

Effect of Alecto Healthcare Services Hayward LLC's Management and Acquisition of St. Rose Hospital on the Availability or Accessibility of Healthcare Services

**Prepared for the Office of the  
California Attorney General**

December 6, 2012

*Prepared by:*

Medical Development Specialists, LLC



24596 Hawthorne Boulevard  
Torrance, CA 90505  
P: 424 237 2525 ■ F: 424 247 8248  
[www.MDSconsulting.com](http://www.MDSconsulting.com)

## TABLE OF CONTENT

<b>INTRODUCTION AND PURPOSE .....</b>	<b>4</b>
<b>BACKGROUND AND DESCRIPTION OF THE TRANSACTION.....</b>	<b>6</b>
HISTORY OF THE HOSPITAL .....	6
REASONS FOR THE AMSA AND OPTION TO PURCHASE SRH’S ASSETS .....	7
TRANSACTION PROCESS AND TIMING.....	8
ALECTO’S COMMITMENTS DESCRIBED IN THE LETTER OF INTENT.....	10
SUMMARY OF AGREEMENTS.....	11
INTERIM MANAGEMENT AGREEMENT .....	11
AMENDED MANAGEMENT SERVICES AGREEMENT .....	11
SUMMARY OF THE ASSET PURCHASE AGREEMENT .....	12
USE OF NET SALE PROCEEDS .....	13
<b>PROFILE OF ST. ROSE HOSPITAL.....</b>	<b>14</b>
GENERAL INFORMATION .....	14
KEY STATISTICS .....	15
PROGRAMS AND SERVICES .....	16
ACCREDITATIONS, CERTIFICATIONS, AND ACHIEVEMENTS .....	17
SEISMIC ISSUES .....	17
PATIENT VOLUME .....	18
PAYER MIX .....	20
MEDICAL STAFF .....	22
FINANCIAL PROFILE .....	23
COST OF HOSPITAL SERVICES.....	25
CHARITY CARE.....	25
COMMUNITY BENEFIT SERVICES.....	29
<b>PROFILE OF PURCHASER AND ALECTO HEALTHCARE SERVICES HAYWARD LLC .....</b>	<b>32</b>
<b>ST. ROSE HOSPITAL SERVICE AREA ANALYSIS .....</b>	<b>33</b>
DEFINITION OF ST. ROSE HOSPITAL’S SERVICE AREA.....	33
SERVICE AREA MAP .....	34
DEMOGRAPHIC PROFILE .....	35
PAYER/INSURANCE MIX IN THE SERVICE AREA .....	37
SELECTED HEALTH INDICATORS .....	38

2010 COMMUNITY HEALTH NEEDS ASSESSMENT .....	40
HOSPITAL SUPPLY, DEMAND, AND MARKET SHARE .....	44
PROFILE OF AREA HOSPITALS .....	46
HOSPITAL MARKET SHARE .....	48
MARKET SHARE BY PAYER .....	49
ALAMEDA ALLIANCE FOR HEALTH .....	50
MARKET SHARE BY SERVICE LINE .....	51
SERVICE AVAILABILITY BY BED TYPE .....	52
MEDICAL/SURGICAL BEDS .....	52
CRITICAL CARE BEDS (ICU/CCU) .....	53
OBSTETRICS BEDS .....	54
PEDIATRIC BEDS .....	55
NEONATAL INTENSIVE CARE BEDS .....	56
EMERGENCY DEPARTMENT VOLUME AT HOSPITALS IN THE SERVICE AREA .....	57
SERVICE AREA EMERGENCY DEPARTMENT PATIENT ORIGIN.....	58
EMERGENCY DEPARTMENT CAPACITY .....	59
<b>SUMMARY OF COMMUNITY INTERVIEWS .....</b>	<b>60</b>
REASONS FOR THE TRANSACTION .....	60
SELECTION OF ALECTO .....	60
IMPORTANCE OF THE HOSPITAL TO THE COMMUNITY .....	61
POTENTIAL CLOSURE OF THE HOSPITAL.....	62
OPPOSITION TO THE SALE.....	62
INVESTMENT IN THE HOSPITAL.....	63
<b>ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES .....</b>	<b>64</b>
CONTINUATION OF THE HOSPITAL AS A GENERAL ACUTE CARE HOSPITAL .....	64
EMERGENCY SERVICES .....	64
MEDICAL/SURGICAL SERVICES .....	64
INTENSIVE CARE/CRITICAL CARE SERVICES .....	64
OBSTETRICS SERVICES .....	64
EFFECT ON SERVICES TO MEDI-CAL, MEDICARE, COUNTY INDIGENT, AND OTHER CLASSES OF PATIENTS ..	65
EFFECT ON THE LEVEL AND TYPE OF CHARITY CARE HISTORICALLY PROVIDED.....	65
EFFECT ON COMMUNITY BENEFIT PROGRAMS .....	65
EFFECT ON STAFFING AND EMPLOYEE RIGHTS.....	65
EFFECT ON THE MEDICAL STAFF .....	65

