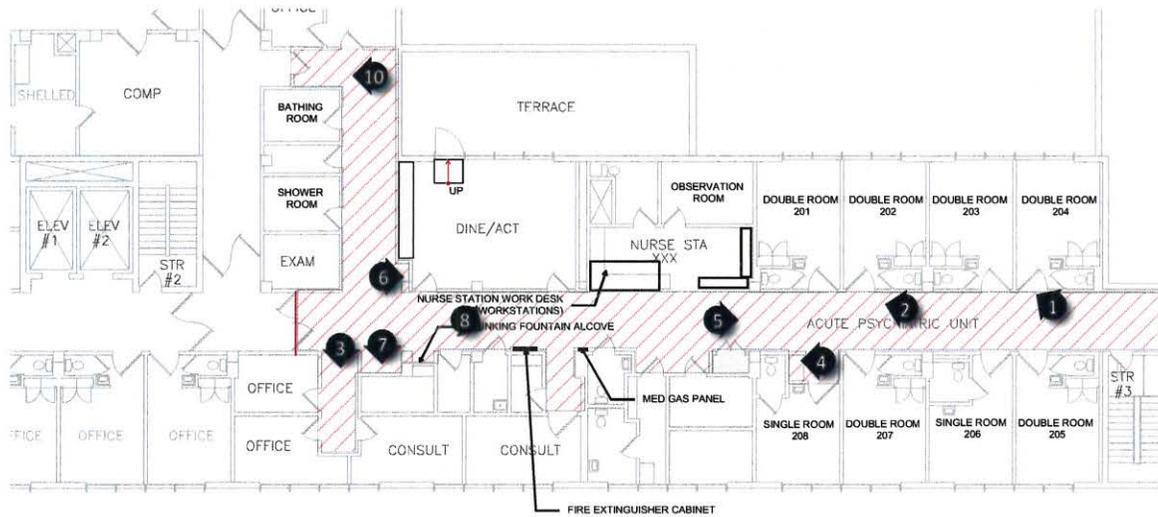
Shower room handwash sink



Bathing room handwash sink



Modular bathing unit



OBSERVATIONS | EXISTING CONDITIONS

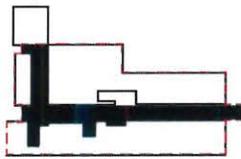
Existing patient rooms contain a toilet room with sink. Showering and bathing facilities are accessed from the corridor, and shared among the patients in the LEGENDS wing. Patients are escorted to the appropriate bathing facility and are attended to by staff.

RECOMMENDATIONS

Long corridors in acute care facilities are standard building design typology, but can pose a risk to patients that require visual accessibility by staff. Deep alcove and smaller hallway spurs from the main corridor unintentionally create hiding spaces for patients. The following are recommended to minimize patient and staff risk at the corridors, and bring it into compliance:

- Per code, there are a minimum two water fountains in the corridor. The existing water fountain will need to be replaced. Many dual fountain systems – that can be used in a psychiatric treatment facility – are available and comply with code.
- The installation of cameras in alcoves and other parts of the corridor that are not in direct line of site by staff is recommended.
- Med gas, fire extinguisher cabinet access doors and panels should be replaced with impact resistant covers and doors.
- Handrails are required in corridors, per code. It is recommend to replace the existing handrails according to manufacturer instructions, using tamperproof fasteners and sealant.
- Fixtures, wall hangings and wall art, exit signs, etc. should be mounted to respective ceilings and walls with tamperproof fasteners and sealant.

