

Effect of Proposed Change of Governance of Downey Regional Medical Center on the Availability or Accessibility of Healthcare Services

Prepared for the Office of the Attorney General
July 8, 2013

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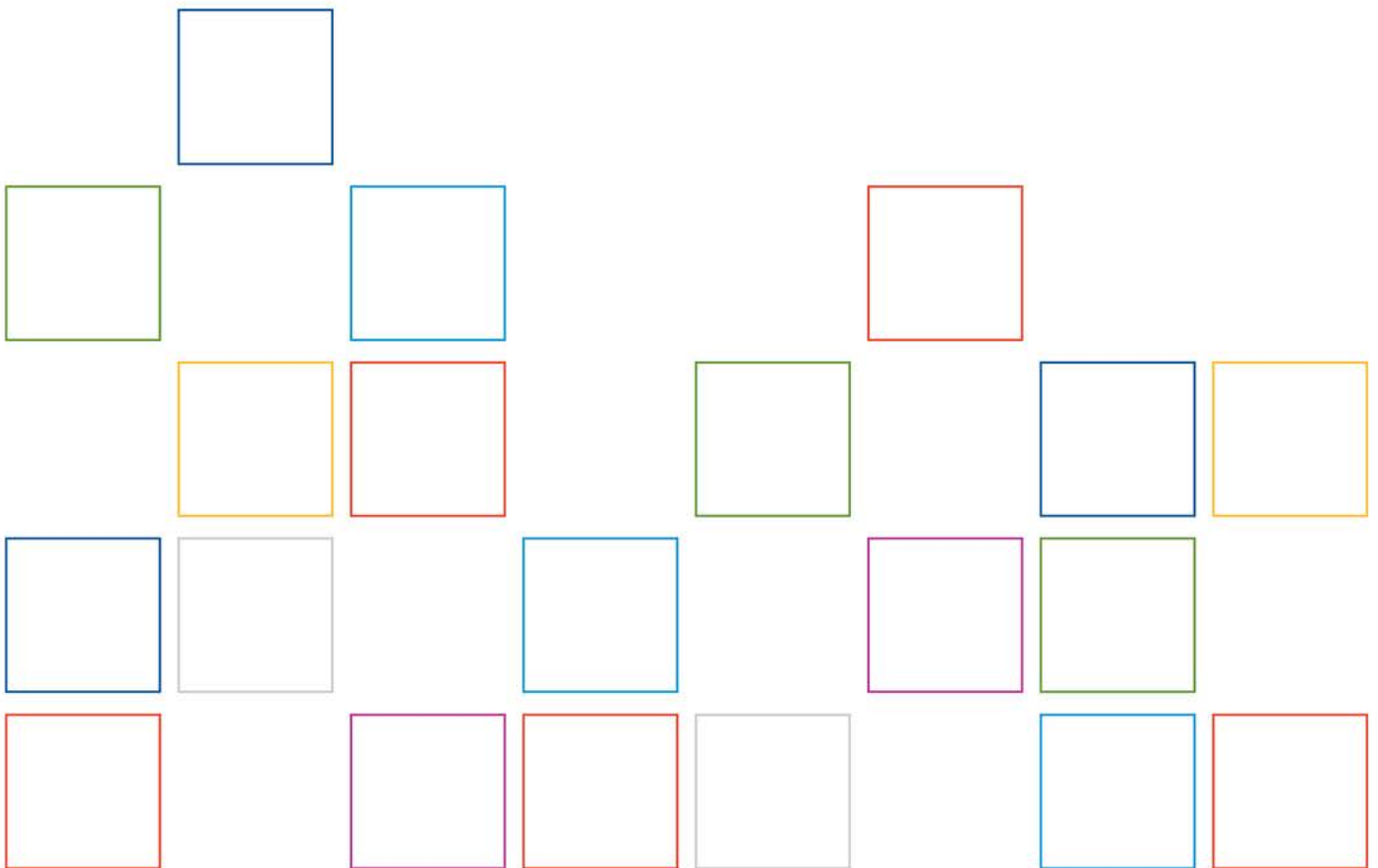
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I. Report Purpose and Methodology



I. Report Purpose and Methodology

Report Purpose

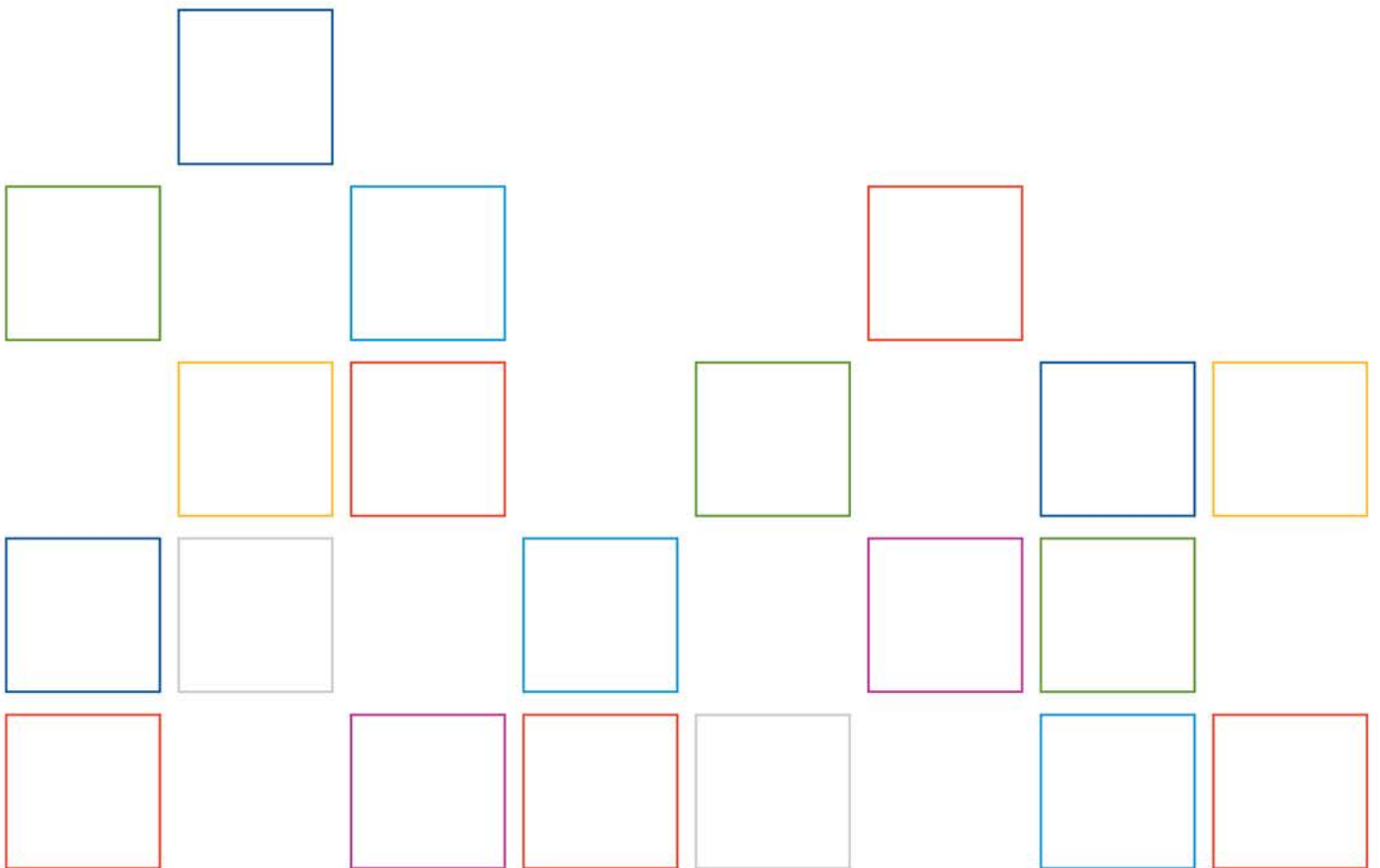
Downey Regional Medical Center-Hospital, Inc., a California nonprofit public benefit corporation, owns and operates Downey Regional Medical Center (the Hospital), a 199-bed general acute care hospital in Downey, California. Downey Regional Medical Center-Hospital, Inc. and its sole member, Downey Regional Medical Center, Inc., a California nonprofit public benefit corporation, have requested the California Attorney General's consent to enter into a Member Substitution Agreement with InterHealth Corp., a California nonprofit public benefit corporation doing business as PIH Health (PIH Health). This report, prepared for the Office of the California Attorney General, describes the possible effects that the proposed transaction may have on the accessibility or availability of healthcare services in the areas served by the Hospital.

Methodology

The Camden Group, a healthcare planning and policy consulting firm, was retained to prepare this report. The Camden Group prepared this report based on the following:

- Interviews with community representatives from the city of Downey, including the Fire Chief, several members of the Hospital's senior management, several members of the Hospital's Board of Directors, the Chief Executive Officer of PIH Health, and others as listed in Appendix A.
- A review of the written notice submitted to the Office of the California Attorney General by Downey Regional Medical Center-Hospital, Inc., and supplemental information and documents subsequently provided.
- An analysis of the Hospital's programs and services, historical volumes, payer mix, and financial performance, based on information and data received from the Hospital's management and the California Office of Statewide Health Planning and Development (OSHPD).
- An analysis of data and reports regarding the Hospital's service area, including:
 - ▶ Demographic characteristics and trends
 - ▶ Payer mix
 - ▶ Hospital utilization rates
 - ▶ Health status indicators
 - ▶ Service area market share

II. History and Description of the Transaction



II. History and Description of the Transaction

Hospital's Ownership and History

The Hospital was opened in 1924 as Downey Community Hospital, with six private rooms and two wards, on Fifth Street in Downey, California. After World War II, the Hospital grew to 49 beds. By the mid-1950s, the Hospital needed to expand again. Together with civic groups, the Downey City Council and a joint powers agency that included the Los Angeles County Board of Supervisors, the decision was made in 1960 to move the Hospital to its current location at 11500 Brookshire Avenue. In 1967, the construction of a 151-bed hospital was begun. It opened in the fall of 1969. Throughout the 1970s and 1980s, the Hospital continued to expand that included a new intensive care/coronary care building that contained 18 beds. In the 1980s, the Hospital's Board of Directors decided the Hospital should pay off the bonds in return for the fee title to the Hospital's real property. After significant opposition, a compromise was reached whereby the Hospital received a 99-year lease, rather than fee title to the land.

Today, the Hospital is a 199-bed general acute care hospital located at 11500 Brookshire Avenue, Downey, California, 90241. The Hospital provides services that include emergency medicine, obstetrics, intensive care, and coronary care. The Hospital's campus is situated on approximately 12 acres of land. The Hospital owns a nearby parking lot and an undeveloped lot that is currently in escrow. An affiliate of the Hospital, DRMC Properties, Inc., owns a medical office building, an outpatient rehabilitation building, and a general office building that are adjacent to the Hospital.

The Hospital is also supported by an affiliate, the Memorial Trust Foundation of Downey Regional Medical Center, a California nonprofit public benefit corporation, that raises funds and receives gifts, bequests, and endowments for the benefit of the Hospital.

Factors Leading to the Decision

In September of 2009, the Hospital was forced to file for Chapter 11 protection under the U.S. Bankruptcy Code. In March 2012, the Hospital emerged from bankruptcy with a Chapter 11 Plan of Reorganization that included issuance of new taxable municipal bonds. However, since then, the Hospital has struggled financially as inpatient and outpatient volumes have declined. Additionally, the Hospital's ability to track clinical and financial information has been hampered by the lack of an electronic medical record system, poor billing and collection systems and practices, and a loss of staffing.

II. History and Description of the Transaction

Transaction Process and Timing

While in bankruptcy, the Hospital's Board of Directors considered several options for affiliation, sale, or merger with different entities, such as Daughters of Charity and PIH Health. Despite diligent efforts, none of those options resulted in a transaction. The opportunity to affiliate with PIH Health presented itself again in late 2012. The Hospital's Board of Directors approved the PIH Health Letter of Intent in November 2012 and the transaction's material terms in February 2013. The Hospital's Board of Directors determined that the transaction with PIH Health met the "principles of affiliation," that the PIH integrated system offered the best structure to meet the changing industry and governmental requirements, and that the financial support offered by PIH Health would take the risk out of its financial future. The major events in this transaction process were as follows:

- November 2009 – The Board establishes a set of evaluation criteria to be used when considering options called the "principles of affiliation." The principles were:
 1. The Hospital remain a full service, general acute care nonprofit hospital, and that the Hospital remain open to serve the entire community and provide excellent patient care;
 2. Interests of the Hospital's employees, staff, and physicians be considered paramount, and that the medical staff remain autonomous and self-governing;
 3. The affiliation partner should be a quality health care provider and committed to the same vision and values, and to the first principle;
 4. The affiliation partner should share the strategic vision of re-investing in the Hospital to ensure its long-term viability; and
 5. The affiliation partner and the Hospital's board pursue an affiliation of mutual interest and support for the enhancement of the Hospital's nonprofit mission.
- September 2012 – Discussions between the Board and legal counsel regarding an offer by PIH to enter an exclusive exploratory period. The Board elects to continue discussions with PIH Health while also evaluating other options.
- October 2012 – Presentation by PIH. The Board engages an investment banking firm to provide a report on transactions in the market.
- November 2012 - The Hospital receives a Letter of Intent from PIH Health. The Board elects to enter an exclusive due diligence period, during which other potentially interested parties are still able to submit letters of interest.

II. History and Description of the Transaction

- December 2012 – March 2013 – The due diligence process continues between the Hospital and PIH Health as terms are being discussed. The data collected by the Hospital is placed in a data warehouse, and other interested parties will be offered access should they seek it. During this period, only two other entities explored how to access the data, and records show that the data was accessed sparingly.
- February 2013 – The Board votes to extend the period of exclusivity with PIH Health from March 1, 2013 to July 1, 2013 and approves the transaction's material terms.
- March 2013 – The first draft of the Member Substitution Agreement is completed.
- April 2013 – The Board votes to authorize management to file an application with the California Attorney General regarding the proposed transaction with PIH Health.
- On June 14, 2013 – The Board votes to authorize management to execute the final Member Substitution Agreement and the Management Services Agreement.

Member Substitution Agreement

The Member Substitution Agreement, dated June 14, 2013, contains the following major provisions:

- Downey Regional Medical Center, Inc. will resign as the sole member of Downey Regional Medical Center - Hospital, Inc. Downey Regional Medical Center - Hospital, Inc. will issue a membership interest to PIH Health. PIH Health will become the sole member of Downey Regional Medical Center - Hospital, Inc. The current boards of directors of Downey Regional Medical Center - Hospital, Inc., DRMC Properties, Inc., and Memorial Trust Foundation of Downey Regional Medical Center, the Hospital's supporting foundation, shall resign at the closing. PIH Health will elect a new board of directors for Downey Regional Medical Center - Hospital, Inc. who will then elect a new board of directors for DRMC Properties, Inc. and Memorial Trust Foundation of Downey Regional Medical Center. The Hospital's new board shall consist of the PIH Health Board of Directors, together with two independent Downey Service Area community members and two Medical Staff Directors, one of which shall be the Hospital's Chief of Staff who is nominated by the Hospital's Medical Staff.
- All of the assets and liabilities of each of the entities (PIH Health, Downey Regional Medical Center - Hospital, Inc., DRMC Properties, Inc., and Memorial Trust Foundation of Downey Regional Medical Center) shall continue to be owned by the respective entities and each entity will continue operation as it did before the transaction closes.

II. History and Description of the Transaction

- For five years following the closing, the Hospital shall:
 - ▶ Maintain its general acute care hospital license
 - ▶ Continue to operate a basic emergency medical service at the same level as is currently operated
 - ▶ Continue to operate the Hospital as a general acute care hospital in a manner reasonably comparable with its current operation, subject to changes or modifications of current services as may be appropriate to respond to any of the following:
 - Financial condition or performance
 - New state or federal rules or regulations
 - General standards of practice for the delivery of medical, hospital, and health care services
 - Evolving healthcare needs of the community
 - Medical or healthcare science innovation or invention
 - Availability of other health care resources in the communities served by the Hospital, including those offered by Presbyterian Intercommunity Hospital
 - Breach of the transaction documents
- For five years following the closing and subject to changes in federal and California law, the Hospital will continue to provide the three-year average of historical levels of charity care and community benefits.
- For five years following the closing, the Hospital will continue providing essential health services as mandated by the Attorney General, including the emergency department.
- For five years following the transaction closing date, the Hospital will continue and/or institute any other conditions required by the Attorney General.
- For five years immediately following the closing date, PIH Health agrees to the following capital expenditures for the Hospital:
 - ▶ Fund and complete required seismic improvements in an amount not to exceed \$20 million
 - ▶ Update infrastructure, including the cardiac catheterization lab, information technology systems, and power, at an annual cost of approximately \$5 million
 - ▶ Minimum requirements to maintain the Hospital as licensed general acute care hospital
 - ▶ Undertake a campus-wide capital upgrade plan, following a study on budgeting and resources, within the first year of the transaction closing.

II. History and Description of the Transaction

- PIH Health will accrue, meet or satisfy the Hospital's existing financial obligations:
 - ▶ The taxable bonds that total \$21.6 million and the tax-exempt bonds that total \$11 million
 - ▶ MidCap revolving credit line of approximately \$17 million
 - ▶ The Chapter 11 Plan of Reorganization obligations to unsecured and risk-share creditors that total approximately \$14.5 million
 - ▶ Remaining administrative claims from bankruptcy up to \$3.1 million and fees and expenses of the Plan Trustee
 - ▶ Equipment financing up to \$5 million that includes a current balance of \$2 million for long-term leases
 - ▶ Unfunded deferred compensation obligations of \$1.4 million
 - ▶ Information Technology/Outsourcing commitments
- The Hospital will maintain and fulfill all current agreements with health plans, independent physician associations, and other providers in accordance with their current terms.
- The Hospital will recognize and retain the existing medical staff organization, its members, and their respective clinical privileges. Medical staff leadership will continue to serve the remainder of their respective terms of office.
- The Hospital will continue to employ substantially all current employees at compensation rates and benefits that are reasonably comparable and market-competitive to rates and benefits for similarly situated employees within the Hospital's geographic area. The employees will also receive credit for prior employment for the purpose of determining seniority, benefit plans, and accrued but unpaid paid-time-off.

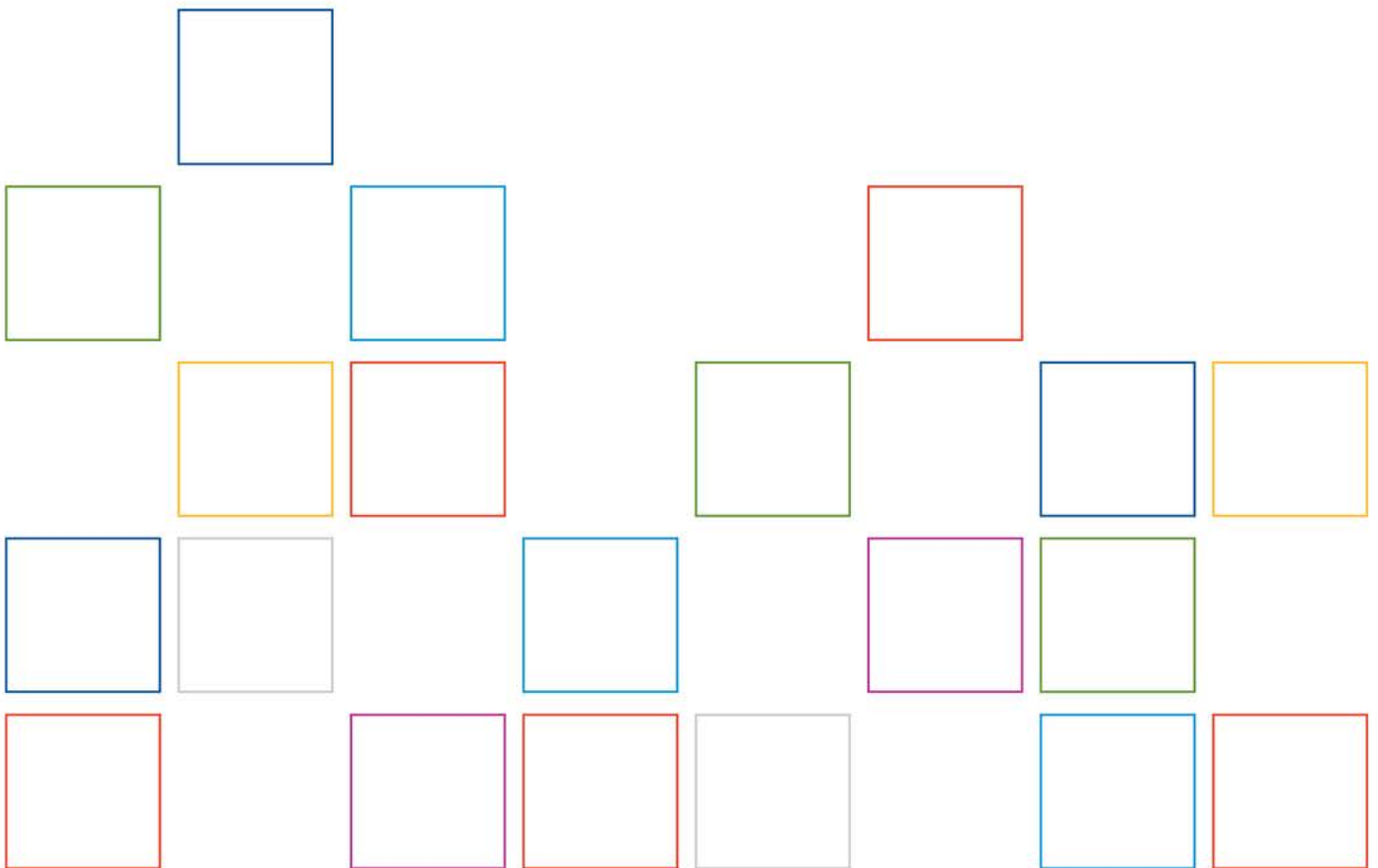
Management Services Agreement

As authorized by the Hospital's Board of Directors on June 14, 2013, Intercommunity Hospital, Inc., an affiliate of PIH Health; Downey Regional Medical Center, Inc.; and Downey Regional Medical Center - Hospital, Inc., entered into a Management Services Agreement, dated June 14, 2013. Under the two-year agreement, Intercommunity Hospital, Inc. will manage the Hospital and provide a \$10 million working capital loan. The Management Services Agreement will automatically terminate upon the closing of the Member Substitution Agreement.