REPRODUCTIVE HEALTH SERVICES .....66  
ALTERNATIVES.....66  
CONCLUSIONS .....67  
MANAGEMENT SERVICES AGREEMENT AND ASSET PURCHASE AGREEMENT MITIGATION MEASURES.....67  
POTENTIAL CONDITIONS FOR TRANSACTION APPROVAL BY THE CALIFORNIA ATTORNEY GENERAL .....67  
RECOMMENDED ACTION .....70  
**APPENDICES .....71**

## INTRODUCTION AND PURPOSE

Hayward Sisters Hospital, Inc., doing business as St. Rose Hospital (“SRH”), is a California nonprofit public benefit corporation. SRH owns and operates St. Rose Hospital, a general acute care hospital that is licensed for 217 beds and located in Hayward, California (“Hospital”).

Saint Rose Medical Building, Inc. (“SRMB”), a California nonprofit public benefit corporation, is the owner and lessor of the medical office building and other related buildings on or near the St. Rose Hospital campus. SRMB’s sole corporate member is SRH.

SRH has requested the California Attorney General’s consent to enter into an Amended Management Service Agreement (“AMSA”) under which Alecto Healthcare Services Hayward LLC (“Purchaser” or “Alecto”), a Delaware limited liability company, would manage all the operations of the Hospital and the medical office buildings. The AMSA includes an option for Alecto to purchase substantially all of the assets of SRH. The Hospital would continue to operate as a nonprofit hospital until such time as Alecto exercised its option to purchase it.

This report, prepared for the Office of the California Attorney General, describes the possible effects that the proposed transaction may have on the accessibility and availability of healthcare services in the areas served by the Hospital.

Medical Development Specialists, LLC (“MDS”), a healthcare planning and policy consulting firm, was retained to prepare this report. MDS prepared this report based on the following:

- A review of the “Notice of Submission and Request for Consent” submitted by SRH to the Office of the California Attorney General on October 31, 2012, and supplemental information and documents subsequently provided by SRH;
- Interviews with community members and public officials, the Hospital’s medical staff and management, former and current members of the SRH Board of Trustees, Purchaser’s representatives, representatives of the Alameda County Health Services Agency, Alameda Alliance for Health , Alameda County Medical Center (“ACMC”), and others;
- A review of various press releases and news articles related to the Hospital and other hospital transactions;
- An analysis of financial, utilization, and service information provided by the Hospital’s management and the California Office of Statewide Health Planning and Development (“OSHPD”); and

- 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; and
  - Hospital service area market share.

## BACKGROUND AND DESCRIPTION OF THE TRANSACTION

### *History of the Hospital*

The Hospital, located at 27200 Calaroga Avenue, Hayward, California 94545, was opened in 1962 as a 129-bed nonprofit general acute care hospital sponsored by the Sisters of St. Joseph of Wichita, Kansas. In 1995, the healthcare ministries of the Sisters of St. Joseph and the Sisters of the Sorrowful Mother of Broken Arrow, Oklahoma merged to form Via Christi Health System of Wichita, Kansas (“Via Christi”) and became the owner of the Hospital. In 2005, due to declining financial performance, Via Christi requested the approval of the California Attorney General for the transfer of sole corporate membership in SRH from Via Christi to itself. As a result of that approval, Via Christi received approximately \$22 million as payment of obligations, and SRH became independent.