27



KEY PLAN



To patient room



Corridor wall hanging



Consult corridor



Alcove



Corridor towards exit stair



Alcove



Alcove



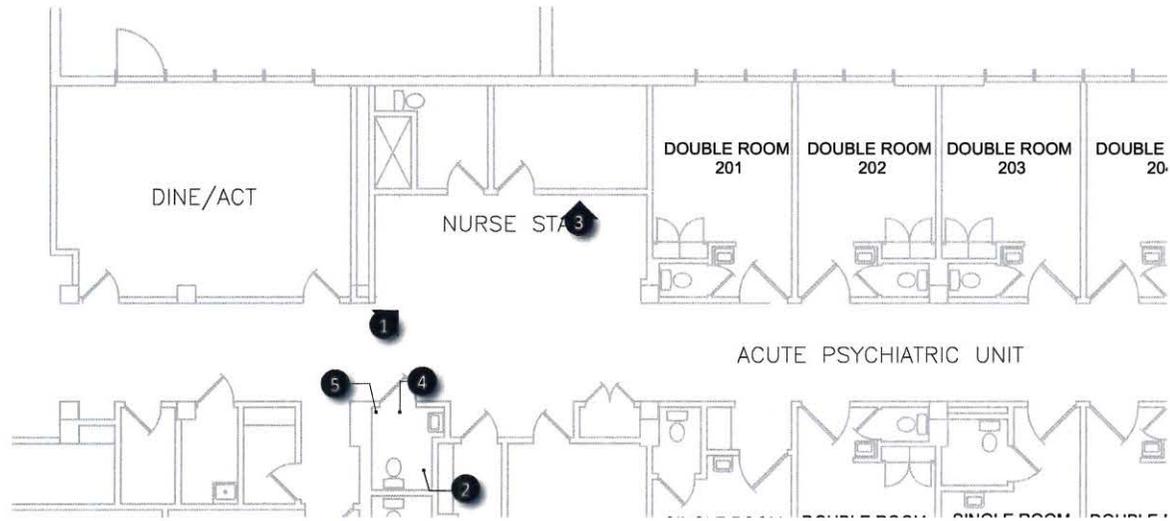
Fire extinguisher cabinet



Corridor med gas panel



Unit exit door



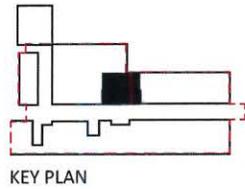
OBSERVATIONS | EXISTING CONDITIONS

The Nurse Station is centrally located in the LEGENDS Behavioral Health wing, between the patient rooms and dining/activity room. Visual access from the nurse station to the patient rooms, dining/activity room and terrace, and bathing and shower rooms is extremely limited. A large table with individual workstations allows for multiple staff members to work simultaneously. The Observation Room is directly behind the nurse station, and per program is used to temporarily hold patients until they can be transported or removed from the unit. The Observation room is behind the nurse station. The plan drawing indicates a toilet room immediately adjacent to the observation room, which was not available/open at the time of the site visit. It is assumed this toilet room is for use by patients in the Observation room.