Use of Net Sale Proceeds

It is anticipated that there will be no net sale proceeds after the proposed transaction has been completed.

III. Profile of Downey Regional Medical Center



III. Profile of Downey Regional Medical Center

Overview of the Hospital

The Hospital is a 199-bed general acute care hospital located at 11500 Brookshire Avenue, Downey, California. The Hospital's campus is situated on approximately 12 acres of land that is owned by the city of Downey. Downey Regional Medical Center – Hospital, Inc. owns a nearby parking lot and an undeveloped lot that is currently in escrow. DRMC Properties, Inc. owns a medical office building, an outpatient rehabilitation building, and a general office building.

Key Statistics

Facility type: General Acute Care Hospital

**Downey Regional Medical Center
Licensed Beds
Calendar Year ("CY") 2012**

Bed Type	Downey Regional Medical Center
Medical/Surgical	147
Coronary Care	10
Neonatal Intensive Care	7
Intensive Care	8
Perinatal	20
Pediatrics ⁽¹⁾	7
Total Licensed Beds	199
Emergency Department Stations	22
Operating Rooms	11

Source: Automated Licensing Information and Report Tracking System

Note: DRMC maintains 181 staffed beds.

(1) Pediatric beds are in suspension.

Clients/California Attorney

General/Downey_Regional_Medical_Center/Planning/[DRMC_Analysis.xlsx]Licensed Beds

The Hospital's Emergency Department (ED) is classified as "basic level" with 22 licensed treatment stations. The Hospital has 11 surgical operating rooms and one full-service cardiac catheterization lab.

III. Profile of Downey Regional Medical Center

**Downey Regional Medical Center
Key Statistics
CY 2010 - 2012**

	CY		
	2010	2011	2012
Inpatient Discharges	12,057	11,956	11,475
Licensed Beds	199	199	199
Patient Days	44,335	42,551	41,622
Average Daily Census	121.5	116.6	114
Occupancy	61.0%	58.6%	57.1%
Average Length of Stay	3.7	3.6	3.6
Emergency Department Visits	48,053	50,161	51,990
Admissions Through ED	8,555	8,125	7,650
Cardiac Catheterization Procedures ⁽¹⁾		813	884
Total Surgeries	5,546	4,194	5,334
Total Live Births	1,217	1,279	1,323
Active Physicians on Medical Staff		354	
Current Number of Employees (FTEs) (Productive/Total)		844/1048	

Sources: Automated Licensing Information and Report Tracking System; Downey Regional Medical Center; OSHPD Financial Disclosure Report, 2012
(1) Includes both diagnostic and therapeutic.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Analysis.xlsx]Key Statistics

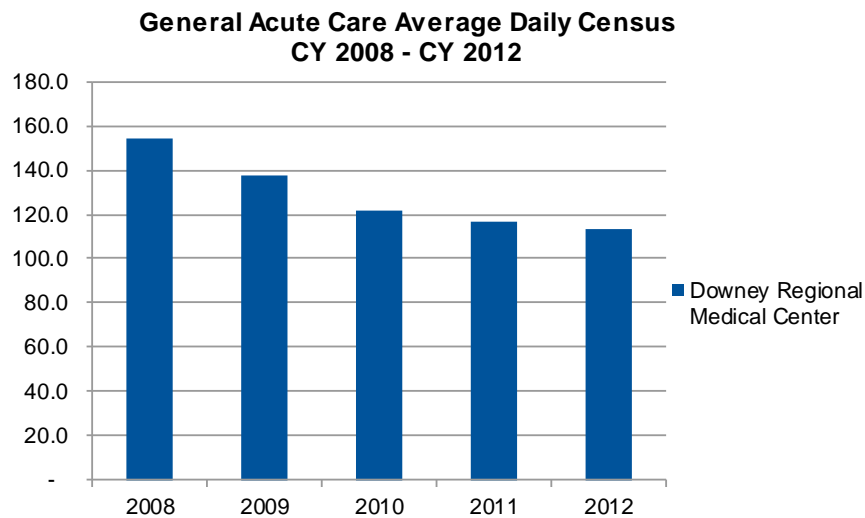
- From CY 2010-2012, inpatient discharges at the Hospital have remained relatively consistent (between 11,500 and 12,000), while the number of patient days has dropped approximately 6% over the same period.
- From CY 2010-2012, the annual ED volume has increased by approximately 3,000 visits.
- From CY 2010-2012, the number of births at the Hospital has increased 8%.
- In CY 2011 and 2012, the Hospital performs over 800 diagnostic cardiac catheterization procedures per year. The Hospital also has an open heart program.

Historical Utilization and Occupancy

The table on the next page illustrates the Hospital's acute care average daily census over the past five years.

- The Hospital's average daily census has continued to decline since 2008.
 - ▶ General acute care occupancy rate has been below 70% (i.e., below 139.3 beds) since 2009.

III. Profile of Downey Regional Medical Center



Source: Automated Licensing Information and Report Tracking System ("ALIRTS")
Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Analysis.xlsx]Patient_Volume

Major Programs and Services

The Hospital offers the following primary, secondary, and limited tertiary level major services:

- Anderson Critical Care Center
 - ▶ Consists of coronary care and intensive care units for patients who need a higher level of care and monitoring than can be provided in a non-critical care setting
- The Family Birth Center
 - ▶ Specialized nurses help to deliver nearly 1,500 babies each year
 - ▶ Labor/Delivery/Recovery Rooms
 - ▶ Mother/Baby Rooms (post-partum)
 - ▶ Expectant Parent Education
- Acute Medical/Surgical Services
 - ▶ Allergy
 - ▶ Cardiology
 - ▶ Dermatology
 - ▶ Endocrinology
 - ▶ Gastroenterology
 - ▶ General Surgery
 - ▶ Family Practice

III. Profile of Downey Regional Medical Center

- ▶ Hematology/Oncology
- ▶ Infectious Disease
- ▶ Neonatology
- ▶ Nephrology
- ▶ Neurology
- ▶ Pathology
- ▶ Pediatrics
- ▶ Podiatry
- ▶ Psychiatry
- ▶ Pulmonary Disease
- ▶ Rheumatology
- ▶ Radiation Oncology
- ▶ Urology
- Surgical Services (outpatient and inpatient)
 - ▶ General Surgery
 - ▶ Hand Surgery
 - ▶ Plastic and Reconstruction Surgery
 - ▶ Orthopedic Surgery
 - ▶ Neurosurgery
 - ▶ Cardiovascular/Thoracic Surgery
 - ▶ Vascular Surgery
 - ▶ Orthopedic Spine Surgery
- Outpatient Rehabilitation Services: physical, hand/occupational, and speech therapy
 - ▶ Exercise equipment includes Cybex and Biodex for isokinetic strengthening and testing, Aquaciser for water therapy, 10-station Universal gym, and stationary and recumbent bicycles
 - ▶ Dysphagia evaluation/treatment, aphasia and apraxia evaluation/treatment, voice therapy, pediatric speech and language delay, and Passy-Muir speaking valve evaluation
- Heart Center and Cardiac Catheterization Laboratories
 - ▶ EKG, Holter monitoring, Echocardiography, several types of stress testing, diagnostic heart catheterization, coronary angioplasty, coronary stenting, rotational atherectomy and open-heart surgery

III. Profile of Downey Regional Medical Center

- ▶ The Cardiology Department also maintains a Vascular Lab, Pacemaker Clinic and Neurology Lab
- Emergency Care Center: 24-hour “basic level” emergency services
- Neonatal Intensive Care: Level II
 - ▶ Designed for newborns with special needs
 - ▶ Sick or premature infants are cared for by nurses and a neonatologist, available 24 hours a day
- Radiology Services
 - ▶ MRI and CT
 - ▶ Digital Mammography
 - ▶ Stereotactic Breast Biopsy
 - ▶ Nuclear Medicine
 - ▶ PET/CT
 - ▶ General diagnostic ultrasound
- Laboratory Services
 - ▶ Disease detection and diagnosis and treatment of existing conditions
 - ▶ Self and directed blood donation
- Health Lifestyle Programs
 - ▶ Freedom from Smoking, Breastfeeding
 - ▶ Seniors Movin’ Better
 - ▶ Health Heart
- Support Groups for: Sarcoidosis, Grief and Loss, and Restless Leg Syndrome
- Osteopathic Center for Well-Being
 - ▶ Osteopathic Manipulative Treatment addressing ailments such as:
 - Sinusitis and Asthma
 - Neck, Back, and Joint pain
 - Sciatica
 - Migraines
 - Carpal Tunnel Syndrome
- End-of-Life Education including Advanced Directives and Physician Order for Life-Sustaining Treatment

III. Profile of Downey Regional Medical Center

Accreditations, Certification, and Achievements

- Hospital Accreditation from DNV Healthcare Inc. for the period August 13, 2012 to August 13, 2015
- Accreditation by the American College of Radiology for Breast Ultrasound, expiring on February 23, 2015
- 2008 Medal of Honor for Organ Donation
- 5-Star Healthgrades (online resource that reports hospital quality in the United States and recognizes top performing hospitals that are providing best outcomes for their patients) clinical quality in:
 - ▶ Gynecologic Surgery
 - ▶ Maternity Care
 - ▶ Back and Neck Surgery (except spinal fusion)
 - ▶ Hip Fracture Treatment
 - ▶ Hip Replacement
 - ▶ Total Knee Replacement
 - ▶ Prostatectomy
 - ▶ Chronic Obstructive

Seismic Issues

In accordance with Senate Bill 1953, all California hospital buildings in service prior to January 1, 2000, have been evaluated based on their expected seismic performance and rated with both a Structural Performance Category (SPC) rating and a Nonstructural Performance Category (NPC) rating between one and five, with one being the least compliant. SPC ratings relate to the actual building frame, and NPC ratings pertain to the seismic compliance of electrical, mechanical, plumbing and fire protection systems. If the structures have been designated SPC-2 or better, no structural modifications are required until January 1, 2030.

According to the Office of Statewide Health Planning and Development (OSHPD), the Hospital has two buildings that have an SPC-1 rating: the original nursing tower and the conference room addition. The Hospital is currently making the voluntary seismic improvements in order to obtain the SPC-2 rating for the original nursing tower. With an SPC-2 rating, the original nursing tower can continue to be utilized for overnight inpatient care through December 31, 2029. The conference room will be demolished. A new one will be constructed in about the same location.

III. Profile of Downey Regional Medical Center

Hospital Utilization Trends

The following table shows patient volume trends at the Hospital for CY 2008-2012.

**Downey Regional Medical Center
Patient Volume
CY 2008 - 2012**

	CY				
	2008	2009	2010	2011	2012
Patient Days					
Medical/Surgical	45,771	39,930	35,227	33,524	32,091
ICU/CCU	5,761	5,520	5,201	5,120	5,284
Perinatal	3,519	3,206	2,633	2,729	2,893
Neonatal Intensive Care	1,542	1,462	1,274	1,178	1,354
Total	56,593	50,118	44,335	42,551	41,622
Discharges					
Medical/Surgical	11,265	11,243	10,156	10,005	9,484
ICU/CCU	338	407	340	345	367
Perinatal	1,773	1,621	1,329	1,369	1,415
Neonatal Intensive Care	271	268	232	237	209
Total	13,647	13,539	12,057	11,956	11,475
Average Length-of-Stay					
Medical/Surgical	4.1	3.6	3.5	3.4	3.4
ICU/CCU	17.0	13.6	15.3	14.8	14.4
Perinatal	2.0	2.0	2.0	2.0	2.0
Neonatal Intensive Care	5.7	5.5	5.5	5.0	6.5
Total	4.1	3.7	3.7	3.6	3.6
Average Daily Census					
Medical/Surgical	125.1	109.4	96.5	91.8	87.7
ICU/CCU	15.7	15.1	14.2	14.0	14.4
Perinatal	9.6	8.8	7.2	7.5	7.9
Neonatal Intensive Care	4.2	4.0	3.5	3.2	3.7
Total	154.6	137.3	121.5	116.6	113.7
Overall Occupancy (Total Licensed Beds)	77.7% 199	69.0% 199	61.0% 199	58.6% 199	57.1% 199
Other Services					
Inpatient Surgeries	3,568	3,762	3,099	2,007	2,109
Outpatient Surgeries	3,260	2,626	2,447	2,187	3,225
Total Surgeries	6,828	6,388	5,546	4,194	5,334
Emergency Visits	47,959	53,013	48,053	50,161	51,990
Emergency Visits Resulting in an Admission	18.2%	17.2%	17.8%	16.2%	14.7%
Emergency Admissions/Total Admissions	63.9%	67.5%	71.0%	68.0%	66.7%
Cardiac Cath Procedures ⁽¹⁾	1,258	781	635	813	884
Obstetric Deliveries	1,646	1,491	1,217	1,279	1,323

Source: Automated Licensing Information and Report Tracking System and Downey Regional Medical Center

(1) DRMC went from 2 to 1 functioning cath lab in 2009.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Analysis.xlsx]Patient_Volume

III. Profile of Downey Regional Medical Center

- Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an ED. Based upon this benchmark, the Hospital's ED operated at 118.2% capacity in 2012 (51,990 visits vs. 44,000 "capacity").
 - ▶ The number of the Hospital's ED visits has increased by 8.4% over the last five years and peaked in 2009 with 53,013 annual visits.
- The Hospital's ED is serving patients who present with "severe" health needs and provides a majority of the Hospital's inpatient admissions.
 - ▶ 23.2% of ED visits in CY 2012 were for "minor" or "low/moderate" needs while 18.0% were "severe with threat."
 - ▶ Consistent with industry standards of 15-25%, approximately 15.0% of ED patients were admitted to the Hospital in CY 2012.
 - ▶ Approximately 66.7% of the Hospital's admissions emanated from the ED. Thus, the ED is a key driver of admissions.
- Since 2007, the Hospital has experienced declines in its inpatient volume. Since 2009, the Hospital's inpatient volume has declined by 15.2%. In 2009, the Hospital reduced the number of fully functioning cardiac catheterization laboratories from 2 to 1.
- Between 2007 and 2010, the Hospital was operating between 61% and 77% capacity. In 2011, it declined to 59%.
 - ▶ In CY 2012 Medical/Surgical and Intensive Care Unit/Coronary Care Unit beds were running the highest capacity (59.6% and 80.2%, respectively).
 - ▶ Between CY 2007 – CY 2012, deliveries decreased by 20%.
- Surgery volume dropped steadily between 2007 and 2012, totaling a 22% decrease in overall surgery volume.
 - ▶ Outpatient surgeries increased from 2011 to 2012 by 47.5%.

III. Profile of Downey Regional Medical Center

The Hospital has over 350 physicians on the medical staff, with a large number of specialties represented.

**Downey Regional Medical Center
Medical Staff Profile
Fiscal Year ("FY") 2011 - 2012**

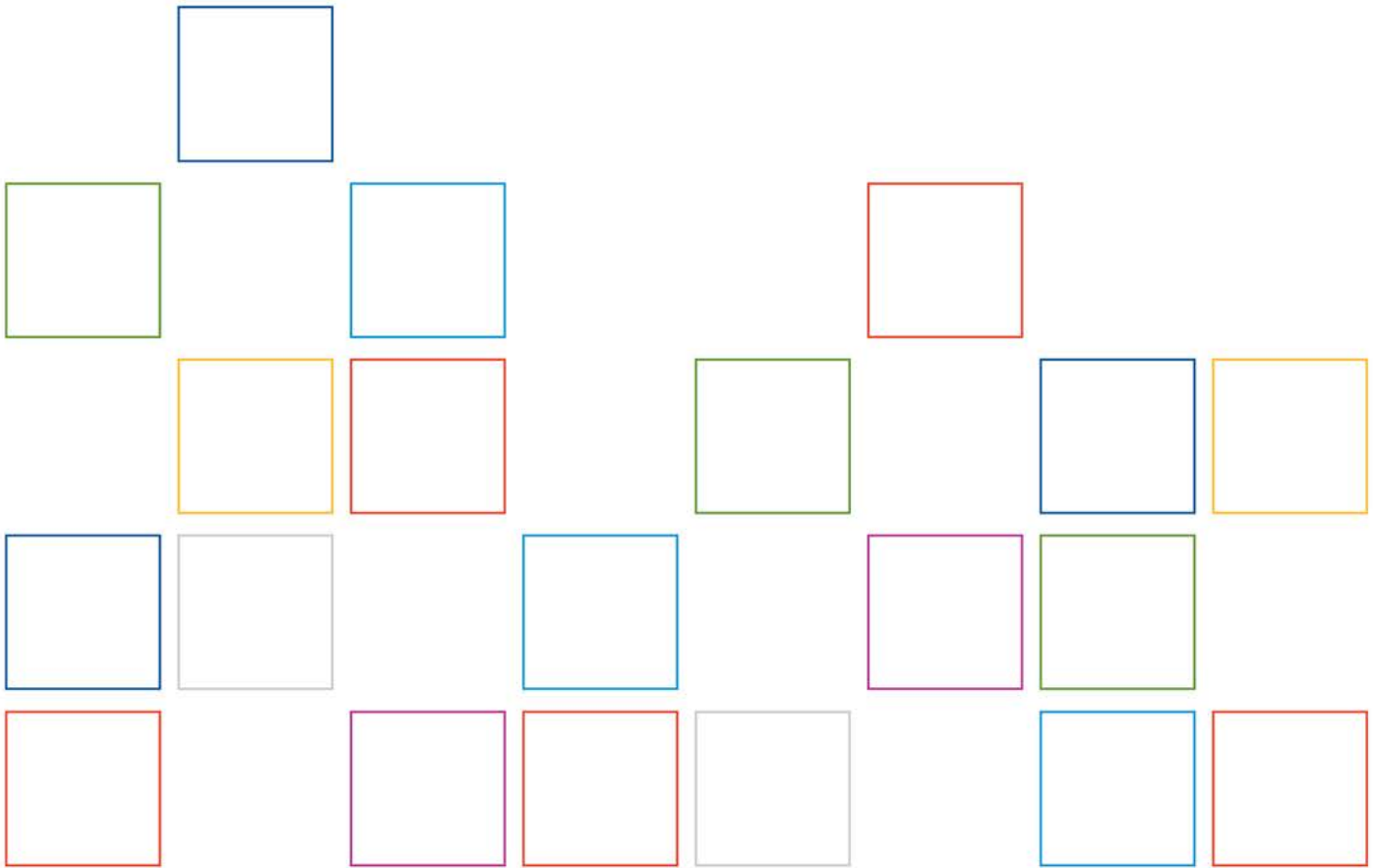
Specialty	Board Certified	
	2011	2012*
Primary Care		
General/Family Practice	52	52
Internal Medicine	62	62
Obstetrics & Gynecology	10	10
Pediatrics	21	21
<i>Primary Care Subtotal</i>	<u>145</u>	<u>145</u>
Medical		
Allergy & Immunology	1	1
Cardiovascular Diseases	27	27
Dermatology	4	4
Gastroenterology	13	13
Neurology	6	6
Oncology	9	9
Pediatric - Cardiology	7	7
Physical Medicine/Rehabilitation	1	1
Podiatry	8	8
Psychiatry	2	2
Pulmonary Disease	12	12
<i>Medical Subtotal</i>	<u>90</u>	<u>90</u>
Surgical		
General Surgery	2	2
Neurological Surgery	3	3
Ophthalmology	10	10
Orthopedic Surgery	11	11
Otolaryngology	3	3
Plastic Surgery	4	4
Thoracic Surgery	3	3
Urology	10	10
Vascular Surgery	3	3
<i>Surgical Subtotal</i>	<u>49</u>	<u>49</u>
Hospital-based		
Anesthesiology	17	12
Pathology	2	2
Radiology	6	6
<i>Hospital-based Subtotal</i>	<u>25</u>	<u>20</u>
Other	70	70
Total	<u>379</u>	<u>374</u>

Source: OSHPD Financial Disclosure Report, 2012

Note: FY ends June 30.