The Hospital has expanded and renovated several times to reach its current configuration of 217 licensed beds. The Hospital provides services including emergency medicine, obstetrics and coronary care, as well as other inpatient and outpatient services. As a result of facility expansions and retrofits, the Hospital is seismically compliant through 2030.

The Hospital is a critical safety net resource and one of three Disproportionate Share Hospitals (“DSH”) in Alameda County. The Hospital has historically averaged about 35,000 emergency visits annually and over 1,000 obstetrical deliveries. Many of the Hospital’s patients are uninsured or Medi-Cal beneficiaries with a low rate of reimbursement. As a result of this payer mix and other operational and financial issues, SRH has required significant financial support from other sources, including OSHPD Cal-Mortgage Loan Insurance Division (“Cal-Mortgage”), Alameda County Board of Supervisors, Alameda Alliance for Health, Eden Township Hospital District (“ETHD”), and Washington Township Healthcare District (“WTHD”).

A history of loans and grants includes:

- In 2007, Cal-Mortgage insured Bonds amounting to \$43 million;
- In 2011, Cal-Mortgage extended an additional \$3 million line of credit with the condition that an independent consulting firm perform a financial and operational assessment of SRH;
- In 2011, ETHD agreed to provide a \$3 million loan to address ongoing liquidity issues; and
- In 2012, the Hospital also received additional support as reported by SRH below:
  - Alameda County Measure A funds of \$2 million;
  - Alameda Alliance for Health funds of \$2 million;
  - WTHD funds of \$2 million; and
  - Matching Federal IGT (intergovernmental transfer) funds of \$2 million.

As a result of the Hospital's continuing financial struggles, with reported losses of over \$1 million per month, and a continued violation of the Bond covenants required by Cal-Mortgage, actions were taken by SRH's Board including:

- Closure of the skilled nursing facility ("SNF") in 2011;
- Implementation of recommendations from an independent consultant's financial and operational assessment;
- Establishment of a Board Transition Committee ("Transition Committee") to evaluate alternatives for partnership, sale, or merger; and
- Outreach to determine interested parties and the alternatives for sale or merger.

### ***Reasons for the Amended Management Services Agreement and Option to Purchase SRH's Assets***

Due to poor financial performance, rising debt, and increasing dependence on supplemental funding sources such as Medi-Cal DSH payments and Measure A<sup>1</sup> funding, the Hospital Board decided that a sale or merger was necessary in order to avoid filing for bankruptcy and possible closure of the Hospital. Several factors were considered in this decision including:

- The Hospital's financial obligations including Revenue Bonds and a credit line insured by Cal-Mortgage, together valued in excess of \$45 million;
- Additional debt including:
  - \$12 million in payables owed to vendors;
  - \$6 million in accrued payroll expense;
  - \$1.15 million owed to ETHD on its loan; and
  - \$1.2 million for self-funded health insurance and workers' compensation.
- A hospital pension plan that is underfunded;
- Continued operational losses in excess of \$1 million per month;
- Difficulty in making payroll obligations;

---

<sup>1</sup> Measure A is a tax-generated revenue source designed to provide additional financial support to emergency medical, hospital inpatient, outpatient, public health, mental health and substance abuse services to indigent, low-income, and uninsured adults, children, families, seniors and other residents of Alameda County. Measure A generates approximately \$100 million annually with 75% of the proceeds transferred directly to ACMC and remaining 25% allocated by the Alameda County Board of Supervisors (BOS) based on demonstrated need.

- The Hospital’s poor payer mix includes a large volume of uncompensated care to uninsured and low-income members of the community;
- Unfavorable payer reimbursement rates;
- Disproportionately low distribution of Measure A funds;
- Delays in payment from government-supported programs, including DSH and Quality Assurance Fee (“QAF”)<sup>2</sup> payments; and
- An inability to achieve economies of scale and benefits by virtue of being a stand-alone hospital.

In its application to the California Attorney General, SRH states that the transaction is expected to:

- Permit the Hospital to continue operations;
- Perpetuate the mission of service to the people of Alameda County;
- Allow the Hospital to continue as a major provider of healthcare services; and
- Continue to provide jobs in the City of Hayward and surrounding areas.