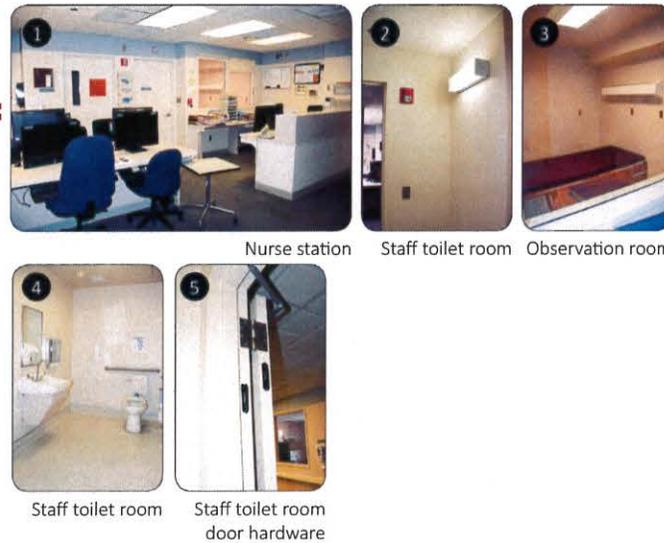
RECOMMENDATIONS

- The proximity and visual access of the Nurse Station is limited to other areas of the unit. The L-shaped corridor and alcove spaces further prevent visual access to the patient population. Nurse Stations are typically located at the corridor corners, to have line of site to all parts of the patient floor; however, the current configuration of the unit does not permit this. It is recommended that cameras and other devices with direct feeds to the nurse station be installed.
- Additionally, the current configuration and size of the nurse station appears to have limited capacity for staff. Further exploration of the corridor alcoves and space could offer opportunity to develop “satellite” nurse workstations, which would expand the visual access of the staff and alleviate crowding at the central station.
- It is recommended to explore adding a window to provide direct visual access from the Nurse Station to the Dining/Activity Room. Further exploration of the existing built conditions of the hospital would be required, to ensure no services use the wall cavity between the spaces.
- The Observation Room location potentially causes risk to staff, as the removal of a patient from the floor to this room requires passing through the nurse station. A further study of the existing layout of the nurse station and reconfiguration may help to separate patients placed in the isolation room from staff.
- Several computer workstations at the nurse station require staff to have their backs to the corridor, and potentially vulnerable to patients in the unit. During the survey, it was mentioned that this arrangement makes staff uncomfortable with patients moving about the corridor. It is recommended that the configuration of the nurse station be studied to find an optimal solution that provides additional safety precautions for staff and patients.

28



KEY PLAN



Nurse station Staff toilet room Observation room



Staff toilet room Staff toilet room door hardware

The following summary is an estimate of probable construction cost for the scope of work for both Code Compliance (Baseline) and recommended patient safety architectural updates outlined in this report. While the intent of the estimate is to help generate a project budget, it is important to note that Ratcliff has no control over the cost of labor and materials, the general contractor's, subcontractor's or supplier's method of determining prices, or competitive bidding and market conditions. This estimate of probable cost is made on the basis of our experience and best judgement.

The estimate is based on a traditional Design-Bid-Build delivery method, with competitive bids from multiple general contractor firms.

Some of the proposed scope may involve perimeter work beyond the anticipated work, due to unforeseen conditions and/or other site factors. While we anticipate some additional work outside the unit, the scope would need to be validated by existing conditions, discoverable at the time of construction.

It is important to note that the scope of work will require approval by OSHPD. If OSHPD deems it necessary to update other areas of the department by association (ex. Program along the Path of Travel to the LEGENDS Behavioral Unit), both the project and preliminary budget would need to be revised.

Key exclusions include:

- Project soft costs
- Hazmat abatement
- Relocation of any existing operations
- Escalation