* Unaudited

IV. Downey Regional Medical Center's Service Area Analysis



IV. The Hospital's Service Area Analysis

Definition of the Hospital's Service Area

The table below shows that 19 ZIP Codes comprise the Hospital's service area. The 19 ZIP Codes account for 82.2% of the Hospital's inpatient discharges in CY 2011. The top seven ZIP Codes account for 58.5% of inpatient discharges. The Hospital's market share in the service area was 9.9% in 2011.

**Downey Regional Medical Center
Patient Origin
CY 2011**

ZIP Code	Community	Market Share	Discharges	Percent of Total	Cumulative Percent
90241	Downey	37.3%	1,679	14.1%	14.1%
90650	Norwalk	9.9%	1,216	10.2%	24.2%
90280	South Gate	13.6%	1,071	9.0%	33.2%
90242	Downey	24.2%	1,022	8.6%	41.7%
90201	Bell	8.4%	692	5.8%	47.5%
90202	Bell Gardens	83.2%	685	5.7%	53.3%
90240	Downey	27.3%	628	5.3%	58.5%
90706	Bellflower	6.3%	491	4.1%	62.6%
90262	Lynwood	5.7%	401	3.4%	66.0%
90723	Paramount	7.4%	393	3.3%	69.3%
90255	Huntington Park	5.3%	371	3.1%	72.4%
90660	Pico Rivera	4.0%	286	2.4%	74.8%
90270	Maywood	6.5%	177	1.5%	76.3%
90001	Los Angeles	2.5%	158	1.3%	77.6%
90221	Compton	2.1%	123	1.0%	78.6%
90670	Santa Fe Springs	7.3%	119	1.0%	79.6%
90040	Los Angeles	8.6%	112	0.9%	80.5%
90703	Cerritos	2.5%	107	0.9%	81.4%
90701	Artesia	4.0%	85	0.7%	82.2%
<i>Subtotal</i>			<u>9,816</u>	<u>82.2%</u>	
All Other			2,132	17.8%	100.0%
TOTAL			<u>11,948</u>	<u>100.0%</u>	

Source: OSHPD Inpatient Database, 2011 and Claritas, Inc.

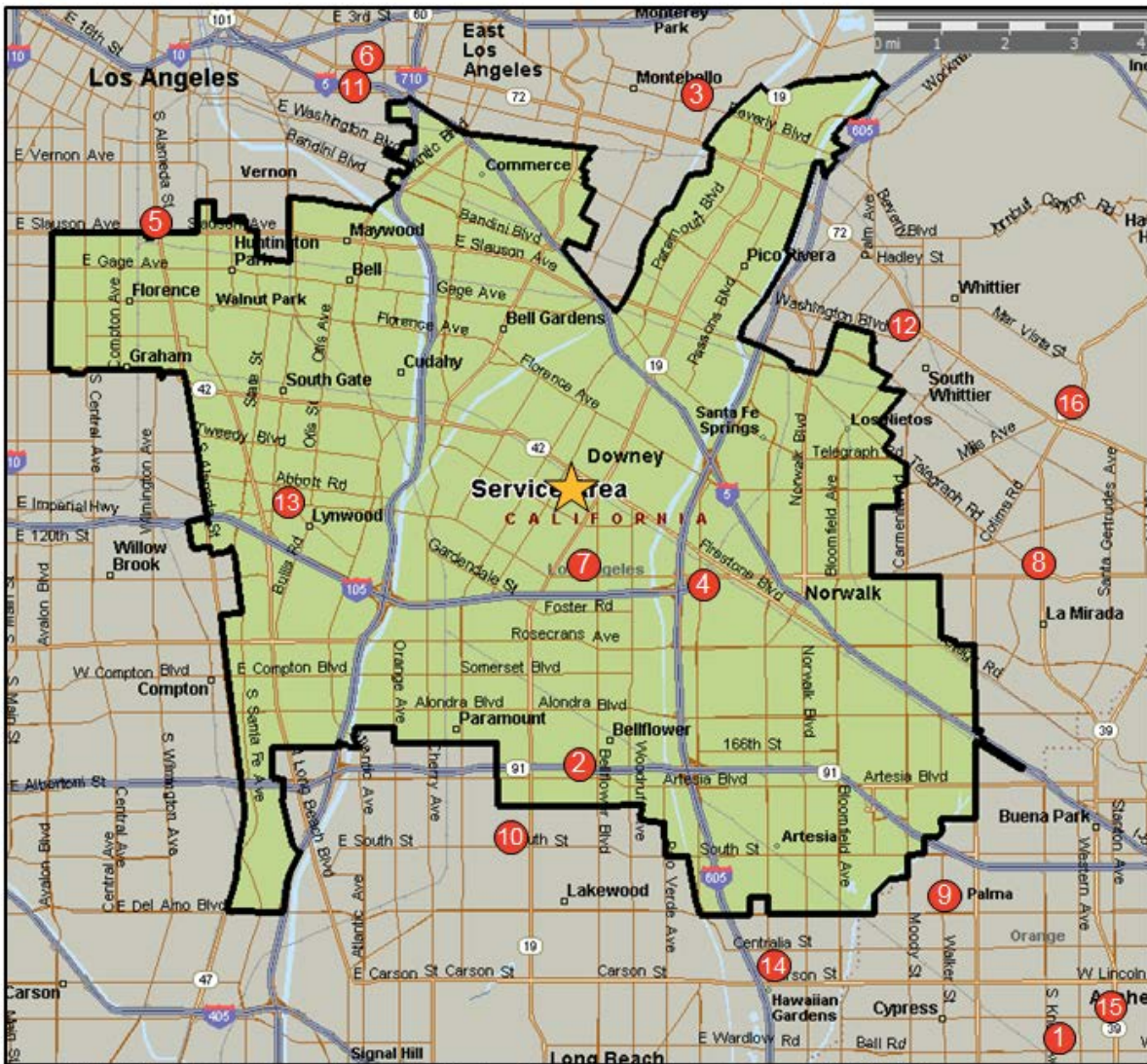
Note: Excludes normal new borns (MS-DRG 795); includes all types of care.

*90202 is a P.O. Box ZIP Code.




Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Pt_Origin.xlsx]Patient Origin Table

IV. The Hospital's Service Area Analysis

Service Area Map



Source: OSHPD Inpatient Database, 2011 and The Camden Group; excludes normal newborns (MS-DRG 795).

	Downey Regional Medical Center	Area Hospitals. cont.:
	Service Area	8. Kindred Hospital – La Mirada
	Area Hospitals:	9. La Palma Intercommunity Hospital
1.	Anaheim General Hospital ⁽¹⁾	10. Lakewood Regional Medical Center
2.	Bellflower Medical Center ⁽¹⁾	11. Los Angeles Community Hospital
3.	Beverly Hospital	12. Presbyterian Intercommunity Hospital
4.	Coast Plaza Hospital	13. St. Francis Medical Center
5.	Community Hospital of Huntington Park	14. Tri-City Regional Medical Center
6.	East Los Angeles Doctor's Hospital	15. West Anaheim Medical Center
7.	Kaiser Permanente- Downey	16. Whittier Hospital Medical Center

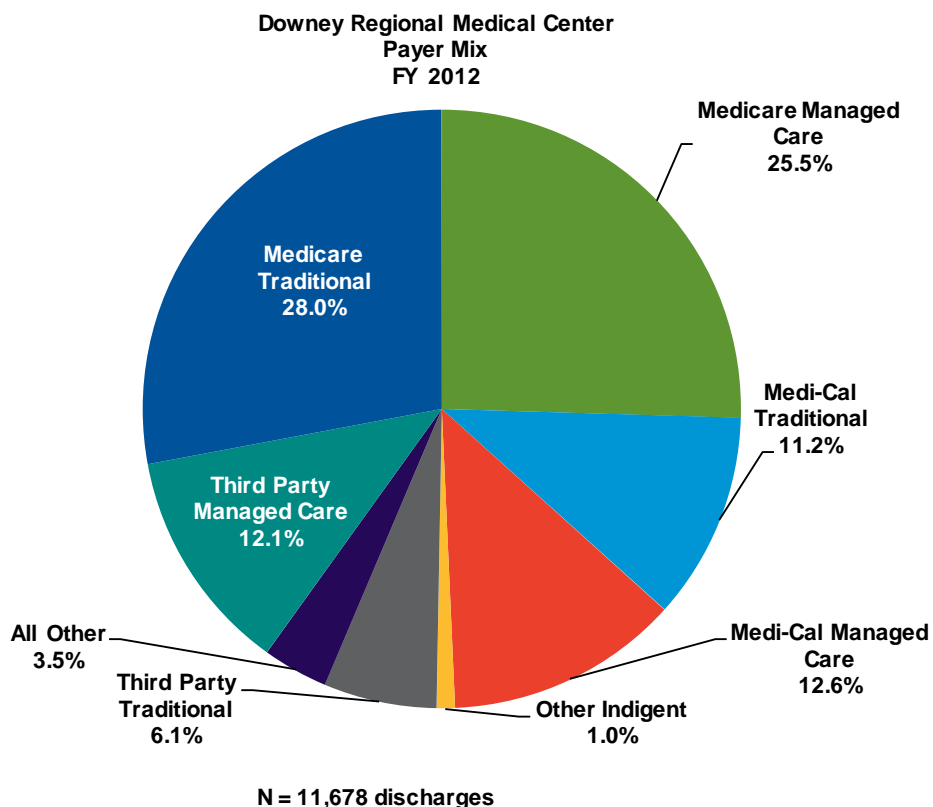
(1) Closed in April 2013.

IV. The Hospital's Service Area Analysis

The above map and chart reflect the number of communities served by the Hospital. Approximately 993,000 people live within the Hospital's service area. There are currently four hospitals located within the Hospital's service area: St. Francis Medical Center, Kaiser Permanente-Downey, Coast Plaza Hospital, and the Hospital. Although in the Hospital's service area, Bellflower Medical Center was closed in April 2013.

Payer Mix

The Hospital's inpatient discharge payer mix is comprised mostly of Medicare Managed Care and Medicare Traditional (i.e., Fee-For-Service) volume. Medicare Managed Care and Medicare Traditional (i.e., Fee-For-Service) accounted for 53.5% of the 2012 inpatient discharges. Medi-Cal Traditional and Medi-Cal Managed Care accounted for 23.8% of the 2012 inpatient discharges. Medi-Cal and Medicare accounted for a combined total of 78.3%.



Source: OSHPD Financial Disclosure Report, 2012

Note: Fiscal Year ends June 30.

All Other Payers includes county indigent, self-pay, worker's compensation, other government, and other payer.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Analysis.xlsx]Payer Mix

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center Service Area Medi-Cal Eligibility CY 2011

ZIP Code	Community	Medi-Cal Eligibles	Population	Percent of Total
90241	Downey	8,730	43,810	19.9%
90650	Norwalk	27,715	106,468	26.0%
90280	South Gate	32,425	96,182	33.7%
90242	Downey	9,764	43,702	22.3%
90201	Bell	42,338	100,410	42.2%
90240	Downey	3,907	25,508	15.3%
90706	Bellflower	20,228	78,134	25.9%
90262	Lynwood	27,905	68,789	40.6%
90723	Paramount	19,654	54,534	36.0%
90255	Huntington Park	29,880	76,677	39.0%
90660	Pico Rivera	15,150	63,114	24.0%
90270	Maywood	10,751	26,965	39.9%
90001	Los Angeles	30,279	57,575	52.6%
90221	Compton	31,438	54,932	57.2%
90670	Santa Fe Springs	2,733	15,228	17.9%
90040	Los Angeles	3,693	14,251	25.9%
90703	Cerritos	3,993	49,367	8.1%
90701	Artesia	3,680	16,619	22.1%
TOTAL		324,281	992,265	32.7%

Source: California Department of Health Care Services, and Claritas, Inc.

*90202 is a P.O. Box ZIP Code and is therefore excluded from this analysis.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Pt_Origin.xlsx]Patient Origin Table

The Hospital provides care to a significantly underserved region in Los Angeles County and was a Medi-Cal-contracted hospital. While Medi-Cal represents about 23.8% of the Hospital's average patient daily census, 32.7% of the population in the Hospital's service area is eligible for Medi-Cal. On January 1, 2014, these persons eligible for Medi-Cal will qualify for health insurance through state-regulated healthcare exchanges, from which individuals may purchase health insurance made available by federal subsidies under the Patient Protection and Affordable Care Act (Affordable Care Act). The percentage of persons eligible for Medi-Cal for ZIP Codes within the Hospital's service area ranges from 8.1 to 57.2%. In the three Downey ZIP Codes, there are an additional 22,401 persons eligible for Medi-Cal. The number and percentage of patients eligible for Medi-Cal is expected to grow as a result of the Affordable Care Act and California's decision to expand the Medi-Cal program.

IV. The Hospital's Service Area Analysis

The following table compares the Hospital's inpatient discharge payer mix to the payer mixes for Los Angeles County and the state of California for 2012. The Hospital has a lower percentage of Medi-Cal Traditional and a higher Medi-Cal Managed Care amount relative to Los Angeles County and the state of California. The Hospital has a significantly higher percentage of Medicare Traditional and a higher Medicare Managed Care amount relative to Los Angeles County and the state of California. The Hospital has a significantly lower percentage of Third-Party Managed Care and a slightly higher percentage of Third-Party Traditional relative to Los Angeles County and the state of California. In combination, these data points demonstrate the important role the Hospital serves in caring for service area residents covered by governmental payers.

**Downey Regional Medical Center
Payer Mix Comparison
FY 2012**

Payer	DRMC ⁽¹⁾		Los Angeles County ⁽²⁾		California ⁽²⁾	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Managed Care	1,475	12.6%	120,079	11.6%	374,501	10.8%
Medi-Cal Traditional	1,308	11.2%	169,210	16.3%	470,985	13.6%
<i>Medi-Cal Subtotal</i>	<i>2,783</i>	<i>23.8%</i>	<i>289,289</i>	<i>27.9%</i>	<i>845,486</i>	<i>24.5%</i>
Medicare Managed Care	2,974	25.5%	114,476	11.0%	391,667	11.3%
Medicare Traditional	3,266	28.0%	259,513	25.0%	884,900	25.6%
<i>Medicare Subtotal</i>	<i>6,240</i>	<i>53.4%</i>	<i>373,989</i>	<i>36.0%</i>	<i>1,276,567</i>	<i>36.9%</i>
Third Party Managed Care	1,414	12.1%	243,093	23.4%	891,128	25.8%
<i>Third Party Managed Care Subtotal</i>	<i>1,414</i>	<i>12.1%</i>	<i>243,093</i>	<i>23.4%</i>	<i>891,128</i>	<i>25.8%</i>
Third Party Traditional	713	6.1%	46,924	4.5%	168,624	4.9%
Other Payers	413	3.5%	42,621	4.1%	119,073	3.4%
Other Indigent	115	1.0%	11,411	1.1%	53,827	1.6%
County Indigent	-	0.0%	30,242	2.9%	103,143	3.0%
<i>Other Subtotal</i>	<i>1,241</i>	<i>10.6%</i>	<i>131,198</i>	<i>12.6%</i>	<i>444,667</i>	<i>12.9%</i>
Total	11,678	100.0%	1,037,569	100.0%	3,457,848	100.0%

Source: OSHPD Quarterly Reports, 2012; OSHPD Financial Disclosure Report, 2012

Note: Fiscal Year ends June 30.

(1) OSHPD Financial Disclosure Report

(2) OSHPD Quarterly Report

Note: Excludes normal new borns (MS-DRG 795).

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/(DRMC_Analysis.xlsx)Payer Mix (2)

IV. The Hospital's Service Area Analysis

Service Area Population and Demographic Profile

The total population in the Hospital's service area is expected to grow 2.2% over the next five years. The fastest growth is expected to occur in the "65 years and over" age cohort (15.7%). The population in the service area is younger than the state of California and is expected to reach a median age of 33 by 2018. The number of women of child-bearing age is expected to decrease by 2.1% over the next five years.

Downey Regional Medical Center
Service Area versus the State of California - Population by Age Cohort
CY 2013 and 2018

Age Cohort (Years)	CAGR ⁽¹⁾	Estimated 2013		Projected 2018		Percent Change 2013 - 2018
		Number	Percent of Total	Number	Percent of Total	
Service Area						
0 - 14	-0.1%	236,210	23.8%	235,300	23.2%	-0.4%
15 - 44	-0.4%	449,678	45.3%	441,481	43.5%	-1.8%
45 - 64	1.5%	216,640	21.8%	233,733	23.0%	7.9%
65 +	3.0%	89,737	9.0%	103,815	10.2%	15.7%
Total	0.4%	992,265	100.0%	1,014,329	100.0%	2.2%
Women 15 - 44	-0.4%	224,209	22.6%	219,511	21.6%	-2.1%
Median Age	1.0%		31.6		33.2	5.1%
California						
0 - 14	0.6%	7,723,833	20.2%	7,967,126	20.0%	3.1%
15 - 44	0.1%	16,168,924	42.3%	16,261,445	40.8%	0.6%
45 - 64	1.0%	9,666,754	25.3%	10,158,608	25.5%	5.1%
65 +	3.3%	4,640,320	12.1%	5,449,584	13.7%	17.4%
Total	0.8%	38,199,831	100.0%	39,836,763	100.0%	4.3%
Women 15 - 44	0.0%	7,901,632	20.7%	7,918,572	19.9%	0.2%
Median Age	0.6%		35.8		36.9	3.1%

Source: Claritas, Inc.

(1) CAGR is the compound annual growth rate, or the percent change in each year

The service area's households are less affluent than households in both Los Angeles County and the state of California. The service area's median household income is \$46,435, compared to Los Angeles County at \$53,880 and the state of California at \$58,724. Households earning over \$100,000 per year are expected to grow 5.2% over the next five years and will represent a projected 15.2% of total households in 2018.

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center
Service Area versus Los Angeles County and the State of California - Socioeconomic Profile
CY 2013 and 2018

Socioeconomic Indicator	CAGR ⁽¹⁾	Estimated 2013	Projected 2018	Percent Change 2013 - 2018
Service Area				
Population	0.4%	992,265	1,014,329	2.2%
Households	0.5%	257,358	263,497	2.4%
Average Household Size	-0.1%	3.8	3.8	-0.3%
Median Household Income	0.2%	\$46,435	\$46,841	0.9%
Average Household Income	0.2%	\$59,222	\$59,889	1.1%
Income Distribution				
Under \$25,000	0.2%	25.7%	25.4%	1.0%
\$25,000 - \$49,999	0.4%	28.2%	28.0%	2.0%
\$50,000 - \$99,999	0.5%	31.4%	31.4%	2.5%
\$100,000 +	1.0%	14.8%	15.2%	5.2%
Los Angeles County				
Population	0.6%	9,969,384	10,271,386	3.0%
Households	0.6%	3,293,054	3,398,794	3.2%
Average Household Size	-0.1%	3.0	3.0	-0.3%
Median Household Income	0.3%	\$53,880	\$54,740	1.6%
Average Household Income	0.4%	\$78,598	\$79,993	1.8%
Income Distribution				
Under \$25,000	0.3%	24.0%	6.0%	1.5%
\$25,000 - \$49,999	0.5%	23.3%	5.8%	2.4%
\$50,000 - \$99,999	0.6%	29.2%	7.4%	2.9%
\$100,000 +	1.2%	23.5%	6.1%	6.1%
California				
Population	0.8%	38,199,831	39,836,763	4.3%
Households	0.9%	12,883,977	13,444,972	4.4%
Average Household Size	0.0%	2.9	2.9	0.0%
Median Household Income	0.4%	\$58,724	\$59,907	2.0%
Average Household Income	0.6%	\$83,188	\$85,889	3.2%
Income Distribution				
Under \$25,000	0.5%	21.5%	21.1%	2.3%
\$25,000 - \$49,999	0.6%	22.4%	22.1%	3.0%
\$50,000 - \$99,999	0.6%	29.8%	29.5%	3.1%
\$100,000 +	1.7%	26.3%	27.3%	8.6%

Source: Claritas, Inc.