### ***Transaction Process and Timing***

In the spring of 2011, the Board believed that the financial condition of the Hospital was becoming critical and began having discussions regarding potential alternatives to prevent SRH from potentially having to file for bankruptcy. These discussions included a potential partnership with ETHD. While ETHD eventually concluded that it was not able to offer a plan to save SRH, it instead provided a \$3 million loan in 2011.

SRH continued to explore options for partnership, sale, or merger in 2012, as shown on the following timeline:

- January 2012 - Discussions with an attorney about potential bankruptcy;
- February 2012 - July 2012 - Discussions with WTHD to establish a Joint Powers Authority (“JPA”) that would assure sufficient interim funding in anticipation of transfer of management authority to the WTHD and/or acquisition of SRH’s assets. On February 22, 2012, a Letter of Intent was entered into between WTHD and SRH. WTHD

---

<sup>2</sup> The Quality Assurance Fees (QAF) program (Welfare & Institutions Code Sections 14169.1- 14169.19) provides funds to hospitals to additionally compensate them for the amount of care they provided to Medi-Cal beneficiaries during a specific period.

subsequently hired an outside auditor to conduct an audit. Despite numerous discussions regarding the development of agreements and the formation of the JPA, WTHD released SRH from an exclusivity arrangement pursuant to a previously signed letter of intent;

- July and August 2012 - Discussions with ACMC regarding a merger. ACMC submits a proposal on August 31, 2012;
- August 27, 2012 - Alecto submits a proposal;
- September 5, 2012 - A letter from Cal-Mortgage is sent to the Transition Committee stating that the terms offered by Alecto appear acceptable while Cal-Mortgage “cannot currently consent to the ACMC proposal” and that SRH “cannot afford delay and uncertainty.” If the ACMC proposal was unsuccessful, Cal-Mortgage feared that SRH could “run out of cash, face bankruptcy, and be forced to close;” and
- September 6, 2012 - Prime Healthcare submits a proposal.

The Transition Committee met on September 6, 2012, to review all proposals received by the deadline of August 31, 2012, and the summaries and comparisons made by the Hospital’s management. The Transition Committee interviewed representatives of Alecto and ACMC and reached a consensus to recommend the selection of Alecto. The Hospital’s Board considered numerous factors during its deliberations including:

- The level of commitment to continue providing core services currently offered by the Hospital;
- The level of commitment to continue serving the Hospital’s target populations;
- The acceptability of the transaction to Cal-Mortgage; and
- The probability of operating the Hospital efficiently and within its available resources.

After interviews with representatives of Alecto and ACMC and further discussions, the Hospital’s Board accepted the recommendation of the Transition Committee to select Alecto’s offer to purchase substantially all the assets of the Hospital for \$50 million, adjusted down to reflect Alecto’s assumption of the accrued and unpaid salaries, wages, and paid time off for Hospital employees. The offer also included the assumption of no more than \$7 million of the Hospital’s accounts payable.

An expedited due diligence process took place while the parties negotiated and drafted the Asset Purchase Agreement (“APA”) outlining the terms of the transaction. SRH continued to experience substantial operating losses during this time and the due diligence process revealed higher debt and operating losses than either SRH or Alecto expected.

On October 5, Alecto and SRH met to discuss the options given this new understanding of SRH’s financial position. The initial purchase price offered by Alecto, designed to pay the

outstanding obligations of SRH, was insufficient to pay financial obligations and continue operations. Continued discussions considered several options including bankruptcy before agreeing on the current transaction, described below.

As a result of the discussions, Alecto and SRH negotiated an Interim Management Agreement and AMSA that preserve Alecto's interest in acquiring the Hospital through an option to purchase SRH's assets, including the Hospital, within Alecto's discretion. The new agreements give Alecto the opportunity to manage the Hospital before exercising its option to purchase. The Hospital would continue to operate as a nonprofit under the AMSA until Alecto exercised its option as provided for in the AMSA and APA.

### ***Alecto's Commitments Described in the Letter of Intent***

In Alecto's Letter of Intent ("LOI") to SRH, dated August 30, 2012, the following set of commitments were set forth as substantive terms that Alecto would be prepared to offer in the acquisition of SRH assets. While contained in the LOI, most were not specifically addressed in the AMSA or APA.