Legends Risk Assessment, Evaluation & Report

Valley Memorial Center, Livermore, CA

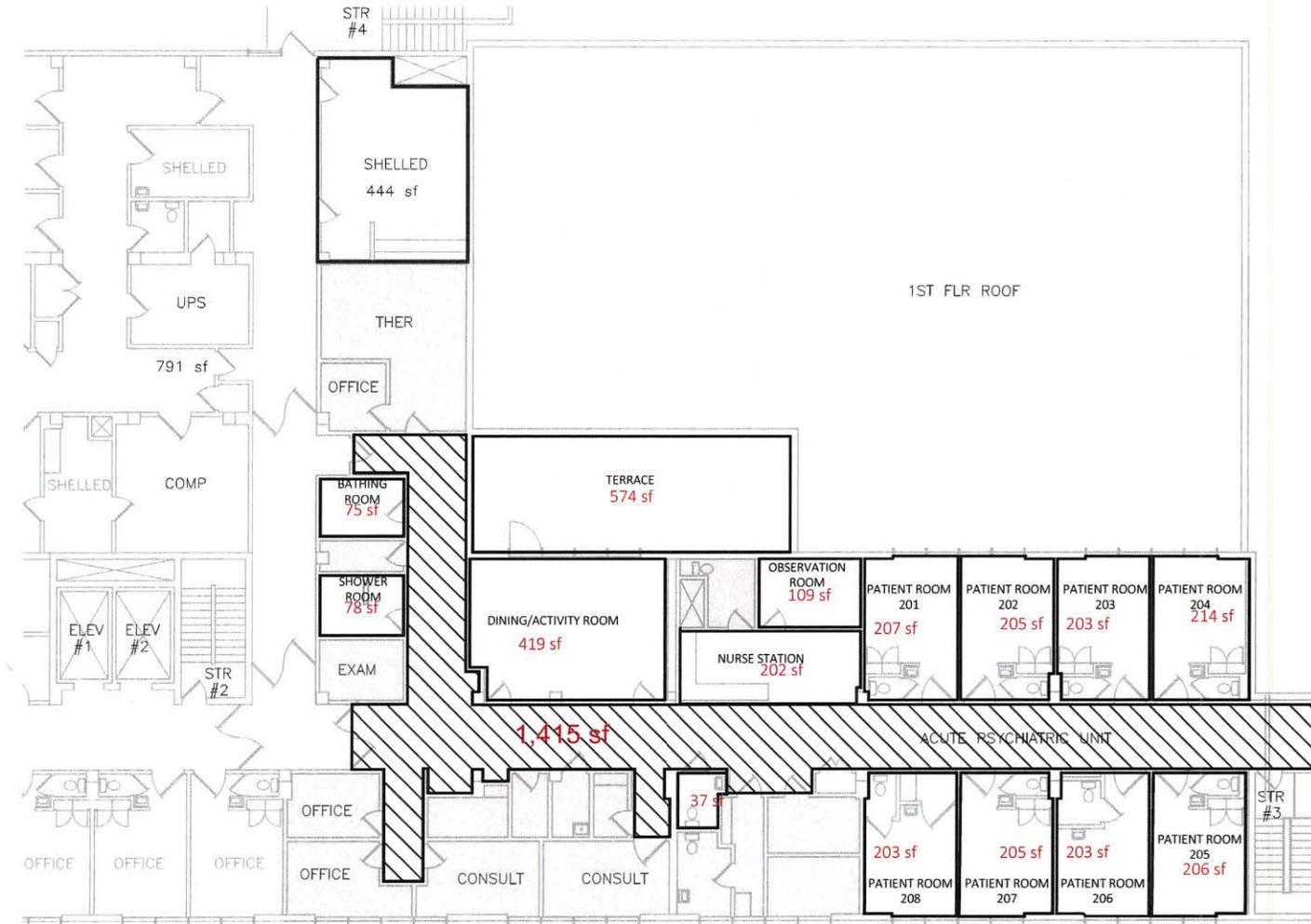
Estimate of Probable Cost

Baseline Scope

	SF/Unit	Cost/SF-Unit	Estimate/Budget	Notes
Patient Rooms, Bathing/Shower Rooms				Including code upgrades at doors, toilets, room features and wicket doors (to replace inswinging doors) and safety hardware
Baseline Accessibility/Code Upgrade				
Patient Rooms, Bathing/Shower Rooms				
Patient Rooms	1,646 sf	600	987,600	major remodeling
Patient Bathing Rooms	153 sf	600	91,800	major remodeling
Doors and Hardware	10 unit	1,040	10,400	replacement wicket doors and safety hardware (Patient Rooms/Bathing)
Staff Toilet	37 sf	600	22,200	major remodeling
			Subtotal	
			Gen Conditions	20%: 14% General Conditions, 2% Bonds & Insurance, 4% Contractor Fee
			Const Contingency	10% Contingency
			Total	1,467,840

Expanded Patient Safety/Refresh (including Baseline Scope)

	SF/Unit	Cost/SF-Unit	Estimate/Budget	Notes
Common Corridors/Common Patient Spaces				Including patient and staff safety upgrades, modifications and wicket doors (to replace inswinging doors) and safety hardware This does not include offices and support areas not toured and surveyed
Recreation/Activity and Corridors				
Corridor	1,415 sf	200	283,000	minor remodeling
Recreation/Activity	419 sf	350	146,650	moderate remodeling
Nurse Station	202 sf	350	70,700	moderate remodeling
Observation Room	109 sf	350	38,150	
Terrace	574 sf	350	200,900	moderate remodeling of exterior space
Doors and Hardware	3 unit	1,040	3,120	replacement wicket doors and safety hardware (Dining Room and Obs Rm)
			Subtotal	
			Gen Conditions	20%: 14% General Conditions, 2% Bonds & Insurance, 4% Contractor Fee
			Const Contingency	10% Contingency
			Subtotal	980,126
			Baseline Scope	1,467,840
			Total	2,447,966