(1) CAGR is the compound annual growth rate, or the percent change in each year

IV. The Hospital's Service Area Analysis

In CY 2013, the largest population cohort in the Hospital's service area is Hispanic (79.1%). The Hispanic population is also the fastest growing ethnic cohort in the service area.

Downey Regional Medical Center
Service Area versus the State of California - Ethnic Profile
CY 2013 and 2018

Ethnicity	CAGR ⁽¹⁾	Projected 2013		Projected 2018	
		Number	Percent of Total	Number	Percent of Total
Service Area					
Hispanics	0.8%	784,449	79.1%	815,821	80.4%
Non-Hispanics					
White	-2.8%	70,287	7.1%	60,960	6.0%
Black	-0.8%	52,683	5.3%	50,522	5.0%
American Indian/Alaskan/Aleutian	-3.1%	1,550	0.2%	1,323	0.1%
Asian/Hawaiian/Pacific Islander	0.7%	74,432	7.5%	77,123	7.6%
Other	-0.6%	8,864	0.9%	8,580	0.8%
<i>Total Non-Hispanics</i>	-0.9%	<u>207,816</u>	<u>20.9%</u>	<u>198,508</u>	<u>19.6%</u>
TOTAL	0.4%	<u>992,265</u>	<u>100.0%</u>	<u>1,014,329</u>	<u>100.0%</u>
California					
Hispanics	1.7%	14,848,498	38.9%	16,188,844	40.6%
Non-Hispanics					
White	-0.4%	14,724,160	38.5%	14,448,357	36.3%
Black	0.0%	2,156,173	5.6%	2,151,524	5.4%
American Indian/Alaskan/Aleutian	-1.5%	156,074	0.4%	145,031	0.4%
Asian/Hawaiian/Pacific Islander	2.0%	5,237,011	13.7%	5,789,519	14.5%
Other	0.7%	1,077,915	2.8%	1,113,488	2.8%
<i>Total Non-Hispanics</i>	0.3%	<u>23,351,333</u>	<u>61.1%</u>	<u>23,647,919</u>	<u>59.4%</u>
TOTAL	0.8%	<u>38,199,831</u>	<u>100.0%</u>	<u>39,836,763</u>	<u>100.0%</u>

Source: Claritas, Inc.

(1) CAGR is the compound annual growth rate, or the percent change in each year

Selected Health Indicators

Overall, health indicators in Los Angeles County are comparable to the state of California. A review of health indicators for Los Angeles County (deaths, diseases, and births) in the below charts shows that natality statistics in Los Angeles County are approximately the same as the state of California and below the National Goal.

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center Health Status Indicators - Los Angeles County and the State of California Averages for 2008 to 2011

Health Status Indicator	Year of Data	Los Angeles County	State of California	National Goal ⁽¹⁾
Low birth weight infants	2009 - 2011 Average	7.2%	6.8%	7.8%
Prenatal care begun during the first trimester of pregnancy	2009 - 2011 Average	85.9%	83.3%	77.9%
Infant mortality rate (per 1,000 births)	2008 - 2010 Average	5.1	5.0	6.0

Source: County Health Status Profiles, 2013

(1) Health People 2020 National Objective

Los Angeles County has higher morbidity rates than the state of California rate. The rate of incidence for all four below indicators is higher in Los Angeles County than the state of California.

Downey Regional Medical Center Morbidity Health Status Indicators - Los Angeles County and the State of California Averages for 2009 to 2011

Selected Cause	Crude Case Rate		
	Los Angeles County	California	National Goal ⁽¹⁾
AIDS	14.0	9.7	13.0
Chlamydia	492.1	417.6	n/a
Gonorrhea	152.9	125.9	257.0
Tuberculosis	7.4	6.4	1.0

Source: County Health Status Profiles, 2013

(1) Health People 2020 National Objective

IV. The Hospital's Service Area Analysis

As shown in the table below, the overall age-adjusted mortality rate for Los Angeles County is lower than the state of California rate. Los Angeles County's rates for ten causes are lower than or equal to the state of California rate and worse for seven causes.

Downey Regional Medical Center
Mortality Health Status Indicators - Los Angeles County and the State of California
Averages for 2009 to 2011

Health Status Indicator	Los Angeles County		Age-adjusted Death Rate	
	Crude Death Rate	Age-adjusted Death Rate	California	National Goal ⁽¹⁾
Rate per 100,000				
All Causes	584.2	629.1	654.9	n/a
All Cancers	141.5	153.1	156.4	160.6
Colorectal Cancer	13.8	14.9	14.7	14.5
Lung Cancer	29.9	33.0	36.5	45.5
Female Breast Cancer	22.9	21.9	21.3	20.6
Prostate Cancer	15.7	21.7	21.9	21.2
Diabetes	20.5	22.3	20.2	n/a
Alzheimer's Disease	22.8	24.9	30.5	n/a
Coronary Heart Disease	129.1	139.5	122.4	100.8
Cerebrovascular Disease (Stroke)	33.4	36.5	38.1	33.8
Influenza/Pneumonia	20.8	22.9	17.3	n/a
Chronic Lower Respiratory Disease	30.0	33.4	37.5	n/a
Chronic Liver and Cirrhosis	12.4	12.6	11.4	8.2
Motor Vehicle Traffic Crashes	6.3	6.2	7.5	12.4
Suicide	7.9	7.8	10.2	10.2
Homicide	6.7	6.4	5.2	5.5
Firearm-related Deaths	8.1	7.8	7.8	9.2
Drug-induced Deaths	7.2	7.0	10.9	11.3

Source: County Health Status Profiles, 2013

(1) Health People 2020 National Objective

IV. The Hospital's Service Area Analysis

Hospital Supply, Demand, and Market Share

As shown in the tables below, there are currently four hospitals located with the Hospital's service area: St. Francis Medical Center, Kaiser Permanente-Downey, Coast Plaza Hospital, and the Hospital. Although in the Hospital's service area, Bellflower Medical Center was closed in April 2013. These four hospitals are within five miles of the Hospital and have a combined total of 1,052 licensed beds and an aggregate occupancy rate of 57.7%. The level of occupancy rates varies among them. St. Francis Medical Center is running at the highest occupancy level (69.5%), whereas the Hospital's occupancy level is 57.9%. The Hospital's licensed-bed capacity (199 beds) represents 18.9% of the area beds.

Downey Regional Medical Center
Area Hospital Discharges
FY 2012

Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges ⁽¹⁾	Patient Days	Occupied Beds	Percent Occupied	Miles from DRMC
Service Area Hospitals									
Downey Regional Medical Center	Downey Regional Medical Center	Downey	X	199	11,678	42,198	115.3	57.9%	-
Coast Plaza Hospital ⁽²⁾	Avanti Hospitals, LLC	Norwalk	X	117	1,466	5,245	14.4	12.3%	3.0
Kaiser Permanente - Downey	Kaiser Foundation Hospitals	Downey	X	352	21,328	76,947	210.2	59.7%	2.0
St. Francis Medical Center	Daughters of Charity	Lynwood	X	384	19,383	97,682	266.9	69.5%	4.9
<i>Subtotal</i>				<u>1,052</u>	<u>53,855</u>	<u>222,072</u>	<u>606.8</u>	<u>57.7%</u>	
Other Area Hospitals									
Beverly Hospital ⁽²⁾	Beverly Community Hospital Association	Montebello		214	8,164	33,132	90.8	42.4%	7.5
Community Hospital of Huntington Park ⁽²⁾	Karykeion	Huntington Park		108	3,883	11,429	31.3	29.0%	7.6
East Los Angeles Doctor's Hospital ⁽²⁾	HealthPlus	Los Angeles		127	4,407	28,330	77.6	61.1%	8.9
Kindred Hospital - La Mirada ⁽²⁾	Kindred Healthcare, Inc.	La Mirada		248	2,277	59,738	163.7	66.0%	7.5
La Palma Intercommunity Hospital ⁽²⁾	Prime Healthcare Services, Inc.	La Palma		141	3,602	16,899	46.3	32.8%	10.8
Lakewood Regional Medical Center ⁽²⁾	Tenet Healthcare Corporation	Lakewood		172	8,044	36,973	101.3	58.9%	5.8
Los Angeles Community Hospital	Alta Hospitals System, LLC	Los Angeles		180	7,916	56,320	153.9	85.5%	8.9
Presbyterian Intercommunity Hospital	InterHealth Corp.	Whittier		548	18,042	82,888	226.5	41.3%	7.4
Tri-City Regional Medical Center ⁽²⁾	Tri-City Regional Medical Center	Hawaiian Gardens		107	3,323	15,329	42.0	39.2%	9.2
West Anaheim Medical Center ⁽²⁾	Prime Healthcare Services, Inc.	Anaheim		197	6,000	33,120	90.7	46.1%	14.3
Whittier Hospital Medical Center	Whittier Hospital Medical Center	Whittier		178	7,564	33,383	91.2	51.2%	8.6
Total				<u>3,272</u>	<u>127,077</u>	<u>629,613</u>	<u>1,720.3</u>	<u>52.6%</u>	

Source: OSHPD Financial Disclosure Reports, 2011 - 2012

Note: FY 2012 Reports are unaudited.

(1) Excludes normal new births (MS-DRG 795)

(2) OSHPD Financial Disclosure Report from FY 2011 was used due to unavailability of FY 2012 report.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/DRMC_Analysis.xlsx/Area_Hospital

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center
Service Area Comparative Listing of Major Services
2012

Major Services	Downey Regional Medical Center	Bellflower Medical Center ⁽¹⁾	Lakewood Regional Medical Center	Presbyterian Intercommunity Hospital	Whittier Hospital Medical Center
Staffed Beds	181	117	157	444	100
Ablation of Barrett's esophagus	Yes	No	No	No	No
Adult cardiac electrophysiology	Yes	No	Yes	Yes	No
Adult cardiac surgery	Yes	No	Yes	Yes	No
Adult cardiology services	Yes	No	Yes	Yes	Yes
Adult interventional cardiac catheterization	Yes	No	Yes	Yes	No
Airborne infection isolation room	Yes	Yes	Yes	Yes	No
Angioplasty	No	No	No	Yes	No
Assistive technology center	Yes	No	No	No	No
Auxiliary	Yes	No	Yes	Yes	No
Bariatric/weight control services	No	Yes	No	No	No
Birthing room - LDR room - LDRP room	No	Yes	No	Yes	Yes
Blood donor center	No	No	No	Yes	No
Breast cancer screening/mammograms	Yes	Yes	Yes	Yes	No
Cardiac catheterization	Yes	No	Yes	Yes	No
Cardiac intensive care	Yes	Yes	Yes	Yes	No
Cardiac rehabilitation	No	No	No	Yes	No
Case management	Yes	Yes	Yes	Yes	Yes
Chaplaincy/pastoral care services	Yes	No	Yes	Yes	No
Chemotherapy	Yes	Yes	No	Yes	No
Chiropractic services	Yes	No	No	No	No
Community health education	No	No	Yes	Yes	Yes
Community health reporting	No	No	Yes	Yes	No
Community health status assessment	No	No	Yes	Yes	Yes
Community health status based service planning	No	No	Yes	Yes	No
Community outreach	Yes	Yes	Yes	Yes	Yes
Complementary and alternative medicine services	No	No	No	Yes	Yes
Computer assisted orthopedic surgery	No	No	No	Yes	No
Crisis prevention	No	No	Yes	No	No
CT scanner	Yes	Yes	Yes	Yes	Yes
Diagnostic radioisotope facility	Yes	No	Yes	Yes	Yes
Electrodiagnostic services	Yes	No	No	Yes	No
Electron Beam Computed Tomography	No	No	Yes	Yes	No
Emergency department	Yes	Yes	Yes	Yes	Yes
Enabling services	No	No	No	Yes	No
Endoscopic retrograde cholangiopancreatography (ERCP)	Yes	Yes	Yes	Yes	No
Endoscopic ultrasound	Yes	No	No	Yes	No
Enrollment Assistance Services	No	No	Yes	Yes	No
Extracorporeal shock wave lithotripter (ESWL)	No	No	Yes	Yes	No
Fitness center	Yes	No	No	No	No
Freestanding outpatient care center	No	No	No	Yes	Yes
Full-field digital mammography	No	No	No	Yes	No
Genetic testing/counseling	No	No	No	Yes	No
Geriatric services	No	No	No	Yes	No
Health fair	No	No	Yes	Yes	Yes
Health research	No	No	No	Yes	No
Health screenings	No	No	Yes	Yes	Yes
Hemodialysis	Yes	No	No	Yes	No
HIV-AIDS services	No	No	No	Yes	No
Home health services	No	No	No	Yes	No

Sources: AHA Guide 2012 Edition and area hospitals' websites

Note: Major services were not listed for the following hospitals in the service area due to non-reporting: Beverly Hospital, Community Hospital of Huntington Park, Coast Plaza Hospital, East Los Angeles Doctor's Hospital, La Palma Intercommunity Hospital, Los Angeles Community Hospital, Tri-City Regional Medical Center, St. Francis Medical Center, West Anaheim Medical Center, Kaiser Permanente-Downey, and Anaheim General Hospital

(1) Bellflower Medical Center closed in April 2013.

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center
Service Area Comparative Listing of Major Services
2012

Major Services	Downey Regional Medical Center	Bellflower Medical Center ⁽¹⁾	Lakewood Regional Medical Center	Presbyterian Intercommunity Hospital	Whittier Hospital Medical Center
Hospice	No	No	No	Yes	No
Hospital-based outpatient care center services	Yes	No	Yes	Yes	Yes
Image-guided radiation therapy	No	No	Yes	Yes	No
Immunization program	No	No	No	Yes	No
Indigent care clinic	No	No	No	Yes	No
Intensity-modulated radiation therapy	No	No	No	Yes	No
Linguistic/translation services	Yes	No	Yes	Yes	No
Magnetic resonance imaging (MRI)	Yes	No	Yes	Yes	No
Meals on Wheels	No	No	No	Yes	Yes
Medical surgical intensive care services	Yes	Yes	Yes	Yes	Yes
Mobile health services	No	No	No	Yes	No
Multi-slice spiral computed tomography (MSCT) (<64 slice CT)	Yes	No	Yes	Yes	No
Multi-slice spiral computed tomography (MSCT) (64+ slice CT)	No	No	No	Yes	No
Neonatal intensive care services	Yes	No	No	Yes	No
Neonatal intermediate care	Yes	No	No	No	No
Neurological services	Yes	No	Yes	Yes	No
Nutrition programs	No	No	Yes	Yes	No
Obstetrics	Yes	Yes	No	Yes	Yes
Occupational health services	Yes	No	Yes	Yes	No
Oncology services	Yes	No	No	Yes	No
Open heart services	Yes	No	Yes	Yes	No
Optical colonoscopy	Yes	No	Yes	Yes	Yes
Orthopedic services	Yes	Yes	No	Yes	No
Outpatient surgery	Yes	Yes	Yes	Yes	Yes
Palliative care program	No	No	No	Yes	No
Patient controlled analgesia (PAC)	Yes	Yes	Yes	Yes	No
Patient education center	Yes	No	No	Yes	No
Patient representative services	No	No	Yes	Yes	No
Pediatric medical/surgical care services	No	No	No	Yes	No
Physical rehabilitation inpatient services	No	No	Yes	Yes	No
Physical rehabilitation outpatient services	Yes	Yes	Yes	Yes	Yes
Positron emission tomography scanner (PET)	No	No	No	Yes	No
Positron emission tomography/CT (PET/CT)	No	Yes	No	Yes	No
Psychiatric acute inpatient services	No	Yes	No	No	No
Radiation therapy	No	No	No	Yes	No
Shaped beam radiation system	No	No	No	Yes	No
Single photon emission computerized tomography (SPECT)	No	No	Yes	Yes	No
Skilled nursing or other long-term care services	No	No	No	Yes	Yes
Social work services	Yes	Yes	Yes	Yes	Yes
Sports medicine	No	No	No	Yes	No
Stereotactic radiosurgery	No	No	No	Yes	No
Support programs	No	No	Yes	Yes	No
Tobacco Treatment/Cessation Program	Yes	No	No	Yes	No
Transportation to health services	No	No	Yes	Yes	Yes
Ultrasound	Yes	Yes	Yes	Yes	No
Virtual colonoscopy	No	No	No	Yes	No
Volunteer services department	Yes	Yes	Yes	Yes	No
Women's health center/services	No	No	No	Yes	Yes
Wound management services	Yes	No	Yes	Yes	Yes

Sources: AHA Guide 2012 Edition and area hospitals' websites

Note: Major services were not listed for the following hospitals in the service area due to non-reporting: Beverly Hospital, Community Hospital of Huntington Park, Coast Plaza Hospital, East Los Angeles Doctor's Hospital, La Palma Intercommunity Hospital, Los Angeles Community Hospital, Tri-City Regional Medical Center, St. Francis Medical Center, West Anaheim Medical Center, Kaiser Permanente-Downey, and Anaheim General Hospital

(1) Bellflower Medical Center closed in April 2013.

IV. The Hospital's Service Area Analysis

As shown in the table below, the Hospital has an overall market share penetration of 9.9%, and is the market share leader in the Medicare Fee-For-Service, Medicare overall, and PPO payer subsets. The largest payer subsets are governmental, with 65% of the total volume in Medicare and Medi-Cal. Although a large proportion of the Hospital's volume is in the Medicare and Medi-Cal subsets, other facilities have comparable or larger market shares in the market, demonstrating that alternative options do exist for these payer populations.

Downey Regional Medical Center
Service Area Discharge Market Share by Payer Mix
CY 2011

Hospital	Total Inpatient Discharges		Medicare			Medi-Cal			Private Coverage				All Other Payers ⁽¹⁾
	Number	Percent of Total	Managed Care	FFS	Total	Managed Care	FFS	Total	HMO	PPO	FFS	Total	
Downey Regional Medical Center	9,816	9.9%	19.2%	12.2%	14.5%	2.2%	7.3%	5.7%	12.1%	12.6%	13.2%	12.3%	4.3%
Kaiser Foundation Hospital-	10,970	11.1%	32.0%	0.9%	11.0%	5.5%	0.5%	2.0%	39.1%	2.0%	2.1%	28.2%	3.6%
St. Francis Medical Center	10,941	11.1%	3.4%	12.0%	9.2%	16.9%	16.3%	16.5%	3.5%	5.1%	5.1%	4.0%	14.7%
Presbyterian Intercommunity	4,676	4.7%	10.4%	5.0%	6.7%	1.7%	3.9%	3.2%	3.5%	11.5%	0.7%	4.9%	3.0%
Earl And Lorraine Miller Children's Hospital	3,670	3.7%	0.0%	0.0%	0.0%	8.5%	4.2%	5.5%	3.7%	7.3%	1.7%	4.3%	8.2%
Lakewood Regional Medical	3,401	3.4%	7.5%	5.7%	6.3%	1.9%	1.3%	1.5%	2.1%	6.7%	1.7%	3.0%	2.0%
LAC+USC Medical Center	3,333	3.4%	0.0%	0.9%	0.6%	2.6%	7.2%	5.8%	0.1%	0.2%	2.4%	0.3%	11.1%
White Memorial Medical Center	3,318	3.4%	2.4%	2.9%	2.7%	5.5%	5.2%	5.3%	1.4%	2.5%	0.5%	1.6%	2.8%
LAC/Harbor-UCLA Medical Center	3,169	3.2%	0.2%	0.7%	0.6%	2.3%	6.1%	5.0%	0.1%	0.0%	1.5%	0.2%	12.6%
Bellflower Medical Center	2,754	2.8%	0.3%	3.0%	2.2%	4.1%	4.0%	4.0%	0.0%	3.1%	19.9%	2.3%	1.7%
Coast Plaza Doctors Hospital	2,657	2.7%	2.9%	4.4%	3.9%	5.5%	1.4%	2.7%	1.0%	0.0%	5.1%	1.1%	2.3%
Community Hospital of Huntington	2,546	2.6%	0.7%	3.3%	2.4%	5.0%	3.3%	3.8%	0.1%	3.7%	0.4%	0.9%	2.7%
Long Beach Memorial Medical	2,337	2.4%	2.7%	3.2%	3.1%	1.7%	1.4%	1.5%	2.0%	4.6%	1.0%	2.5%	3.0%
Beverly Hospital	2,146	2.2%	2.9%	2.8%	2.8%	3.3%	2.1%	2.5%	1.7%	0.2%	0.3%	1.2%	1.0%
<i>Subtotal</i>	65,734	66.5%	84.7%	57.0%	66.0%	66.7%	64.1%	64.9%	70.4%	59.5%	55.4%	66.8%	72.9%
All Other ⁽²⁾	33,107	33.5%	15.3%	43.0%	34.0%	33.3%	35.9%	35.1%	29.6%	40.5%	44.6%	33.2%	27.1%
TOTAL	98,841	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Number =</i>			10,418	21,591	32,009	10,567	23,633	34,200	16,042	4,768	1,920	22,730	9,902
<i>% of Total</i>			10.5%	21.8%	32.4%	10.7%	23.9%	34.6%	16.2%	4.8%	1.9%	23.0%	10.0%

Source: OSHPD Inpatient Discharge Database, 2011

Notes: Excludes normal new born (MS-DRG 795).