- Commitment to continue to provide services under the County Medi-Cal program: Alecto agrees to negotiate a contract on reasonable terms to provide services to Medi-Cal beneficiaries enrolled under the county-organized Managed Care Medi-Cal system;
- Commitment to contract with Third-Party payers: Alecto will continue to negotiate contracts with Third-Party payers and continue to provide healthcare service to its enrollees;
- Commitment to capital: Alecto will invest in the Hospital to maintain and improve infrastructure, capital improvements, equipment, information technology etc., as "reasonably necessary;"
- Commitment to employees: Alecto has committed to offering employment to substantially all of the Hospital's current employees;
- Commitment to maintenance of services: Alecto commits to continue essential healthcare services, including emergency services, medical/surgical services, obstetrical services, and other specialty services as are "reasonable and necessary;"
- Commitment to local governance/community involvement: Alecto commits to forming local hospital governing boards consisting of providers, community members, and the Hospital's executive staff to help guide the Hospital; and
- Commitment to providing charity care: Alecto commits to providing charity care coverage to patients needing financial assistance for healthcare services in amounts consistent with historical levels of charity care provided by the Hospital.

## ***Summary of Agreements***

The proposed transaction submitted to the Office of the California Attorney General includes the AMSA and APA. An Interim Management Agreement (“IMA”) was agreed to by SRH and Alecto in anticipation of the approval of the transaction by the California Attorney General.

- Interim Management Agreement (agreed to and effective on October 19, 2012 and then amended November 21, 2012 );
- Management Services Agreement (agreed to October 19, 2012)
- Amended Management Services Agreement (agreed to October 29, 2012); and
- Asset Purchase Agreement (initially agreed to October 19, 2012 and then amended October 29, 2012 and November 8, 2012).

## ***Interim Management Agreement***

Alecto began providing management and administrative services to SRH under the IMA on October 19, 2012. The agreement is renewable on a month-to-month basis, until such time that it is terminated or replaced by the AMSA. SRH agrees to pay Alecto a monthly fee of \$160,000 for services set forth in the IMA.

## ***Amended Management Services Agreement***

Under the AMSA, Alecto would assume responsibility for providing management services to the Hospital and the medical office buildings. The APA is a material part of the AMSA.

- The effective date of the agreement is subject to the approval of the California Attorney General;
- Alecto shall provide for the continuing operation of the Hospital by supervising, overseeing, and directing all personnel. Alecto shall have the power and authority to perform any and all actions that it deems necessary, advisable, or proper in order to manage and administer the Hospital;
- Alecto will manage working capital lines of credit as insured by Cal-Mortgage up to \$21.5 million (includes the prior line of credit of \$11.5 million);
- The effective date of the agreement is also subject to the California Department of Public Health’s approval for Alecto to manage the Hospital;
- Alecto will provide the services of the Hospital’s chief executive officer and chief financial officer; and

- The term of the AMSA shall continue for up to 3 years. The parties may extend the agreement for up to two additional one-year terms. Conditions for termination of the AMSA include the closing of the APA and transferring of the assets from SRH to Alecto.

Under the AMSA, Alecto's monthly management fees are:

- A collection month of up to \$7 million in net operating revenue will result in a 2% management fee;
- A collection month of between \$7 million and \$8 million in net operating revenue will result in an additional 2.5% management fee of the amount over \$7 million; and
- A collection month greater than \$8 million in net operating revenue will result in an additional 3% management fee of the amount over \$8 million.

### ***Summary of the Asset Purchase Agreement***

The major provisions of the APA, dated October 29, 2012, include the following:

- Alecto will acquire substantially all of the assets of SRH related to the Hospital and medical office buildings including the following:
  - All owned real property including land and improvements;
  - All leased property;
  - All accounts receivable of SRH regardless of date of service;
  - All Stabilization Funds<sup>3</sup> payments regardless of date of service;
  - All QAF Program funds regardless of applicable period of time; and
  - All prepaid fees, loan agreements, capital leases, and other prepaid expenses.
- Alecto will assume SRH liabilities (currently estimated to be about \$58 million), including the following:
  - The Cal-Mortgage insured Revenue Bonds with an outstanding balance, as of October 31, 2012, of \$39.1 million;
  - The Cal-Mortgage insured a line of credit with City National Bank with an outstanding balance of \$10.3 million as of October 31, 2012;
  - The outstanding loan balance owed to Fremont Bank of \$913,000;
  - Accounts payable; and
  - Accrued and unpaid salaries and wages for current employees.