Appendix B: Ratcliff Expected OSHPD Required Improvement Cost

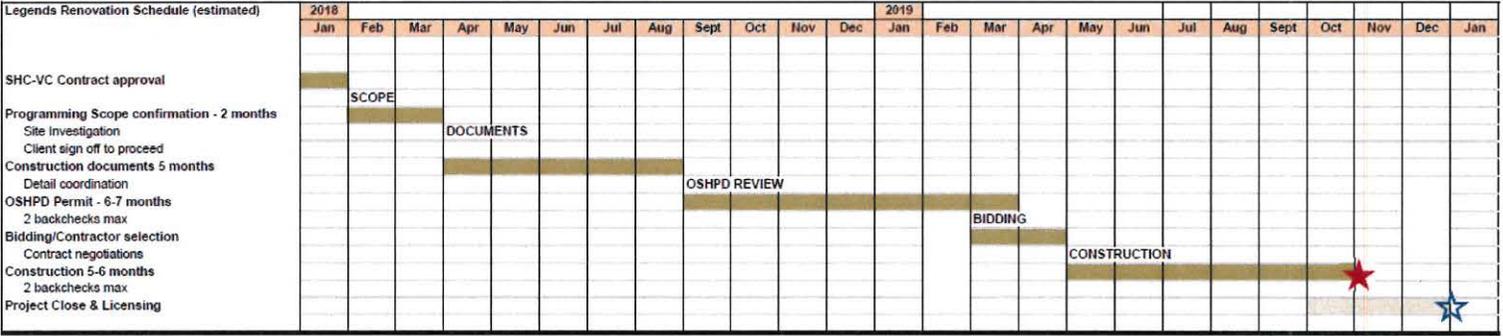
Legends ROM cost

		cost /sf			
		hi	lo	hi	lo
Legends unit	6232 sf	\$1,100	\$850	\$6,855,200	\$5,297,200
Exterior Deck	574 sf	\$400	\$300	\$229,600	\$172,200
Path of Travel	1200 sf	\$500	\$350	\$600,000	\$420,000
Means of egress correction	1000 sf	\$500	\$300	\$500,000	\$300,000
Exterior Glazing -2nd floor ⁴	6000 sf	\$500	\$300	\$3,000,000	\$1,800,000
Exterior Glazing -3rd floor	6000 sf	\$500	\$300	\$3,000,000	\$1,800,000
				\$14,184,800	\$9,789,400
A/E fees thru construction				\$2,836,960	\$1,957,880
Estimated ROM project cost:				\$17,021,760	\$11,747,280

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⁴ Estimated cost provided by Ratcliff included 2nd and 3rd floor glazing not required for this project. Estimated range of improvement cost without glazing is \$8,147,280-\$11,021,760.

Appendix C: Ratcliff Risk Remediation Timeline



z10188697.1

Appendix D: Hospital License

License: 140000114
Effective: 12/09/2016
Expires: 12/08/2017
Licensed Capacity: 242

State of California

Department of Public Health

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

this License to

Hospital Committee Area Livermore Pleasanton

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

ValleyCare Medical Center

Valley Memorial Hospital

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

Bed Classifications/Services

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

Other Approved Services

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

(Additional Information Listed on License Addendum)

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

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 140000114
Effective: 12/09/2016
Expires: 12/08/2017
Licensed Capacity: 242

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

Other Approved Services (cont'd)