□ Indicates market leader

(1) Includes county indigent, other indigent, other government, other payers, workers' compensation and self-pay and unknown.

(2) Includes all facilities with less than 2.0 percent service area market share.

https://sharepoint.thecamden.com/Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/DRMC_Pt_Origin.xlsx|Payer Mix

IV. The Hospital's Service Area Analysis

The table below demonstrates that the service area has been a highly fragmented market without a dominant provider. Service area residents have consistently accessed a wide variety of providers for their healthcare needs.

**Downey Regional Medical Center
Service Area Discharge Market Trend by Hospital
CY 2009 - 2011**

Hospital	Market Share			
	2009	2010	2011	2009 - 2011 Average
Downey Regional Medical Center	10.9%	10.1%	9.9%	10.3%
Kaiser Foundation Hospital - Downey	3.0%	11.0%	11.1%	8.4%
St. Francis Medical Center	12.2%	11.1%	11.1%	11.4%
Presbyterian Intercommunity Hospital	3.9%	4.7%	4.7%	4.4%
Earl And Lorraine Miller Childrens Hospital	3.3%	3.3%	3.7%	3.4%
Lakewood Regional Medical Center	3.3%	3.5%	3.4%	3.4%
LAC+USC Medical Center	2.9%	3.4%	3.4%	3.2%
White Memorial Medical Center	2.9%	3.1%	3.4%	3.1%
LAC/Harbor-UCLA Medical Center	3.3%	3.2%	3.2%	3.2%
Bellflower Medical Center	2.9%	2.9%	2.8%	2.9%
Coast Plaza Doctors Hospital	3.1%	3.0%	2.7%	2.9%
Community Hospital of Huntington Park	2.7%	2.6%	2.6%	2.6%
Long Beach Memorial Medical Center	2.9%	2.7%	2.4%	2.7%
Beverly Hospital	2.5%	2.4%	2.2%	2.4%
<i>Subtotal</i>	<u>59.8%</u>	<u>66.9%</u>	<u>66.5%</u>	<u>64.4%</u>
All Other ⁽¹⁾	40.2%	33.1%	33.5%	35.6%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<i>N =</i>	<i>101,063</i>	<i>99,702</i>	<i>98,841</i>	

Source: OSHPD Inpatient Discharge Database, 2009 - 2011

Note: Excludes normal new borns (MS-DRG 795)

(1) All Other includes all facilities with less than 2.0 percent market share in 2011.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Pt_Origin.xlsx]Outmigration Trend (2)

IV. The Hospital's Service Area Analysis

Service Availability by Bed Type

Medical/Surgical Capacity Analysis

As shown in the table below, in 2012, there were 603 medical/surgical beds within the Hospital's service area and five miles of the Hospital. The average occupancy was 63.2%, including the 182 medical/surgical beds at Kaiser Permanente-Downey. However, since Kaiser Permanente facilities serve only Kaiser Permanente patients except on an emergency basis, a more accurate comparison in assessing capacity by bed type would be to exclude the 182 beds. Excluding the Kaiser Permanente beds, the Hospital's service area's occupancy rate for medical/surgical beds was 58.8% with a total of 421 beds within five miles of the Hospital.

There are 1,662 medical/surgical beds within ten miles of the Hospital, with an average occupancy of 55.6%. Excluding the Kaiser Permanente beds, the occupancy rate is 53.4%. In 2013, Presbyterian Intercommunity Health has expanded to increase its medical/surgical beds from 268 to 324. Had these 56 beds been available in 2012, the occupancy rate without the Kaiser Permanente beds would have been 52.6% within ten miles of the Hospital.

**Downey Regional Medical Center
Medical/Surgical Beds
CY 2012**

Hospital	Miles from DRMC	Within Service Area	Licensed Beds	Discharges ⁽¹⁾	Patient Days	Average Daily Census	Occupancy
Service Area Hospitals							
Downey Regional Medical Center	-	X	147	9,484	32,091	87.7	59.6%
Coast Plaza Hospital	3.0	X	110	3,696	15,158	41.4	37.7%
Kaiser Permanente - Downey	2.0	X	182	13,910	48,900	133.6	73.4%
St. Francis Medical Center	4.9	X	164	9,737	43,333	118.4	72.2%
<i>Subtotal</i>			<u>603</u>	<u>36,827</u>	<u>139,482</u>	<u>381.1</u>	<u>63.2%</u>
Other Area Hospitals (within 10 miles)							
Beverly Hospital	7.5		156	7,486	30,905	84.4	54.1%
Community Hospital of Huntington Park	7.6		77	3,440	9,293	25.4	33.0%
East Los Angeles Doctor's Hospital	8.9		71	2,676	12,668	34.6	48.7%
Kindred Hospital - La Mirada	7.5		88	922	21,386	58.4	66.4%
Lakewood Regional Medical Center	5.8		141	7,462	27,691	75.7	53.7%
Los Angeles Community Hospital	8.9		57	4,586	23,250	63.5	111.4%
Presbyterian Intercommunity Hospital	7.4		268	12,121	45,333	123.9	46.2%
Tri-City Regional Medical Center	9.2		89	2,714	10,816	29.6	33.2%
Whittier Hospital Medical Center	8.6		112	4,935	17,236	47.1	42.0%
Total			<u>1,662</u>	<u>83,169</u>	<u>338,060</u>	<u>923.7</u>	<u>55.6%</u>

Source: OSHPD Automated Licensing Information and Report Tracking System, 2012

(1) Excludes normal new births (MS-DRG 795)

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IV. The Hospital's Service Area Analysis

Intensive Care Unit/Coronary Care Unit (ICU/CCU) Capacity Analysis

As shown in the table below, in 2012, there were 99 ICU/CCU beds within the Hospital's service area and five miles of the Hospital. The average occupancy was 59.3%, including the 38 ICU/CCU beds at Kaiser Permanente- Downey. Excluding the 38 Kaiser Permanente beds, the occupancy rate was 79.9% within the Hospital's service area and five miles of the Hospital.

There are 239 ICU/CCU beds within ten miles of the Hospital, with an average occupancy of 59.1%. Excluding the Kaiser Permanente beds, the occupancy rate was 65.3%. In 2013, Presbyterian Intercommunity Hospital has expanded to increase its ICU/CCU beds from 24 to 72. Had these 48 beds been available in 2012, the occupancy without the Kaiser Permanente beds would have been 49.6% within ten miles of the Hospital.

If the Hospital's ICU/CCU beds were unavailable, the occupancy rate without the Kaiser Permanente beds would have been 113.4% within five miles and 71.7% within ten miles. There is not enough ICU/CCU capacity in the service area to accommodate the volume served by the Hospital. There is additional ICU/CCU capacity within ten miles of the Hospital; however, the socioeconomic profile of the residents that currently utilize the Hospital implies that accessibility of services would be diminished should they be required to travel farther to access care.

**Downey Regional Medical Center
ICU/CCU Beds
CY 2012**

Hospital	Miles from DRMC	Within Service Area	Licensed Beds	Discharges ⁽¹⁾	Patient Days	Average Daily Census	Occupancy
Service Area Hospitals							
Downey Regional Medical Center	-	X	18	367	5,284	14.4	80.2%
Coast Plaza Hospital	3.0	X	7	175	2,070	5.7	80.8%
Kaiser Permanente - Downey	2.0	X	38	255	3,629	9.9	26.1%
St. Francis Medical Center	4.9	X	36	869	10,491	28.7	79.6%
<i>Subtotal</i>			99	1,666	21,474	58.7	59.3%
Other Area Hospitals (within 10 miles)							
Beverly Hospital	7.5		25	116	5,071	13.9	55.4%
Community Hospital of Huntington Park	7.6		4	59	606	1.7	41.4%
East Los Angeles Doctor's Hospital	8.9		10	150	2,623	7.2	71.7%
Kindred Hospital - La Mirada	7.5		6	62	1,443	3.9	65.7%
Lakewood Regional Medical Center	5.8		31	729	7,830	21.4	69.0%
Los Angeles Community Hospital	8.9		6	84	1,989	5.4	90.6%
Presbyterian Intercommunity Hospital	7.4		24	159	5,381	14.7	61.3%
Tri-City Regional Medical Center	9.2		18	177	2,297	6.3	34.9%
Whittier Hospital Medical Center	8.6		16	275	2,967	8.1	50.7%
Total			239	3,477	51,681	141.2	59.1%

Source: OSHPD Automated Licensing Information and Report Tracking System, 2012

(1) Excludes normal new borns (MS-DRG 795). Does not include in-hospital transfers.

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IV. The Hospital's Service Area Analysis

Obstetrics Capacity Analysis

As shown in the table below, in 2012, there were 157 obstetrics beds within the Hospital's service area and five miles of the Hospital. The average occupancy was 44.4%, including the 66 obstetrics beds at Kaiser Permanente-Downey. Excluding the Kaiser Permanente beds, the occupancy rate was 45.5% within the Hospital's service area and five miles of the Hospital.

There are 265 obstetrics beds within ten miles of the Hospital, with an average occupancy of 47.1%. Excluding the Kaiser Permanente beds, the occupancy rate was 48.5%. If the Hospital's obstetrics beds were unavailable, the occupancy rate without the Kaiser Permanente beds would have been 58.3% within five miles and 53.9% within ten miles. There appears to be sufficient capacity for obstetrics services within the service area, five miles of the Hospital, and ten miles of the Hospital.

**Downey Regional Medical Center
Obstetrics Beds
CY 2012**

Hospital	Miles from DRMC	Within Service Area	Licensed Beds	Discharges ⁽¹⁾	Patient Days	Average Daily Census	Occupancy
Service Area Hospitals							
Downey Regional Medical Center	-	X	20	1,415	2,893	7.9	39.5%
Kaiser Permanente - Downey	2.0	X	66	3,893	10,338	28.2	42.8%
St. Francis Medical Center	4.9	X	71	5,404	12,261	33.5	47.2%
<i>Subtotal</i>			<u>157</u>	<u>10,712</u>	<u>25,492</u>	<u>69.7</u>	<u>44.4%</u>
Other Area Hospitals (within 10 miles)							
Beverly Hospital	7.5		18	866	1,845	5.0	28.0%
East Los Angeles Doctor's Hospital	8.9		14	837	2,454	6.7	47.9%
Los Angeles Community Hospital	8.9		16	158	434	1.2	7.4%
Presbyterian Intercommunity Hospital	7.4		32	3,919	9,635	26.3	82.3%
Whittier Hospital Medical Center	8.6		28	2,464	5,800	15.8	56.6%
Total			<u>265</u>	<u>18,956</u>	<u>45,660</u>	<u>124.8</u>	<u>47.1%</u>

Source: OSHPD Automated Licensing Information and Report Tracking System, 2012

(1) Excludes normal new borns (MS-DRG 795)

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IV. The Hospital's Service Area Analysis

Neonatal Intensive Care Capacity Analysis

As shown in the table below, in 2012, there were 85 neonatal intensive care beds within the Hospital's service area and five miles of the Hospital. The average occupancy was 68.2%, including the 49 neonatal intensive care beds at Kaiser Permanente-Downey. Excluding the Kaiser Permanente beds, the occupancy rate was 76.1% within the service area and five miles of the Hospital.

There are 129 neonatal intensive care licensed beds within ten miles of the Hospital. However, Beverly Hospital has not been operating a neonatal intensive care unit since 2008. Excluding Beverly Hospital's ten beds and the Kaiser Permanente 49 beds, the occupancy rate was 63.6% within ten miles of the Hospital.

If the Hospital's seven neonatal intensive care beds were unavailable, the occupancy rate without the Kaiser Permanente beds would increase to 94.5% within five miles of the Hospital and 70.6% within ten miles of the Hospital. There appears to be sufficient capacity for these services within ten miles. In an emergency, the availability of the Kaiser beds increases available capacity within five miles as well. In addition, the Hospital has indicated that 73% of the patients in the neonatal intensive care unit in 2013 are in the unit because of low birth weight (i.e., "growers and feeders") and do not receive high acuity services that are normally provided in a neonatal intensive care unit.

**Downey Regional Medical Center
Neonatal Intensive Care Beds
CY 2012**

Hospital	Miles from DRMC	Within Service Area	Licensed Beds	Discharges ⁽¹⁾	Patient Days	Average Daily Census	Occupancy
Service Area Hospitals							
Downey Regional Medical Center	-	X	7	209	1,354	3.7	52.8%
Kaiser Permanente - Downey	2.0	X	49	562	11,198	30.6	62.4%
St. Francis Medical Center	4.9	X	29	551	8,671	23.7	81.7%
<i>Subtotal</i>			<u>85</u>	<u>1,322</u>	<u>21,223</u>	<u>58.0</u>	<u>68.2%</u>
Other Area Hospitals (within 10 miles)							
Beverly Hospital	7.5		10	-	-	-	0.0%
Presbyterian Intercommunity Hospital	7.4		34	502	6,261	17.1	50.3%
Total⁽²⁾			<u>119</u>	<u>1,824</u>	<u>27,484</u>	<u>75.1</u>	<u>63.1%</u>

Source: OSHPD Automated Licensing Information and Report Tracking System, 2012

(1) Excludes normal new borns (MS-DRG 795). Does not include in-hospital transfers.

(2) Excludes Beverly Hospital licensed beds.

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IV. The Hospital's Service Area Analysis

Emergency Department Capacity Analysis

As shown in the table below, in 2012, the Hospital's 22 ED stations had 51,990 visits with an occupancy level of 118.2%. The Hospital's ED visits accounted for 23.2% in the service area hospitals and 11.3% in the other area hospitals within 10 miles of the Hospital. In 2012, 14.7% of the Hospital's ED patients were admitted to the Hospital. Admissions through the ED represented 66.7% of the Hospital's total admissions.

For all area hospitals, in 2012, only 14.0% of all ED visits were considered minor or low/moderate, while 40.1% of them were considered "severe with threat" and "severe without threat."

**Downey Regional Medical Center
Emergency Department Capacity Analysis
CY 2012**

Hospital	ED Stations	ED Vsitsits	ED Visits by Acuity					Percent Capacity ⁽¹⁾
			Minor	Low/ Moderate	Moderate	Severe without Threat	Severe with Threat	
Service Area Hospitals								
Downey Regional Medical Center	22	51,990	3.1%	20.1%	40.0%	18.8%	18.0%	118.2%
Coast Plaza Hospital ⁽²⁾	8	12,498	5.1%	15.4%	28.1%	13.0%	38.4%	78.1%
Kaiser Permanente - Downey	63	94,756	0.6%	5.7%	68.4%	19.8%	5.6%	75.2%
St. Francis Medical Center	46	64,624	2.3%	9.8%	57.0%	20.7%	10.2%	70.2%
Other Area Hospitals (within 10 miles)								
Beverly Hospital	17	32,427	13.3%	2.5%	24.5%	38.2%	21.5%	95.4%
Community Hospital of Huntington Park ⁽⁴⁾	14	28,497	2.0%	5.4%	42.8%	34.5%	15.3%	101.8%
East Los Angeles Doctor's Hospital ⁽⁵⁾	8	14,531	1.4%	16.6%	39.1%	29.2%	13.7%	90.8%
Kindred Hospital - La Mirada	0	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lakewood Regional Medical Center	14	45,207	8.6%	9.5%	30.3%	27.8%	23.8%	161.5%
Los Angeles Community Hospital	3	8,805	2.4%	12.9%	73.0%	11.1%	0.5%	146.8%
Presbyterian Intercommunity Hospital	57	68,413	1.9%	8.1%	35.0%	43.2%	11.8%	60.0%
Tri-City Regional Medical Center	8	10,494	4.3%	34.4%	17.2%	39.5%	4.6%	65.6%
Whittier Hospital Medical Center	12	28,211	3.5%	17.6%	44.9%	14.4%	19.7%	117.5%
Total	272	460,453	3.5%	10.5%	45.8%	26.4%	13.8%	84.6%

Source: OSHPD Automated Licensing Information and Report Tracking System, 2012

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/DRMC_Analysis.xlsx|ED_Capacity_

(1) Assumes 2,000 visits per station is functional capacity.

(2) ED Visits by Acuity represent only visits not resulting in admission; 2,845 ED Visits resulted in an admission for which the acuity level was not provided.

(3) ED Visits by Acuity represent only visits not resulting in admission; 1,354 ED Visits resulted in an admission for which the acuity level was not provided.

(4) ED Visits by Acuity represent only visits not resulting in admission; 3,266 ED Visits resulted in an admission for which the acuity level was not provided.

(5) ED Visits by Acuity represent only visits not resulting in admission; 1,924 ED Visits resulted in an admission for which the acuity level was not provided.

Historical Financial Performance and Condition

The tables on the following three pages provide different views of the Hospital's financial performance. The first table shows the information the Hospital reported to OSHPD. The third table reflects the information that the Hospital's management provided as part of the Member Substitution Agreement. The main reason for the disparities is that the data from the 2008, 2009 and 2010 financial statements is unreliable due to the financial methodologies applied during that time period. The Hospital's current management is not able to provide explanations

IV. The Hospital's Service Area Analysis

for the variances for those three years. However, they were able to provide explanations for the disparities for 2011 and 2012 as set forth in the second table found on the following page.

**Downey Regional Medical Center
Financial Summary
FY 2008 - 2012**

	FY				
	2008	2009	2010	2011	2012*
Net Operating Revenue	\$173,400,395	\$178,938,447	\$139,761,604	\$150,590,956	\$141,966,547
Operating Expense	\$186,742,000	\$173,506,375	\$164,675,074	\$162,859,353	\$146,011,663
Net from Operations	(\$13,341,605)	\$5,432,072	(\$24,913,470)	(\$11,880,777)	(\$4,045,116)
Net Non-Operating Revenue	\$3,341,302	\$8,370,703	(\$2,365,013)	\$263,480	\$421,150
Net Income	(\$10,000,303)	\$13,802,775	(\$27,278,483)	(\$11,617,297)	(\$3,623,966)
Cash and Investments ⁽¹⁾	N/A	\$3,579,093	\$6,379,993	\$1,531,894	\$1,105,224
Current Ratio	0.9	0.9	0.5	0.4	0.6
Days in A/R	76.37	88.9	63.7	61.4	63.6
Bad Debt/Oper. Exp.	0.5%	4.9%	7.8%	3.2%	4.2%
Operating Margin	-7.7%	3.0%	-17.8%	-7.9%	-2.9%

Source: OSHPD Financial Disclosure Reports

* Unaudited

(1) Cash and cash equivalents only

[https://sharepoint.thecamden.com/Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/\[DRMC_Financial_Comp.xlsx\]OSHPD Data](https://sharepoint.thecamden.com/Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Financial_Comp.xlsx]OSHPD Data)

- As shown in the table below, the reasons for the variances in 2011 are as follows:
 - ▶ \$6.2 million: Bad Debt - OSHPD includes bad debt as “revenue” whereas the Hospital’s management shows it as an operating expense.
 - ▶ \$0.3 million: Non-Patient Revenue - OSHPD includes this line item in non-operating revenue whereas the Hospital’s management shows it as operating revenue.
 - ▶ \$2.5 million: Interest Expense - OSHPD includes this line item in operating expense whereas the Hospital’s management shows it as non-operating revenue.