---

<sup>3</sup> Stabilization Funds are defined as all payments made to hospitals under the Medi-Cal Hospital Provider Rate Stabilization Act.

- Excluded assets include:
  - The St. Rose Hospital Foundation;
    - The Foundation currently has approximately \$609,000 in unrestricted assets and \$1,269,728 in restricted assets; and
  - The St. Rose Hospital Cash Balance Pension Plan.
- Excluded liabilities include:
  - The St. Rose Hospital Cash Balance Pension Plan<sup>4</sup>;
  - The ETHD loan (currently \$1.15 million as of October 31, 2012); and
  - SRH's Former Chief Executive Officer's severance (currently \$1,285,762).
- The purchase price will be no greater than the combined amount of the Cal-Mortgage-insured Bonds debt and credit lines and the Fremont Bank loan; and
- Other provisions of the APA include the following commitment:
  - Alecto will use commercially reasonable efforts to offer employment to substantially all SRH employees as of the APA's closing date.

### *Use of Net Sale Proceeds*

SRH does not expect that, when the option to purchase is exercised by Alecto, there will be net proceeds from the sale after payment to all creditors; however, any remaining funds would be utilized as directed by the Office of the California Attorney General.

---

<sup>4</sup> SRH has submitted a Reportable Event Notice for the St. Rose Hospital Cash Balance Pension Plan ("Plan") to the Pension Benefit Guaranty Corporation ("PBGC"). The PBGC is currently evaluating financial documents it requested and received from SRH. The SRH Board of Trustees took action to freeze the Plan effective December 15, 2012. In the event the PBGC takes over the administration of the Plan, participants currently receiving benefits and participants who will retire in the future will receive their retirement benefits in accordance with the Plan's terms and the rules set forth in Title IV of the Employment Retirement Income Security Act of 1974 governing terminated pension plans.

## PROFILE OF ST. ROSE HOSPITAL

### *General Information*

The Hospital is a general acute care facility located at 27200 Calaroga Avenue, Hayward, California, on property consisting of approximately 10.7 acres of land. SRH additionally provides ground leases totaling approximately 9.4 acres to Bay Valley Medical Group that has an office building on site, and the Alameda Radiation Oncology Center that operates an outpatient cancer center. The Hospital also owns and operates three medical office buildings located across Calaroga Avenue, situated on approximately 2.3 acres of land. The Hospital is licensed for 217 beds, as shown in the table below.

ST. ROSE HOSPITAL - BEDS BY TYPE	
Bed Type	Licensed Beds 2012
Medical/Surgical	163
Intensive Care	15
Obstetrics	17
Skilled Nursing Care	22
<b>Total</b>	<b>217</b>

Source: SRH

- The Hospital’s emergency department (“ED”) is classified as “basic level,” with 17 licensed treatment stations;
- The Hospital has four surgical operating rooms and one cardiac catheterization lab; and
- In November 2011, the SNF was closed, and the beds were placed in suspense.

## Key Statistics

The table below shows that in recent years the Hospital has had between 7,400 and 7,900 inpatient discharges and currently averages a daily census of about 88 inpatients.

ST. ROSE HOSPITAL KEY STATISTICS			
	FY2010	FY2011	FY2012
Inpatient Discharges	7,424	7,892	7,746
Patient Days <sup>1</sup>	40,581	44,110	32,245
Average Daily Census	111.2	120.8	88.3
Occupancy	51.2%	55.7%	40.7%
Average Length of Stay	5.5	5.6	4.2
Emergency Services Visits <sup>2</sup>	34,795	35,343	31,843
Cardiac Catheterization Procedures <sup>2</sup>	1,319	1,332	1,129
Total Live Births	1,097	1,096	1,040
Active Physicians on Medical Staff	407	413	315
Current Number of Employees (FTEs)			967

Source: SRH, Fiscal Year: 10/01-09/30

<sup>1</sup>Includes Skilled Nursing Patient days

<sup>2</sup> 2012 Annualized based on nine months through June, 2012

- Inpatient discharges at the Hospital have remained relatively consistent from 2010 to 2012, while patient days have dropped 21% over the same period. This is mostly attributed to placing the skilled nursing beds in suspense (in November 2011) and a decrease in the average length of stay for medical/surgical patients;
- The ED volume is down slightly from 2011 when there were more than 35,000 visits;
- The average daily census dropped sharply between 2011 and 2012, from 121 to 88 patients per day;
- The number of births at the Hospital has remained constant at approximately 1,100 births per year; and
- On average, the Hospital performs approximately 1,300 diagnostic cardiac catheterization procedures per year. It does not have an open heart program.