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

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

Bed Classifications/Services

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

Other Approved Services

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

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

POST IN A PROMINENT PLACE

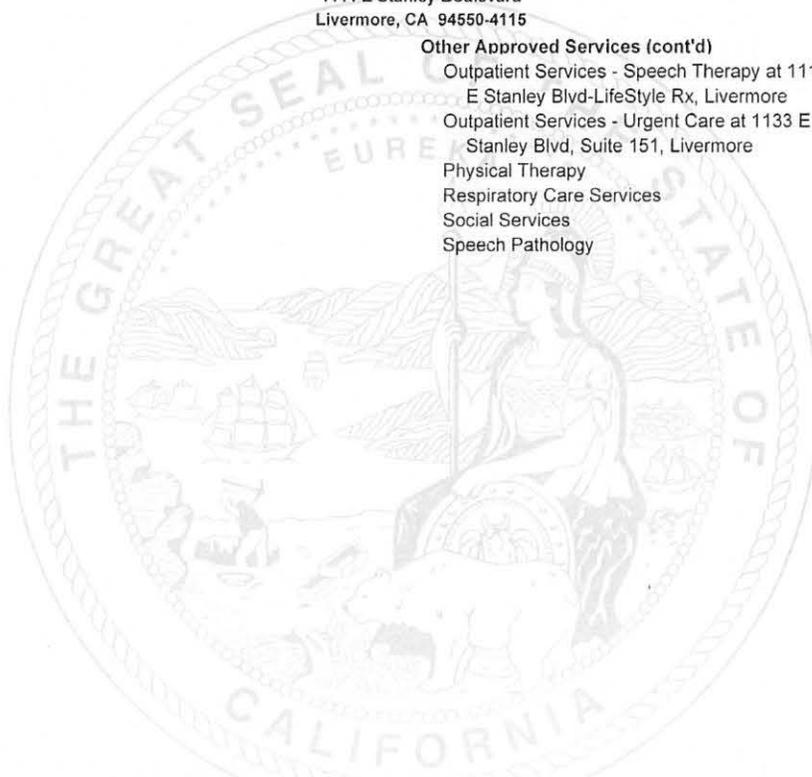
State of California
Department of Public Health
License Addendum

License: 140000114
Effective: 12/09/2016
Expires: 12/08/2017
Licensed Capacity: 242

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

Other Approved Services (cont'd)

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

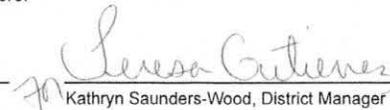


This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:

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

Karen L. Smith, MD, MPH

Director and State Public Health Officer


Kathryn Saunders-Wood, District Manager

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

POST IN A PROMINENT PLACE

Appendix E: Background and History

In the 1950s, St. Paul's Hospital in Livermore proved too small for the communities of Livermore and Pleasanton. People grew weary of traveling to Oakland for health care, so local residents united and raised enough money, along with federal grants, to build Valley Memorial Hospital on land donated by Kaiser Paving Company in Livermore. Valley Memorial opened its doors in October 1961 with 46 beds and a medical staff of 23.

As the Tri-Valley community grew, so did ValleyCare and in 1991 ValleyCare Medical Center in Pleasanton opened. Over the years, ValleyCare kept pace with state-of-the-art equipment and facilities, adding new programs and services to meet your needs and those of the community. Currently Stanford Health Care – ValleyCare operates two hospital locations at 5555 W. Las Positas Blvd in Pleasanton and 1111 E. Stanley Blvd in Livermore with 242 total licensed beds as well as additional outpatient services outlined in the hospital license including Urgent Care, Physical and Sports Medicine, and Occupational Health⁵.

On May 29th, 2014 ValleyCare Health System announced their plan to affiliate with Stanford Hospital and Clinics and on September 26th, 2014 signed an affiliation agreement with Stanford Health Care. MDS Consulting, now Vizient, was retained by the Office of the California Attorney General to prepare a report assessing the potential impact of the proposed Affiliation Agreement and the resulting report was released on February 23rd, 2015. On April 7th, 2015 the Attorney General issued conditional approval and on May 18th, 2015 Stanford Health Care – ValleyCare officially completed the affiliation agreement to become a legal affiliate of Stanford Health Care. Stanford Health Care – ValleyCare's fiscal year is from September 1st to August 31st.

Today, Stanford Health Care – ValleyCare provides a variety of services including emergency services, urgent care, oncology, orthopedics, cardiology, and vascular services to the residents of the Tri-Valley Community and surrounding area.

⁵ Hospital license is available in the appendix.