- In the table below, the reasons for the variances in 2012 are as follows:
 - ▶ \$17.5 million: Bad Debt - OSHPD includes bad debt in “revenue” whereas the Hospital’s management shows it as an operating expense.
 - ▶ \$4.3 million: Hospital Fee Program - OSHPD includes the fee in “operating expense” whereas the Hospital’s management shows it as non-operating revenue.
 - ▶ \$0.4 million: Non-Patient Revenue - OSHPD include this line item in non-operating revenue whereas the Hospital’s management shows it as operating revenue.

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center Explanation of Variance FY 2008 - 2012

	FY				
	2008	2009	2010	2011	2012
Net Operating Revenue					
<i>Bad Debt</i>				(\$6,248,303)	(\$17,499,000)
<i>Non-Patient Revenue</i>				(\$263,597)	(\$421,150)
<i>Other Expense</i>					\$10,000
<i>Post Closing Entity</i>				(\$222,008)	
Operating Expense					
<i>Bad Debt</i>				\$6,248,303	\$17,499,000
<i>Hospital Fee Program</i>					\$4,275,000
<i>Other Expense</i>					\$58,000
<i>Interest Expense</i>				(\$2,595,756)	
<i>Post Closing Entity</i>				\$32,042	
Net Non-operating Revenue					
<i>Hospital Fee Program</i>					(\$4,275,000)
<i>Non-Patient Revenue</i>				\$263,597	\$421,150
<i>Other Expense</i>					(\$68,000)
<i>Interest Expense</i>				\$2,595,756	
Net Income					
<i>Post Closing Entity</i>				\$189,965	
Cash and Investments					
<i>Bond Fund</i>					\$409,475

Source: Downey Regional Medical Center

Note: Fiscal Year ends June 30.

[https://sharepoint.thecamden.com/Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/\[DRMC_Financial_Comp.xlsx\]Crosswalk](https://sharepoint.thecamden.com/Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[DRMC_Financial_Comp.xlsx]Crosswalk)

IV. The Hospital's Service Area Analysis

Downey Regional Medical Center Financial Summary FY 2008 - 2012

	FY				
	2008	2009	2010	2011*	2012*
Net Operating Revenue	\$189,269,223 ⁽⁴⁾	\$177,958,000 ⁽⁵⁾	\$158,614,000	\$157,713,000	\$159,877,000
Operating Expense	\$206,747,622 ⁽⁴⁾	\$181,119,000 ⁽⁵⁾	\$170,922,000	\$166,544,000	\$167,844,000
Net from Operations	(\$17,478,399) ⁽⁴⁾	(\$3,161,000) ⁽⁵⁾	(\$12,303,000)	(\$8,831,000)	(\$7,967,000)
Net Non-Operating Revenue	\$1,653,656 ⁽³⁾⁽⁴⁾	(\$1,551,000) ⁽³⁾⁽⁵⁾	(\$11,569,000)	(\$2,596,000)	\$4,343,000
Net Income	(\$15,824,743) ⁽³⁾⁽⁴⁾	(\$4,712,000) ⁽³⁾⁽⁵⁾	(\$23,872,000)	(\$11,427,000)	(\$3,624,000)
Cash and Investments	\$2,854,755 ⁽¹⁾⁽⁴⁾	\$5,545,000 ⁽¹⁾⁽⁵⁾	\$6,612,000	\$1,532,000	\$696,000
Current Ratio	0.6 ⁴	0.7 ⁵	0.46	0.91	1.18
Days in A/R	91.9	69.5	68.5	58.3	69.9
Bad Debt/Oper. Exp.	9.8% ⁴	5.4% ⁵	9.2%	3.8%	10.4%
Operating Margin	-9.2%	-1.8%	-13.7%	-7.3%	-5.0%

Source: Downey Regional Medical Center

* Unaudited

+ Includes hospital tax

(1) Cash and cash equivalents only

(2) Total Mutual Funds in Assets limited to use not included in (1) above:

\$9,740,393 ⁴ \$9,723,000 ⁵

(3) Total does not include net unrealized gains (losses) on investments of:

(\$2,332,387) ⁴ (\$383,000) ⁴

(4) Draft of Downey Regional Medical Center, Inc. and Subsidiaries (2008 Audit Report)

(5) Downey Regional Medical Center internally prepared. Note: not consolidated

(6) Portions of fiscal years 2008 and 2009 losses related to fiscal years 2006, 2007

- Based upon the table above, the Hospital's financial performance (net income from operations per year) has fluctuated significantly, from FY 2008 to FY 2012, with losses \$17.5 in 2008 to losses of \$3 million in 2009.
- The major drivers for the Hospital's financial performance were:
 - ▶ Net operating revenue decreased by 15.5% between FY 2008 to FY 2012, while operating expenses were reduced but not enough to result in positive operating income
 - ▶ Net non-operating revenue increased by 162.6%, lessening the negative net income
 - ▶ During the same period, net income decreased by 77.1%
- From FY 2008 to FY 2012, the rate of bad debt has increased by 0.6%.

IV. The Hospital's Service Area Analysis

Cost and Revenue by Payer

- The tables below show the operating cost of services and the corresponding net revenue by payer category.
 - ▶ From FY 2008 to FY 2012, the Hospital's cost of provision of Medi-Cal services was fairly consistent, ranging from approximately 18.9 to 23.3% of operating expenses.
 - ▶ From FY 2008 to FY 2012, the Hospital's cost of provision of Medicare services fluctuated from 29.2 to 50.6% of operating expenses.
 - ▶ From FY 2008 to FY 2012, the Hospital's cost of provision of Third-Party services fluctuated between 22.2 to 43.9%.
- Most of the Hospital's costs are attributed to Medicare and Third-Party payers, for a combined total of 74.8% of operating expenses in FY 2012.

**Downey Regional Medical Center
Cost of Services by Payer Category
FY 2008 - 2012**

	FY				
	2008	2009	2010	2011	2012*
Operating Expenses	\$186,742,000	\$173,506,375	\$164,675,074	\$162,859,353	\$146,011,663
Medicare	\$69,201,063	\$57,178,424	\$48,079,034	\$76,796,072	\$74,011,667
Medi-Cal	\$35,648,904	\$32,848,638	\$33,656,238	\$38,079,502	\$30,349,773
County Indigent	\$0	\$0	\$0	\$0	\$0
Third Party	\$70,618,330	\$73,430,452	\$72,400,462	\$39,840,445	\$32,468,887
Other Payers	\$8,210,243	\$10,048,862	\$10,539,340	\$8,143,336	\$9,181,336

Source: OSHPD Financial Disclosure Reports, 2008 - 2012

*Unaudited

**Downey Regional Medical Center
Net Patient Revenue by Payer
FY 2008 - 2012**

	FY				
	2008	2009	2010	2011	2012*
Medicare	\$293,659,418	\$301,845,271	\$275,303,719	\$435,541,784	\$483,196,341
Medi-Cal	\$151,278,546	\$173,408,172	\$192,717,840	\$215,964,357	\$198,143,074
Third Party	\$312,673,686	\$387,639,833	\$414,569,822	\$225,951,362	\$211,978,032
Other Payers	\$34,840,724	\$53,048,007	\$60,348,954	\$46,184,174	\$59,941,739
Total	<u>\$792,452,374</u>	<u>\$915,941,283</u>	<u>\$942,940,335</u>	<u>\$923,641,677</u>	<u>\$953,259,186</u>

Source: OSHPD Financial Disclosure Reports, 2008 - 2012

*Unaudited

IV. The Hospital's Service Area Analysis

Charity Care

The Hospital provides charity care for uninsured and under-insured patients. Based upon data the Hospital reported to OSHPD, the Hospital has a decrease in charity care charges from \$10.1 million in 2011 to \$8.4 million in 2012. Based on the same data, the charity care charges submitted for FY 2011 and FY 2012 averaged \$9.24 million per year. 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."

Downey Regional Medical Center
Charity Care Comparison (in millions)
FY 2008 - 2012

	FY 2008		FY 2009		FY 2010		FY 2011		FY 2012*	
	DRMC	CA	DRMC	CA	DRMC	CA	DRMC	CA	DRMC	CA
Gross Patient Revenue	\$792.5	\$240,491.8	\$915.9	\$261,292.5	\$73.8	\$277,795.5	\$923.6	\$295,286.5	\$953.3	\$313,052.3
Charity	\$0.0	\$3,907.8	\$0.0	\$4,547.4	\$0.0	\$5,035.4	\$10.1	\$5,846.3	\$8.4	\$5,933.8
Bad Debt	\$3.9	\$4,198.9	\$44.4	\$4,626.1	\$83.0	\$5,024.5	\$29.2	\$5,061.1	\$40.1	\$5,467.9
Total	\$3.9	\$8,106.7	\$44.4	\$9,173.5	\$83.0	\$10,059.9	\$39.2	\$10,907.4	\$48.5	\$11,401.7
Charity as a % of Gross Revenue	0.0%	1.6%	0.0%	1.7%	0.0%	1.8%	1.1%	2.0%	0.9%	1.9%
Bad Debt as a % of Gross Revenue	0.5%	1.7%	4.9%	1.8%	112.5%	1.8%	3.2%	1.7%	4.2%	1.7%
Total as a % of Gross Revenue	0.5%	3.4%	4.9%	3.5%	112.5%	3.6%	4.2%	3.7%	5.1%	3.6%
Uncompensated Care										
Cost to Charge Ratio	23.5%	26.4%	18.9%	25.3%	17.4%	25.8%	17.6%	24.7%	15.3%	24.3%
Cost of Charity	\$0.0	\$1,031.4	\$0.0	\$1,151.9	\$0.0	\$1,297.9	\$1.8	\$1,441.4	\$1.3	\$1,443.1
Cost of Bad Debt	\$0.9	\$1,108.2	\$8.4	\$1,171.8	\$14.5	\$1,295.1	\$5.1	\$1,247.9	\$6.1	\$1,329.8
Total	\$0.9	\$2,139.5	\$8.4	\$2,323.7	\$14.5	\$2,593.0	\$6.9	\$2,689.3	\$7.4	\$2,773.0

Source: OSHPD Financial Disclosure Reports, 2008 - 2012 and OSHPD Quarterly Reports, 2008 - 2012

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Note: California financial data is based on OSHPD Quarterly reports, which report Calendar Year data.

*DRMC is unaudited

Downey Regional Medical Center
Cost of Charity Care
FY 2008 - 2012

Year	DRMC Charity Care Charges ⁽¹⁾	Cost to Charge Ratio	Cost of Charity to DRMC	Percent of Total Costs Represented by Charity Care
FY 2012*	\$8,433,400	15.3%	\$1,288,253	0.2%
FY 2011	\$10,053,979	17.6%	\$1,768,529	0.2%
FY 2010	\$0	17.4%	\$0	0.0%
FY 2009	\$0	18.9%	\$0	0.0%
FY 2008	\$0	23.5%	\$0	0.0%

Source: OSHPD Financial Disclosure Reports, 2008 - 2012

(1) Charity Care charges are based on final OSHPD figures.

*Unaudited

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/DRMC_Analysis.xlsx|CostCharityCare

IV. The Hospital's Service Area Analysis

The table below is based on the charity care information provided by the Hospital. It sets forth a breakdown of charity care costs between inpatient, outpatient, and the emergency room, and the associated volumes. The five-year average of charity care costs for the Hospital is \$3,988,626.

**Downey Regional Medical Center
Charity Care by Patient Department
FY 2008 - 2012**

Patient Department	FY					2008 - 2012 Average
	2008	2009	2010	2011	2012	
Charity Care						
Inpatient	\$1,556,877	\$3,440,191	\$3,281,777	\$3,790,250	\$1,820,919	\$2,778,003
Outpatient	\$32,636	\$72,115	\$68,794	\$79,453	\$38,171	\$58,234
Emergency Department	\$645,834	\$1,427,084	\$1,361,370	\$1,572,292	\$755,366	\$1,152,389
Total	\$2,235,347	\$4,939,390	\$4,711,941	\$5,441,995	\$2,614,456	\$3,988,626
Associated Charity Care Volume						
Inpatient	61	134	128	151	71	109
Outpatient	12	27	25	29	14	21
Emergency Department	180	396	378	437	201	318
Total	253	557	531	617	286	449

Source: Downey Regional Medical Center

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Community Benefit

As shown in the table below, the Hospital has provided community benefit services to address community needs despite its weakened financial situation. The Hospital's community benefit services have historically included a combination of community health events and education, support and participation in community organizations and events, and health education and training programs for students attending nursing and allied health schools, colleges, and universities. The table on the following page illustrates the community benefit services offered between FY 2008 and FY 2012. The five-year average of community benefit costs for the Hospital is \$423,856.

**Downey Regional Medical Center
Economic Value of Community Benefits
FY 2008 - 2012**

	FY					Average '08-'12
	2008	2009	2010	2011	2012	
Community Benefits Costs	\$437,130	\$534,063	\$392,870	\$379,553	\$375,665	\$423,856

Source: Downey Regional Medical Center

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/DRMC_Analysis.xlsx\Charity_Care_Vol

IV. The Hospital's Service Area Analysis

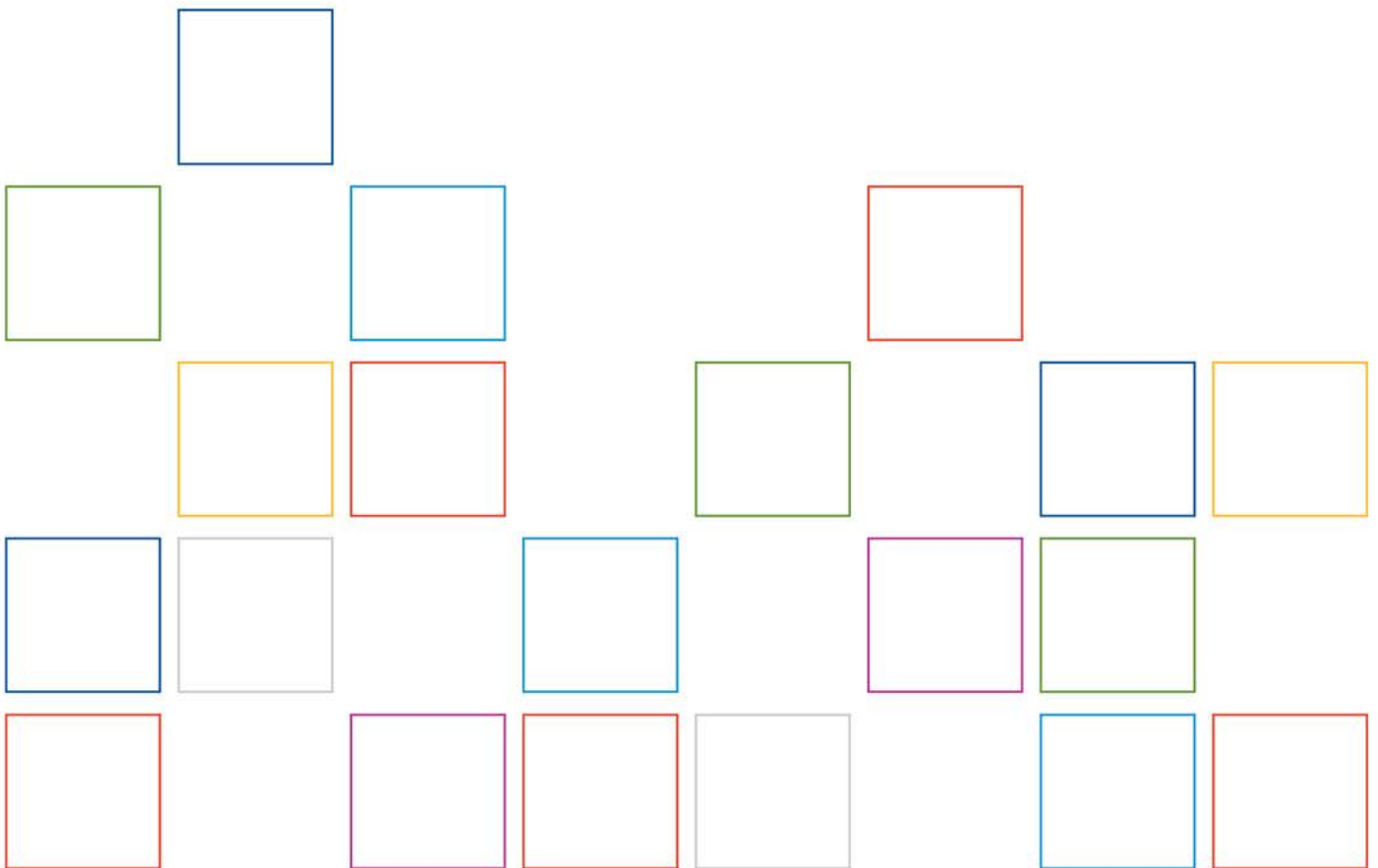
**Downey Regional Medical Center
Summary of Community Benefits Services
FY 2008 - 2012**

Program/Service	CY				
	2008	2009	2010	2011	2012
Community Social Service Referrals	✓	✓	✓	✓	✓
American Heart Association Training Center				✓	✓
Baby Track	✓		✓	✓	✓
Breastfeeding Classes	✓		✓	✓	✓
Stork Tours	✓	✓	✓	✓	✓
Childbirth Education Classes	✓	✓	✓	✓	✓
Diabetes Fair				✓	
Flu Shot	✓		✓	✓	
Discounted Mammograms	✓	✓	✓	✓	✓
Community Organization Support	✓	✓	✓	✓	
Education and Training of Nurses and Nursing Students	✓	✓	✓	✓	✓
Education and Training of Non-Nursing Students	✓	✓	✓	✓	✓
Tuition Reimbursements	✓	✓	✓	✓	✓
Community Group Meetings at DRMC	✓	✓	✓	✓	✓
Blood Drive	✓	✓	✓	✓	✓
Auxiliary and Volunteer Corps	✓	✓	✓	✓	✓
Hospital Preparedness Program					✓
Health Education Classes					✓
Sports Physicals					✓
Diabetes Education Program	✓	✓	✓		
Healthy Heart Nutrition Classes	✓		✓		
Community CPR Classes	✓	✓	✓		
HAM Radio Licensing Classes			✓		
Education of College Nursing Students	✓	✓	✓		
TELECU Nursing Scholarships			✓		
Assistance with Medi-Cal Insurance Eligibility Information	✓	✓			
Disaster Resource Center	✓	✓			
Cardiovascular Wellness Fair	✓	✓			
Community Events		✓			
Tuberculosis Screening	✓				
Physical Exams for Students	✓				
Operation Prom Night	✓				
Health Outreach Classes	✓				
Downey Kids Day	✓				
Holiday Lane Parade	✓				
Recruitment and Retention of Health Care Professionals	✓				
Bridge to Nursing Program	✓				
Downey Street Faire	✓				

Source: Downey Regional Medical Center

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V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital



V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

History and Mission of InterHealth Corp. and Presbyterian Intercommunity Hospital

Presbyterian Intercommunity Hospital (PIH) was opened on January 11, 1959 as a 188-bed general acute care hospital in Whittier, California. In 1962, PIH added intensive care, long-term care, and acute care units. In 1978, a critical care unit and an accredited Cancer Program were added. In 1979, the S. Mark Taper Foundation Family Practice Center was added.

In response to the 1987 Whittier Earthquake, PIH tripled the capacity of its ED, established the Pediatric Critical Care Unit, and built a high-tech Radiation Therapy Pavilion. In the early 2000s, PIH opened The Patricia L. Scheifly Breast Health and Ruby L. Golleher Oncology Centers, a remodeled Cardiac Catheterization Lab, the Ruth B. Shannon Neonatal Intensive Care Unit, and developed the Pediatric and Adult Hospitalist Programs. Today, PIH is a 548-bed facility that includes a 35-bed skilled nursing facility, employs approximately 3,000 staff members. PIH serves the nearly 1.5 million residents of the region.

In 1981, the InterHealth Corp. holding company was formed. InterHealth Corp. is a California nonprofit public benefit corporation and is doing business as PIH Health. It is located in Whittier, California, and operates an integrated delivery network that provides acute care hospital services, transitional care services, home health services, hospice services, and physician services through an affiliated medical foundation. It is the sole member of the following seven nonprofit corporations: Presbyterian Intercommunity Hospital, Inc., which owns and operates PIH Health Hospital; PIH Foundation dba PIH Health Foundation; IHC Management Corp. dba PIH Health Management Corp.; Bright Health Physicians of PIH dba PIH Health Physicians; InterHealth Home Health Care dba PIH Health Home Health Care; Med Site - Hacienda Heights dba PIH Health Adult Day Healthcare; and PIH Health Insurance Company; a reciprocal risk retention group. In addition, PIH Health Hospital is the sole member of PIH Community Pharmacy, LLC.