## *Programs and Services*

The Hospital offers a range of healthcare services common to most general acute care hospitals. The ED serves as a primary entry point for hospital services and provides access to care for many low-income residents of the service area. Services include the following:

- Inpatient services: bariatric surgery, breast surgery, dermatology, endocrinology, gastroenterology, general surgery, obstetrics and gynecology, oncology, orthopedics, plastic surgery, urology, vascular and laparoscopic surgery;
- Outpatient departments provide ancillary services in the following areas: clinical lab, cardio-pulmonary, diagnostic imaging, emergency services, family birthing, occupational health center, pediatrics, speech, physical and occupational rehabilitation, and urgent care;
- Outpatient services include surgery and ambulatory procedures which include: general surgery, gynecology, hand surgery, orthopedics, podiatry, urology, and vascular surgery;
- Ambulatory procedures include endoscopic procedures on the gastrointestinal and respiratory systems. Other ambulatory procedures include chemotherapy, infusions of blood products and medication, biopsies, and other various procedures;
- The Hospital's most distinctive services are described below:
  - A comprehensive cardiovascular lab that includes: cardiac catheterization, angiography, electrocardiogram (EKG), echocardiogram, electroencephalography (EEG), stress echo, dobutamine stress echo, IV Persantine stress test, Treadmill stress test, Thallium stress test, Holter Monitor, and transesophageal echocardiography (TEE);
  - Alameda County Cardiac Receiving Center: The Hospital was selected by the Alameda County Emergency Medical Services to be one of four STEMI Cardiac Receiving Centers in Alameda County. This allows patients to utilize the Hospital in the event that cardiac lifesaving care is needed. The three other Alameda County receiving centers are Summit Medical Center (22 miles from SRH), Valley Care Medical Center (20 miles from SRH), and Washington Hospital-Fremont (10 miles from SRH);
  - Elective PCI Research Project: The Hospital is in its third year of an elective PCI (Percutaneous Coronary Intervention) research program, a study that originated and overseen by the State of California Department of Public Health to evaluate if elective cardiac interventions (angioplasty) may be performed in California when a facility does not have a cardiac surgical unit. Current law states that, without cardiac surgical backup, this procedure may only be performed on an emergency basis (i.e., through the ED). Only six hospitals throughout California have been granted participation in the research program. Criteria for selection were volume, demographic and geographic location, and prior cardiac activity. When the program period concludes, the California Public Health Department may make a

recommendation to amend California law to allow hospitals without cardiac surgical units to perform elective PCIs. The program period is scheduled to conclude August 2013, but an extension through August 2015 is being considered while the State evaluates data from the six participating hospitals;

- The Silva Clinic, located 1.2 miles away from the Hospital, opened in 1995; it currently provides services to about 12,000 low-income patients per year. The clinic is located at Eden Youth and Family Services in a high poverty neighborhood of Hayward. Currently the Hospital is in negotiations with Tiburcio Vasquez Heath Center, a nonprofit community health center that is a Federally Qualified Health Center (“FQHC”), to take over the clinic;
- The Women’s Center is an outpatient clinic that provides obstetrical services, including prenatal care to the local under-served community. Over 75% of the patients cared for at the Women’s Center are Medi-Cal beneficiaries. Historically operated by the Hospital, the Women’s Center will be operated by private physicians;
- The Women’s Imaging Center is an outpatient service and part of the Hospital’s radiology department that provides mammograms and other diagnostic tests; and
- The Occupational Health Clinic, adjacent to the Hospital, provides treatment for patients with work-related injuries including ergonomic workstation evaluations, physical exams, cholesterol screening, blood pressure/vision screening, body fat testing, flu shots, drug screens, vaccinations, and diet and nutrition classes. The Clinic will be operated by private physicians.