Appendix F: Service Area Definition

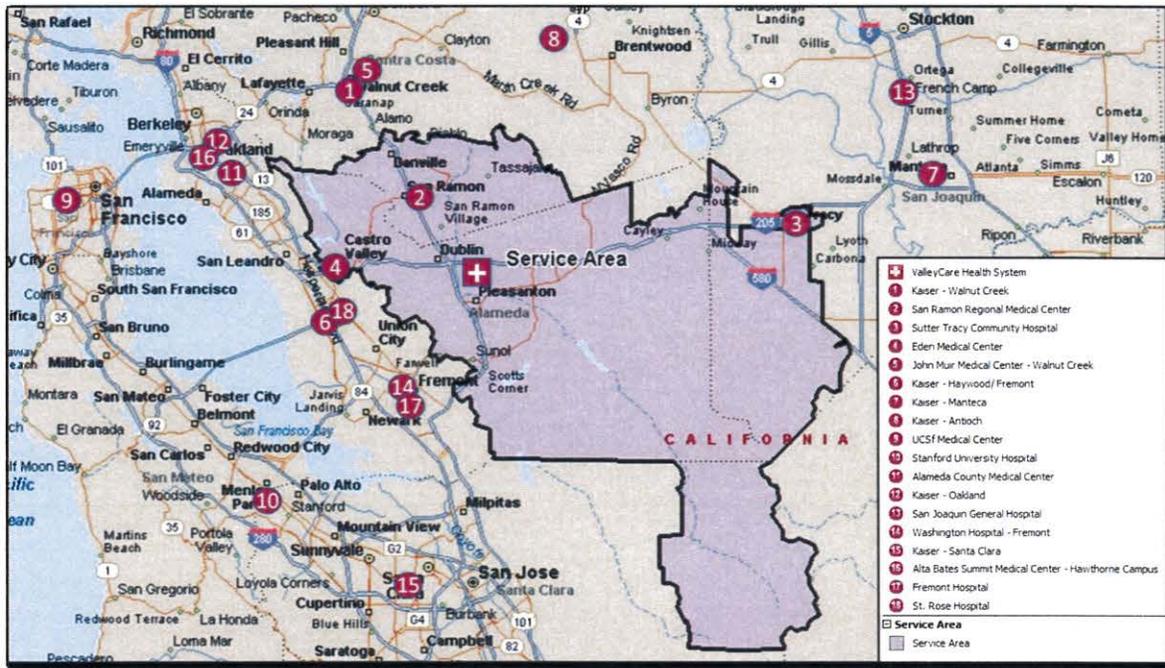
The Hospital's service area is comprised of 15 ZIP Codes, from which approximately 83% of its discharges originated in FY 2013. Approximately 64% of the Hospital's discharges came from the top four ZIP Codes, located in Livermore, Pleasanton, and Dublin. In FY 2013, the Hospital's market share in the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

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: FY 2013					
Zip Code	City	Total Discharges	% of Discharges	Total Area Discharges	Market Share
94550	Livermore	1,876	22.00%	4,063	46.20%
94566	Pleasanton	1,291	15.20%	2,877	44.90%
94551	Livermore	1,214	14.30%	2,868	42.30%
94568	Dublin	1,087	12.80%	3,253	33.40%
94588	Pleasanton	721	8.50%	1,769	40.80%
94583	San	182	2.10%	2,418	7.50%
94582	San	141	1.70%	1,725	8.20%
95376	Tracy	114	1.30%	4,051	2.80%
94546	Castro	83	1.00%	3,855	2.20%
95391	Tracy	82	1.00%	686	12.00%
95377	Tracy	80	0.90%	1,765	4.50%
94526	Danville	75	0.90%	2,251	3.30%
94506	Danville	59	0.70%	1,319	4.50%
94552	Castro	54	0.60%	802	6.70%
94586	Sunol	16	0.20%	82	19.50%
Sub-Total		7,075	83.10%	33,784	20.90%
All Other		1,438	16.90%		
Total		8,513	100%		

Source: OSHPD Patient Discharge Database, 2013

Appendix G: Service Area Map

The Hospital's service area, with approximately 503,000 residents, includes the communities of Livermore, Pleasanton, Dublin, San Ramon, Tracy, Castro Valley, Danville, and Sunol. In addition to the Hospital, San Ramon Regional Medical Center, Eden Medical Center, and Sutter Tracy Community Hospital are located within the Hospital's service area. The Hospital is the inpatient market share leader in the service area.



Source: OSHPD Patient Discharge Database, 2013