Major Programs and Services

PIH offers the following primary, secondary, and limited tertiary level major services:

- Acute Medical/Surgical Services
 - ▶ Allergy & Immunology
 - ▶ Cardiovascular Disease

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

- ▶ Psychology
- ▶ Dermatology
- ▶ Endocrinology
- ▶ ENT
- ▶ Family Medicine
- ▶ Internal Medicine
- ▶ Gastroenterology
- ▶ Neonatology
- ▶ Geriatrics
- ▶ Gynecology
- ▶ Hematology/Oncology
- ▶ Infectious Disease
- ▶ Neurology
- ▶ Nephrology
- ▶ OB/GYN
- ▶ Physical and Rehabilitation Medicine
- ▶ Pulmonary Disease
- ▶ Rheumatology
- Surgical Services: outpatient and inpatient
 - ▶ General Surgery
 - ▶ Gynecologic Surgery
 - ▶ Vascular Surgery
 - ▶ Orthopedic Surgery
 - ▶ Thoracic Surgery
 - ▶ Urologic Surgery
 - ▶ Neurosurgery
 - ▶ Oral/Maxillofacial Surgery
 - ▶ Plastic and Reconstructive Surgery
 - ▶ Ophthalmologic Surgery
 - ▶ Urologic Surgery
 - ▶ Vitreo-Retinal Surgery

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

- Acute Rehabilitation Center: physical, occupational and speech therapy, speech-language pathologist, and pet therapy
- A Day Away Adult Day Healthcare Center: assessment of physical, functional, and cognitive abilities, daily nutritious meals, dietary consults, personal hygiene care, free emotional and educational support for caregivers
- Blood Donor Center
- Ruby L. Golleher Comprehensive Cancer Program
- Critical Care Center
- Emergency Department: 24-hour basic level emergency services
 - ▶ Designated by Los Angeles County as Paramedic Base Station, Emergency Department approved for Pediatrics, and STEMI Receiving Center
- Heart & Lung Center: cardiac diagnostics, STEMI Receiving Center, cardiac catheterization, cardiac surgery, and cardiac rehabilitation
- Home Health Services and Hospice
- 32 Labor/Delivery/Recovery/Postpartum rooms
- Pediatric Clinics with eight pediatric sub-specialties
- Plastic Surgery and Aesthetic Medicine Center
- Radiology Services: MRI, CT, Bone Density, Diagnostic X-ray, Interventional Radiology, Nuclear Medicine, PET, PICC line placement, and ultrasound
- Respiratory Services Department: respiratory lab and rehabilitation and hyperbaric oxygen therapy
 - ▶ Quality Respiratory Care Recognition by American Association for Respiratory Care
 - ▶ Affiliation with California Society for Respiratory Care
 - ▶ Affiliation with National Board for Respiratory Care
- PIH Senior Life Center
 - ▶ Lending library with educational books
 - ▶ Information and referral system
 - ▶ Health insurance counseling and advocacy program
 - ▶ Food assistance program

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

- ▶ Health and wellness program
- PIH Stroke Center recognized by The Joint Commission
- Transitional Care Unit
 - ▶ Short-term skilled nursing unit
 - ▶ Directs program for acute rehabilitation and transitional care
- Marjorie and John M. Eagle Wound Healing Center

Key Statistics

Facility type: General Acute Care Hospital

**Presbyterian Intercommunity Hospital
General Acute Care Licensed Beds
CY 2012 - 2013**

Bed Type	2012	2013	Difference
Medical/Surgical	268	324	56
Neonatal Intensive Care	34	34	0
Intensive Care	24	72	48
Perinatal	32	32	0
Pediatrics	34	34	0
Rehabilitation	17	17	0
Total Licensed Beds	409	513	104

Source: Automated Licensing Information and Report Tracking System

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[PIH_Analysis_Tables.xlsx]Licensed Beds

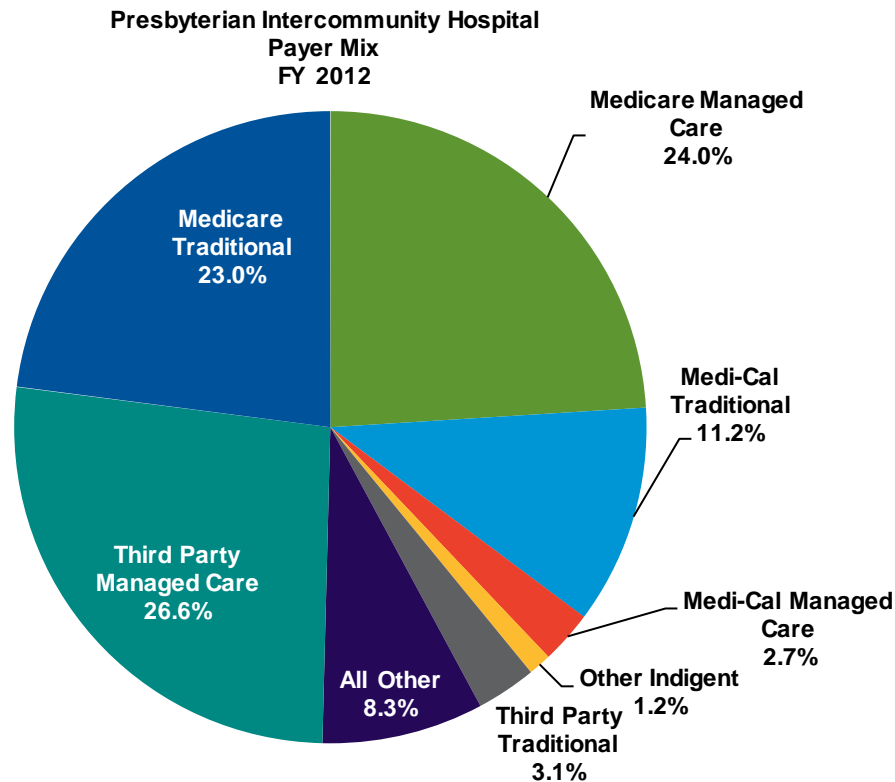
- In 2013, PIH added 56 new medical/surgical beds and 48 intensive care beds for a total of 513 acute care licensed beds.

Key Financial Statistics include the following:

- In FY 2012, PIH had approximately \$436,257,302 in net patient revenue, an increase of 3.8% from \$420,228,122 in FY 2011.
- In FY 2012, PIH had approximately \$69,496,393 in net income, up 282.9% from \$18,150,001 in FY 2011.

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

Payer Mix



N = 18,042 discharges

Source: OSHPD Financial Disclosure Report, 2012

Note: Fiscal Year ends September 30. Excludes normal new borns.

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[PIH_Analysis_Tables.xlsx]Payer Mix

- Based on inpatient discharges in FY 2012, Medicare and Medi-Cal accounted for 47% and 13.9% respectively.

Accreditations, Certification, and Achievement

PIH is accredited by The Joint Commission. PIH has been awarded a variety of excellence awards:

- Certification by The Joint Commission for the PIH Stroke Care Program for the period of May 25, 2013 to May 25, 2015.
- Accreditation by the American College of Radiology for Breast MRI, expiring on May 11, 2014.

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

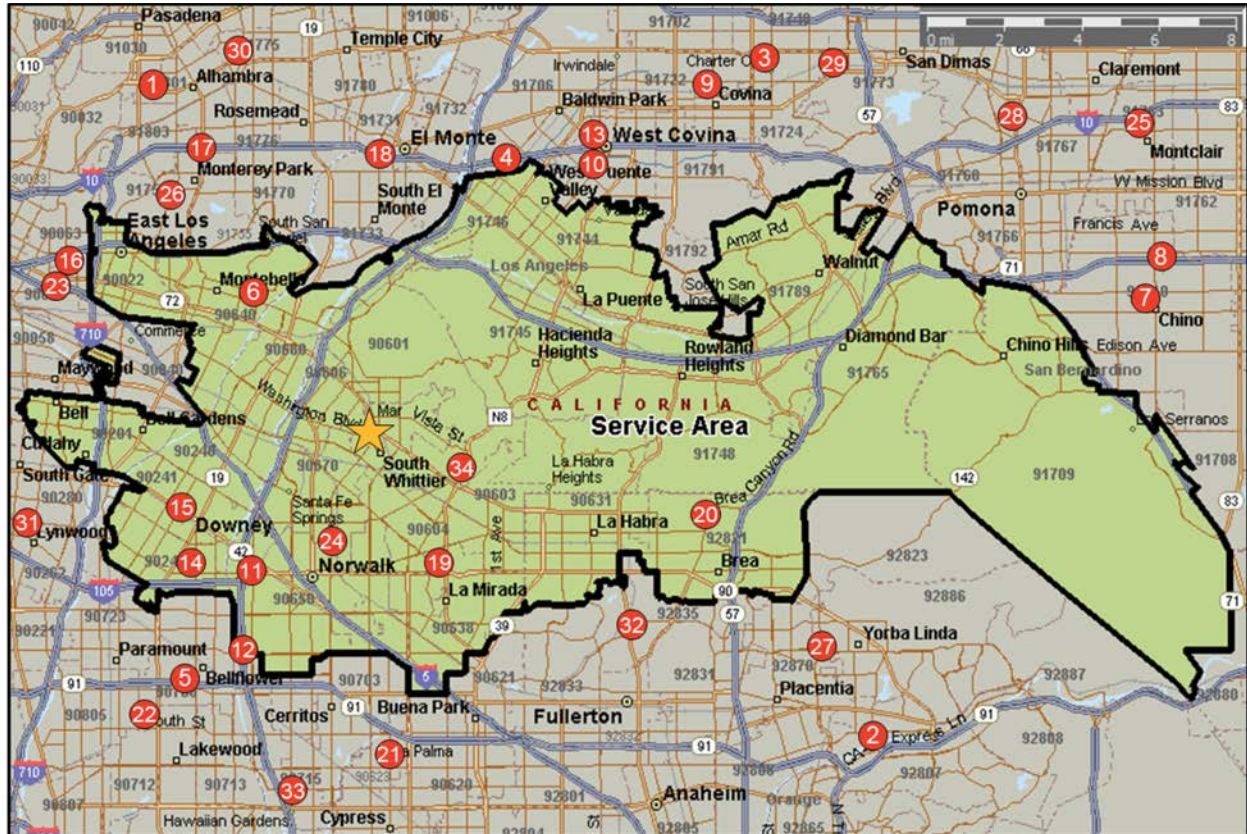
- Accreditation by the American College of Radiology for Computed Tomography, expiring on May 8, 2016.
- Designated as a Breast Imaging Center of Excellence by the American College of Radiology, expiring April 25, 2015.
- 2012 Franklin Award of Distinction
- 2009 American Stroke Association's Get With The Guidelines–Stroke Silver Performance Achievement Award
- 2009 Circle of Excellence Award for Clinical Adoption
- 2008 Best in Patient-Centered Care Award
- 2008 Get With the Guidelines Bronze Performance Award Recipient
- 2007--2010 Outstanding Achievement Award for cancer services by the American College of Surgeons' Commission on Cancer
- 2008 VHA Certificate of Recognition for Team Collaboration – Radiation Oncology Department
- 2008 VHA Trophy Award for Community Benefit – Fall Prevention Program
- 2008 VHA Trophy Award for Innovation – Bed Request System
- 2008 VHA Trophy Award for Team Collaboration – STEMI and TICU Teams
- 2008 VHA Trophy Award for Nurse Champion – Andrea Kirton, RN
- 2008 VHA Trophy Award for High Reliability – Prevention of central line infections and ventilator-associated pneumonia
- 2008 VHA Certificate of Recognition for Sepsis Bundle Implementation
- 2008 VHA Certificate of Recognition for Achieving Excellence in Critical Care

Community Benefit Services

PIH's Community Benefit Oversight Committee, an advisory body that was established in 2006, is comprised of key community stakeholders and hospital senior management and is charged with ensuring the accountability, consistency, and transparency of PIH's community benefit activities. PIH offers a wide array of community benefit services. PIH's Care Force One Mobile Health Unit Services brings free to low-cost basic and preventative healthcare directly to those who need it most. The School-based Wellness Programs provide education and training on healthy eating and active living for parents and families in area schools.

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

Service Area Map and Hospital Statistics



Source: OSHPD Inpatient Database, 2011 and The Camden Group; excludes normal newborns (MS-DRG 795).

★ Presbyterian Intercommunity Hospital	Area Hospitals, cont.:	Area Hospitals, cont.:
■ Service Area	11. Coast Plaza Hospital	23. Los Angeles Community Hospital
● Area Hospitals:	12. College Hospital ⁽¹⁾	24. Metropolitan State Hospital ⁽¹⁾
1. Alhambra Hospital Medical Center	13. Doctors Hospital of West Covina	25. Montclair Hospital Medical Center
2. Anaheim Medical Center	14. Kaiser Foundation Hospital - Downey	26. Monterey Park Hospital
3. Aurora Charter Oak Hospital ⁽¹⁾	15. Downey Regional Medical Center	27. Placentia-Linda Hospital Medical Center
4. Baldwin Park Medical Center	16. East Los Angeles Doctors Hospital	28. Pomona Valley Hospital Medical Center
5. Bellflower Medical Center ⁽²⁾	17. Garfield Medical Center	29. San Damasco Community Hospital
6. Beverly Hospital	18. Greater El Monte Community Hospital	30. San Gabriel Valley Medical Center
7. Canyon Ridge Hospital ⁽¹⁾	19. Kindred Hospital - La Mirada	31. St. Francis Medical Center
8. Chino Valley Medical Center	20. Kindred Hospital - Brea	32. St. Jude Medical Center
9. Citrus Valley Medical Center - Intercommunity Campus	21. La Palma Intercommunity Hospital	33. Tri-City Regional Medical Center
10. Citrus Valley Medical Center - QV Campus	22. Lakewood Regional Medical Center	34. Whittier Hospital Medical Center

(1) Psychiatric Hospital
 (2) Bellflower Medical Center closed in April 2013

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

Presbyterian Intercommunity Hospital Hospital Statistics CY 2011 - 2012

	2011	2012*
Licensed Beds ⁽¹⁾	409	409
Patient Days	71,365	70,228
Discharges	18,277	17,474
ALOS	3.9	4.0
Average Daily Census	195.5	191.9
Occupancy	47.8%	46.9%
ED Visits	67,465	68,413
Emergency Visits Resulting in an Admission	16.0%	14.5%
Emergency Admissions/Total Admissions	59.1%	56.8%
Inpatient Surgeries	4,490	4,006
Outpatient Surgeries	8,399	9,061
Total surgeries	12,889	13,067
Births	3,202	3,472
Income Statement⁽²⁾		
Gross Patient Revenue	\$2,409,987,983	\$2,610,232,303
Net Patient Revenue	\$420,228,122	\$436,257,302
Other Operating Revenue	\$14,834,970	\$28,045,757
Total Operating Revenue	\$435,063,092	\$464,303,059
Total Operating Expenses	\$394,684,251	\$430,575,421
Net From Operations	\$40,378,841	\$33,727,638
Non-operating Revenue	(\$22,228,840)	\$35,768,755
Non-operating Expenses	\$0	\$0
Net Income	\$18,150,001	\$69,496,393

Source: Automated Licensing Information and Report Tracking System and OSHPD Annual Financial Disclosure Reports

*Unaudited

(1) General acute care statistics, only.

(2) Represents FY 2011 and FY 2012

Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/[PIH_Analysis_Tables.xlsx]Patient_Volume

- From 2011 to 2012, the total inpatient discharges decreased by 4.4%, from 18,277 to 17,474.
- In 2012, PIH operated a total of 444 licensed beds with an occupancy rate of 51% and an average daily census of 191.9 patients. 409 of the licensed beds are acute care beds with 35 of the licensed beds being skilled-nursing beds.
- In CY 2012, PIH had a total of 68,413 ED visits.

V. Profile of InterHealth Corp. and Presbyterian Intercommunity Hospital

Presbyterian Intercommunity Hospital
Charity Care Comparison (in millions)
FY 2008 - 2012

	FY 2008		FY 2009		FY 2010		FY 2011		FY 2012*	
	PIH	CA	PIH	CA	PIH	CA	PIH	CA	PIH	CA
Gross Patient Revenue	\$1,749.3	\$240,491.8	\$1,885.7	\$261,292.5	\$2,081.1	\$277,795.5	\$2,410.0	\$295,286.5	\$2,610.2	\$313,052.3
Charity	\$11.6	\$3,907.8	\$13.5	\$4,547.4	\$12.9	\$5,035.4	\$14.0	\$5,846.3	\$16.5	\$5,933.8
Bad Debt	\$9.9	\$4,198.9	\$13.5	\$4,626.1	\$14.9	\$5,024.5	\$14.2	\$5,061.1	\$12.5	\$5,467.9
Total	\$21.5	\$8,106.7	\$27.0	\$9,173.5	\$27.9	\$10,059.9	\$28.2	\$10,907.4	\$29.1	\$11,401.7
Charity as a % of Gross Revenue	0.7%	1.6%	0.7%	1.7%	0.6%	1.8%	0.6%	2.0%	0.6%	1.9%
Bad Debt as a % of Gross Revenue	0.6%	1.7%	0.7%	1.8%	0.7%	1.8%	0.6%	1.7%	0.5%	1.7%
Total as a % of Gross Revenue	1.2%	3.4%	1.4%	3.5%	1.3%	3.6%	1.2%	3.7%	1.1%	3.6%
Uncompensated Care										
Cost to Charge Ratio	18.8%	26.4%	17.0%	25.3%	16.3%	25.8%	15.8%	24.7%	15.4%	24.3%
Cost of Charity	\$2.2	\$1,031.4	\$2.3	\$1,151.9	\$2.1	\$1,297.9	\$2.2	\$1,441.4	\$2.5	\$1,443.1
Cost of Bad Debt	\$1.9	\$1,108.2	\$2.3	\$1,171.8	\$2.4	\$1,295.1	\$2.2	\$1,247.9	\$1.9	\$1,329.8
Total	\$4.1	\$2,139.5	\$4.6	\$2,323.7	\$4.5	\$2,593.0	\$4.4	\$2,689.3	\$4.5	\$2,773.0

Source: OSHPD Financial Disclosure Reports, 2008 - 2012 and OSHPD Quarterly Reports, 2008 - 2012

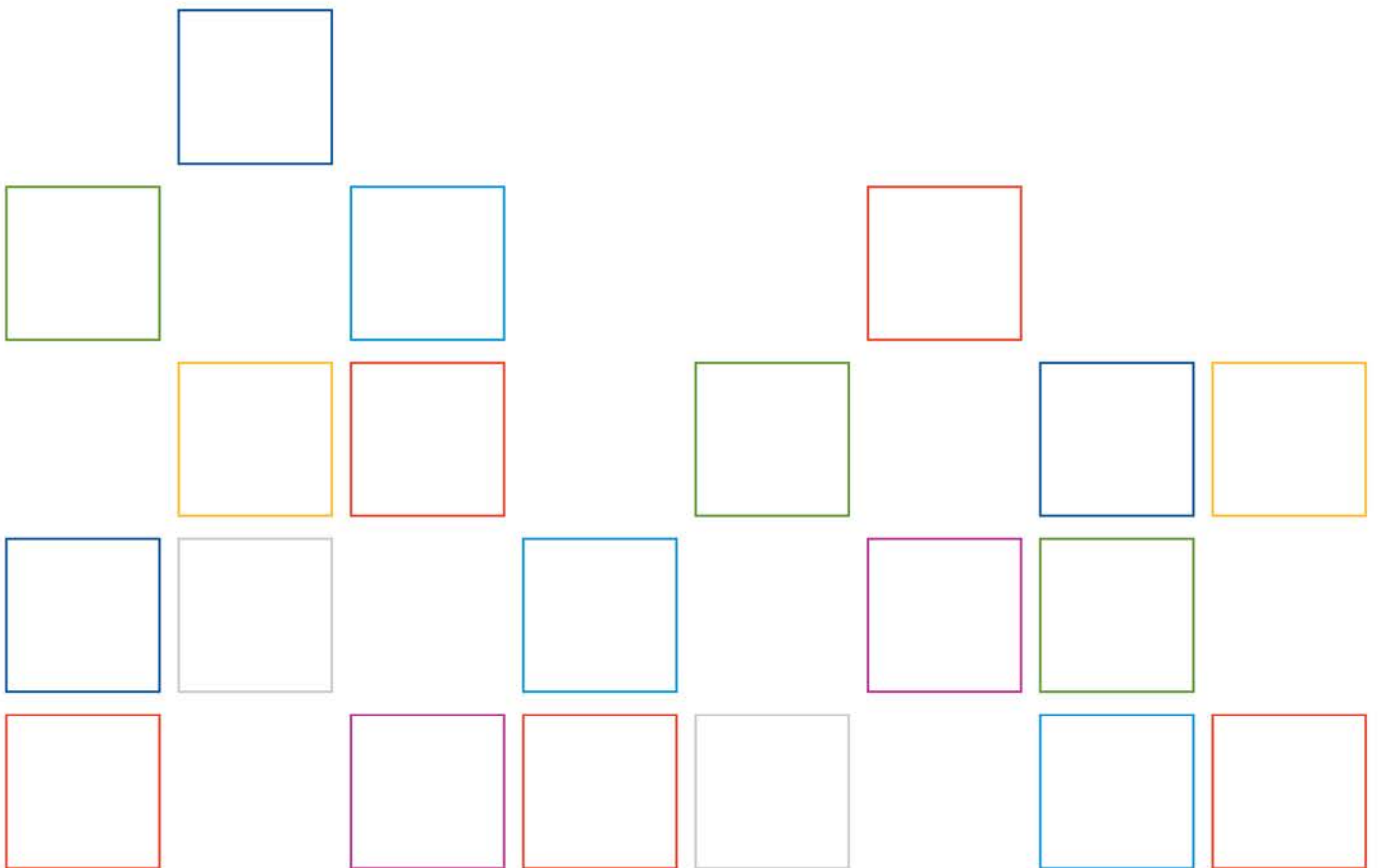
Clients/California Attorney General/Downey_Regional_Medical_Center/Planning/PIH_Analysis_Tables.xlsx/CharityCare

Note: California financial data is based on OSHPD Quarterly reports, which report Calendar Year data.

*Unaudited

- In FY 2012, PIH's total cost of charity care was \$2.5 million, up 15.3% from FY 2011.

VI. Summary of Interviews



VI. Summary of Interviews

In May and June of 2013, both in-person and telephone interviews were conducted with members of the Hospital's management team, the Hospital's Board of Directors, the CEO of PIH Health, and community representatives from the city of Downey. The purpose of the interviews was to gather information regarding potential impacts of the transaction on the availability or accessibility of healthcare services to the communities served by the Hospital. The main findings are summarized below.

Reasons for the Proposed Transaction

The Hospital has experienced significant operational and financial issues in the last few years. The Hospital's financial issues resulted in filing for Chapter 11 bankruptcy protection in 2009. In 2012, the Hospital emerged from bankruptcy with a reorganization plan that is still in effect. Operating under these financially strained conditions has impacted the Hospital's ability to: maintain the physical plant, including information systems that are vital in appropriately capturing revenue and managing expenses for the services it has provided, invest in needed medical technology updates and purchases, recruit and retain the best nursing and ancillary staff, advertise the services it offers, and add new services and offerings.

The challenges of the ever-changing healthcare market have resulted in a tremendous increase in the number of transactions and affiliations, as systems are being formed or strengthened. This trend has made it harder for independent community providers to compete, as larger systems have more leverage with payers for contracted rates and the ability to spread the cost of more lucrative high acuity services over a larger patient population.

The majority of people interviewed felt that this transaction is the only chance the Hospital has to stabilize its current operations and set a path for improved performance in the future. They also expressed deep concerns that if a buyer or partner was not found, the facility would have ceased operations.

Selection of PIH Health as the Acquirer

The Hospital's management team and several member of the Board of Directors indicated that they took into consideration a variety of factors when reviewing the list of parties who expressed interest in acquiring the Hospital. They stated that there was a strong preference for selecting a nonprofit provider that had a similar mission.

The majority of people interviewed had high praise for PIH Health as both a potential acquirer and as a provider of healthcare services to those in the same communities currently served by

VI. Summary of Interviews

the Hospital. This complimentary focus on improving the health and wellness of service area residents through traditional community hospital offerings was stated as a major reason why they felt that PIH Health is the right organization to improve the Hospital and bring it back to operational and financial health. Most of the people interviewed expressed their belief that the Hospital has very little chance of surviving as a stand-alone acute care hospital unless it becomes part of a larger integrated delivery system.

One person interviewed expressed strong concerns with the selection of PIH Health as the acquirer because the culture of the PIH Health medical staff is different than that of the Hospital. The concern was that the Hospital's physicians have a more independent approach to healthcare delivery and will find it difficult to adjust to the more aligned approach favored by PIH Health. The concern was also that certain services would no longer be provided at the Hospital and would instead be centralized at PIH. Even with these concerns, this person expressed cautious optimism about the transaction, noting that it was clear that the Hospital could not survive on its own for much longer.

Importance of the Hospital to the Community

All interviewees shared their belief that the Hospital is a needed provider of healthcare services to the community of Downey and those of the surrounding area. The majority of interviewees has been affiliated with the Hospital for many years and has experienced the changes to the city of Downey and the surrounding area. They stated that the Hospital has been the one constant in an ever-changing demographic and socio-economic landscape and has served as the primary provider of emergency and acute healthcare services. Even though PIH is only seven miles away, the lack of mobility of the poor and the elderly makes having a facility in Downey vital to maintaining the availability and accessibility of needed healthcare services.

Expectations and Goals of the Transaction

Those interviewed expressed the following goals, reasons, and expectations for the transaction:

- Keep an acute care hospital with a core complement of basic services, including an emergency room, open and operating in the city of Downey.
- Update the physical plant by performing needed and delayed improvements.
- Invest in a proven electronic medical record-keeping system that allows for appropriate tracking of the medical data that is vital to providing high quality care.

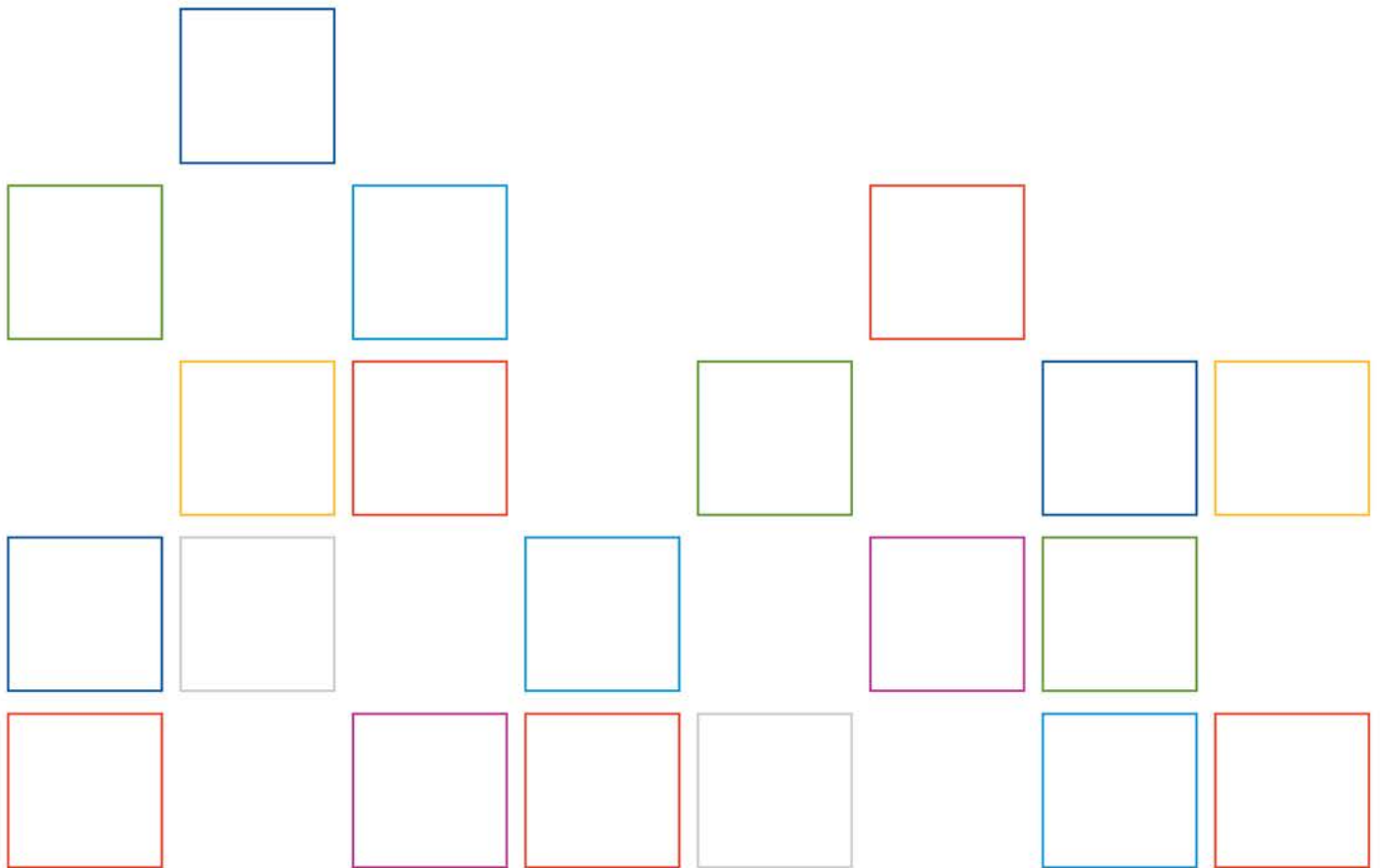
VI. Summary of Interviews

- Improve the data, information technology, and billing and collections functions at the Hospital in order to reduce waste.
- Increase salaries and wages to market rates that will allow the facility to recruit exemplary nursing staff, and reduce or eliminate the current reliance on Registry nurses for staffing the ED, the operating rooms, and the intensive care unit.
- Allocate resources and staff to providing wellness and preventative care education to the communities served by the Hospital.
- Evaluate all healthcare services provided and, if necessary, put in place an improvement plan that enhances operations, quality, and financial performance.

Impact on Accessibility and Availability of Healthcare Services

All persons interviewed shared the belief that the proposed transaction will either not negatively impact or will improve the accessibility and availability of healthcare services in the service area. In addition, there is a strong belief that preventative and wellness services and education will markedly improve as a result of the transaction as these services have been negatively impacted by the recent financial constraints faced by the Hospital.

VII. Conclusions Related to Expected Health Impact



VII. Conclusions Related to Expected Health Impact

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

Continuation as a General Acute Care Hospital

As set forth in the Member Substitution Agreement, PIH Health has agreed to maintain the Hospital as an acute care hospital in a manner reasonably comparable with its current operations, and with emergency services at the same level as are currently operated. The Hospital's financial condition or performance, the evolving healthcare needs of the communities served by the Hospital, and the availability of other healthcare resources, including those offered by PIH, will be taken into consideration. Thus, some high acuity services may be centralized at PIH in order to benefit from economies of scale, avoid unnecessary duplication, and enhance quality by increasing the volume of patients served in one location.

Emergency Services

The Hospital's ED with 22 emergency stations has seen steady growth in annual visits, from 48,000 in 2010 to 52,000 in 2012. The ED is critical to providing emergency services in the Hospital's service area and is used as a major access point for inpatient care. Over 65% of the Hospital's admissions have originated in the ED in the last four years. The Hospital's ED is at 118.2% capacity. With the recent closure at Bellflower Medical Center, keeping the Hospital's ED open is critical to providing adequate emergency services in the service area.

Medical/Surgical Services

The Hospital has experienced a decline in the medical/surgical occupancy rate as a result of reduced market share and overall volume. In 2012, medical/surgical occupancy was 59.6%. The Hospital has 147 medical/surgical beds. Other facilities caring for service area residents also have available capacity with an average occupancy rate in 2012 of 51.8%. If the Hospital's beds were not available, the occupancy rate would have risen to 59.3% for facilities within ten miles of the Hospital. Therefore, there is sufficient capacity in the market for these services.

Intensive Care/Coronary Care Services

The Hospital's operates eight Intensive Care beds and ten Coronary Care beds. These 18 beds have the highest occupancy of any licensed beds at the Hospital (average occupancy of 80.2% in 2012). For the four facilities in the Hospital's service area, there is available capacity with a 2012 average occupancy rate of 59.3%. However, excluding Kaiser Permanente- Downey, the

VII. Conclusions Related to Expected Health Impact

adjusted occupancy rate is 79.9%. This rate demonstrates the importance of these beds. In addition, 66% of local emergency medical patients are transported to the Hospital's ED, and 18% of the admissions are categorized "severe with threat." Thus, it is important to maintain the 18 beds to care for these emergency medical patients.

Obstetric Services

The Hospital's Obstetrics unit has 20 perinatal beds. The Hospital has experienced a decline in the number of deliveries from 2008 to 2010. In the last two years, volume has slightly increased, although occupancy rates are still below 50%. For the four facilities in the Hospital's service area, there is available capacity with a 2012 average occupancy rate of 44.4%. If the Hospital's beds were not available, there would be sufficient capacity in the market for these services.

Neonatal Intensive Care Services

The Hospital operates a seven-bed neonatal intensive care unit with an average daily census that has been below 4.0 in the last three years. The Hospital has indicated that 73% of the patients in the neonatal intensive care unit in 2013 are in the unit because of low birth weight (i.e., "growers and feeders") and do not receive high acuity services that are normally provided in a neonatal intensive care unit.

For the four facilities in the Hospital's service area, there is available capacity, with a 2012 average occupancy rate of 68.2% within five miles and adjusted to 76.1% if the Kaiser Permanente-Downey beds are excluded. If the Hospital's beds were not available, the occupancy rates would increase to 70.6% within ten miles of the Hospital. As such, there is sufficient capacity in the market for these services.

Effect on Services to Medi-Cal, Medicare, and Other Classes of Patients

Approximately 80% of the Hospital's inpatients are reimbursed through Medicare (53.5%) and Medi-Cal (23.8%). The number of Medi-Cal patients in the Hospital's service area is likely to increase as a result of the Affordable Care Act. The Hospital is a needed resource to these classes of patients.

VII. Conclusions Related to Expected Health Impact

Effect on the Level and Type of Charity Care and Community Benefits Provided Historically

The five-year average of charity care costs for the Hospital is \$3,988,627. The five-year average of community benefit costs for the Hospital is \$423,856. In the Member Substitution Agreement, PIH Health has committed to maintain the charity care costs and community benefits amounts based upon a three-year average for the years immediately preceding the transaction.

Effects on Staffing and Employee Rights

Pursuant to the Member Substitution Agreement, PIH will employ substantially all current employees at compensation rates and benefit levels for similarly situated employees within the service area. In addition, employees will receive credit for prior employment with the Hospital for the purpose of determining seniority, benefit plan qualification, and other relevant purposes. Staff will retain their ability to provide input on the provision of quality care and staffing issues. Offering salaries and wages at market rates will allow the Hospital to recruit exemplary nursing staff, and reduce or eliminate the Hospital's current reliance on Registry nurses. A reduced reliance on Registry nurses will help to establish a more consistent workforce to provide continuity of patient care.

Effects on the Medical Staff

Pursuant to the Member Substitution Agreement, the Hospital will recognize and retain the existing medical staff organization, its members, and their respective clinical privileges

Effects on Reproductive Health Services

Tubal ligations and other reproductive health services are not prohibited at the Hospital. The transaction will not change or reduce the availability or accessibility of these services.

Alternatives

If the proposed transaction is not approved, it is likely that the Hospital would close. While it is possible that another partner could step forward, this transaction should allow the Hospital to stabilize its current operations and set a path for improved performance in the future. The Hospital has had significant operating and financial struggles in recent years. Through this proposed transaction, the Hospital will become financially more secure, allowing the Hospital to avoid another bankruptcy filing, any potential closure of the Hospital, or elimination of necessary programs and services.

VII. Conclusions Related to Expected Health Impact

Potential Conditions for Transaction Approval by the California Attorney General

As a result of the above analysis, if the California Attorney General approves the proposed transaction, the Camden Group recommends that the following conditions be required in order to minimize any potential negative health impact that might result from the transaction:

1. For at least five years from the transaction closing date, the Hospital should continue to operate as a general acute care hospital;
2. For at least five years from the transaction closing date, the Hospital should maintain 24-hour emergency medical services at current licensure (22 treatment stations), types, and levels of service;
3. For at least five years from the transaction closing date, the Hospital should maintain the following services at current licensure, types, and levels of services
 - a) Intensive Care services, including a minimum of eight beds
 - b) Coronary Care services, including a minimum of ten beds
4. For at least five years from the transaction closing date, the Hospital should:
 - a) Maintain the Hospital's certification to participate in the Medi-Cal program and provide the same types and levels of emergency and non-emergency services at the Hospital to Medi-Cal beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions
 - b) Maintain contracts with the Medi-Cal Managed Care health plans and the Medicare Managed Care health plans on similar terms and conditions as other similarly-situated hospitals
 - c) Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services to Medicare beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care)
5. For at least five years from the transaction closing date, the Hospital should develop and maintain a charity care policy that complies with federal and state laws and provides an annual amount of Charity Care at the Hospital equal to or greater than \$3,988,626 (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 Hospital in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as

VII. Conclusions Related to Expected Health Impact

that used by OSHPD for annual hospital reporting purposes. The minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles;

6. PIH Health must make the capital expenditures as required under section 3.9, entitled “Capital Commitments,” in the Member Substitution Agreement.
7. For at least five years from the closing date, the Hospital shall maintain the same services as provided under all current contracts with the County of Los Angeles, without interruption of services or quality, as listed below:
 - a) Hospital Services Agreement with LA Care Health Plan, signed July 1, 2012, with an initial effective date of 12 months.
 - b) Agreement for participation in the Hospital Preparedness Program, with the Los Angeles County, signed January 1, 2013, to remain in effect until June 30, 2017.
 - c) Agreement for participation in the Impacted Hospital Program with the Los Angeles County, amended June 9, 2010, to remain in effect until June 30, 2012, with a one year extension option until June 30, 2013 or the re-opening of Martin Luther King Jr. Hospital.
8. For at least five years from the transaction closing, the Hospital should continue to expend an average of no less than \$423,856 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles.

Recommended Action

If the California Attorney General approves the proposed transaction, The Camden Group recommends that the preceding conditions be required in order to minimize any potential negative health impact that might result from the transaction.

Appendix A

Downey Regional Medical Center Interview List

First Name	Last Name	Title	Entity
Ken	Strople	Chief Executive Officer	Downey Regional Medical Center
Richy	Agajanian, M.D.	Chief of Staff	Downey Regional Medical Center
Jim	Ball	Chairman of the Board	Downey Regional Medical Center
Bob	Earl	Chair/President of the Foundation Board	Downey Regional Medical Center
Ed	King	Chief Financial Officer	Downey Regional Medical Center
Lonnie	Croom	Fire Chief, EMS Service Representative	City of Downey
Patricia	Kotze	Chamber of Commerce Representative	City of Downey
Toni	Simmons	Director of the Emergency Department	Downey Regional Medical Center
Heather	Conwell	Vice President and Chief Nursing Officer	Downey Regional Medical Center
Beverly	Mathis	Board Member	Downey Regional Medical Center-Hospital, Inc.
Sam	Smock	Board Member	Downey Regional Medical Center-Hospital, Inc.
Monica	Lueke	Community Benefit Representative	Downey Regional Medical Center
Donald	Alvarado	Chairman of the Board of Directors	PIH Health
Jim	West	Chief Executive Officer	PIH Health

License: 930000048

Effective: 06/30/2013

Expires: 08/29/2014

Licensed Capacity: 199

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

Downey Community Hospital Foundation

to operate and maintain the following General Acute Care Hospital

DOWNEY REGIONAL MEDICAL CENTER

11500 Brookshire Ave
Downey, CA 90241-4917

Bed Classifications/Services

- 199 General Acute Care
- 20 Perinatal
- 10 Coronary Care
- 8 Intensive Care
- 7 Intensive Care Newborn Nursery
- 7 Pediatric
- 147 Unspecified General Acute Care

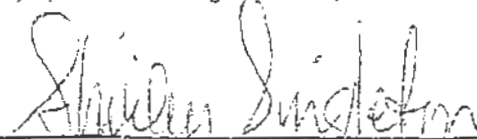
Other Approved Services

- Basic Emergency
- Cardiovascular Surgery
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - Rehab. Service at 11420 BROOKSHIRE AVE., DOWNEY
- Outpatient Services - Surgical Center
- Physical Therapy
- Respiratory Care Services
- Social Services

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

Ron Chapman, MD, MPH

Director & State Health Officer



Shirley Singleton, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

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