### ***Accreditations, Certifications, and Achievements***

The Hospital and the clinical lab are accredited with the Joint Commission through 2013 and 2012, respectively. Other accreditations, certifications, and awards the Hospital has received include:

- Excellence in OB Award by Beta Healthcare Group<sup>5</sup> in 2011 and 2012;
- Cancer Program Accreditation: The Hospital’s Cancer Program received a Certificate of Approval, with commendation, from the Commission on Cancer of the American College of Surgeons; and
- The Hospital participates in the Medicare and Medi-Cal programs.

### ***Seismic Issues***

The main hospital acute care tower is rated SPC2 (classified as low risk of collapse in event of earthquake), and is compliant through 2030 under HAZUS. The Hospital’s management estimates that the necessary seismic improvements to the acute care building would be approximately \$70-80 million in order to bring the Hospital into compliance with the seismic

---

<sup>5</sup> BETA’s OB Patient Safety Program includes 18 hours of eLearning focused on electronic fetal monitoring and analysis, team communication strategies, and emergency management in labor and delivery

safety requirements after 2030, under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act (Health & Saf. Code, § 129675-130070).

## ***Patient Volume***

The following table shows patient volume trends at the Hospital for FY 2007 through FY 2012.

<b>ST. ROSE HOSPITAL - SERVICE VOLUMES</b>						
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>PATIENT DAYS</b>						
Medical/Surgical	28,182	29,390	29,677	30,188	33,335	26,319
Intensive Care	3,749	4,231	4,135	4,119	4,073	3,381
Obstetrics	2,587	3,091	3,120	2,666	2,756	2,382
Skilled Nursing Care	3,495	3,674	3,752	3,608	3,946	163
<b>Total</b>	<b>38,013</b>	<b>40,386</b>	<b>40,684</b>	<b>40,581</b>	<b>44,110</b>	<b>32,245</b>
<b>DISCHARGES</b>						
Medical/Surgical	5,657	5,783	5,735	5,780	6,242	6,482
Intensive Care	318	254	238	234	225	195
Obstetrics	1,070	1,287	1,302	1,123	1,121	1,051
Skilled Nursing Care	289	277	302	287	304	18
<b>Total</b>	<b>7,334</b>	<b>7,601</b>	<b>7,577</b>	<b>7,424</b>	<b>7,892</b>	<b>7,746</b>
<b>AVERAGE LENGTH OF STAY</b>						
Medical/Surgical	5.0	5.1	5.2	5.2	5.3	4.1
Intensive Care	11.8	16.7	17.4	17.6	18.1	17.3
Obstetrics	2.4	2.4	2.4	2.4	2.5	2.3
Skilled Nursing Care	12.1	13.3	12.4	12.6	13.0	9.1
<b>Total</b>	<b>5.2</b>	<b>5.3</b>	<b>5.4</b>	<b>5.5</b>	<b>5.6</b>	<b>4.2</b>
<b>AVERAGE DAILY CENSUS</b>						
Medical/Surgical	77.2	80.5	81.3	82.7	91.3	72.1
Intensive Care	10.3	11.6	11.3	11.3	11.2	9.3
Obstetrics	7.1	8.5	8.5	7.3	7.6	6.5
Skilled Nursing Care	9.6	10.1	10.3	9.9	10.8	0.4
<b>Total</b>	<b>104.1</b>	<b>110.6</b>	<b>111.5</b>	<b>111.2</b>	<b>120.8</b>	<b>88.3</b>
<b>OTHER SERVICES</b>						
Inpatient Surgeries*	1,516	1,591	1,208	1,031	1,108	2,115
Outpatient Surgeries*	741	931	1,377	1,158	1,053	
Emergency Visits*	36,174	35,940	36,519	34,795	35,343	31,843
Cardiac Cath Procedures*	1,244	1,250	1,241	1,319	1,332	1,129
Obstetric Deliveries	1,046	1,250	1,270	1,097	1,096	1,040

Sources: OSHPD Disclosure Reports, 2006-2011 and SRH

<sup>1</sup> Unaudited

\* 2012 Annualized based on nine months through June 2012

2012 Inpatient and Outpatient Surgeries have been combined

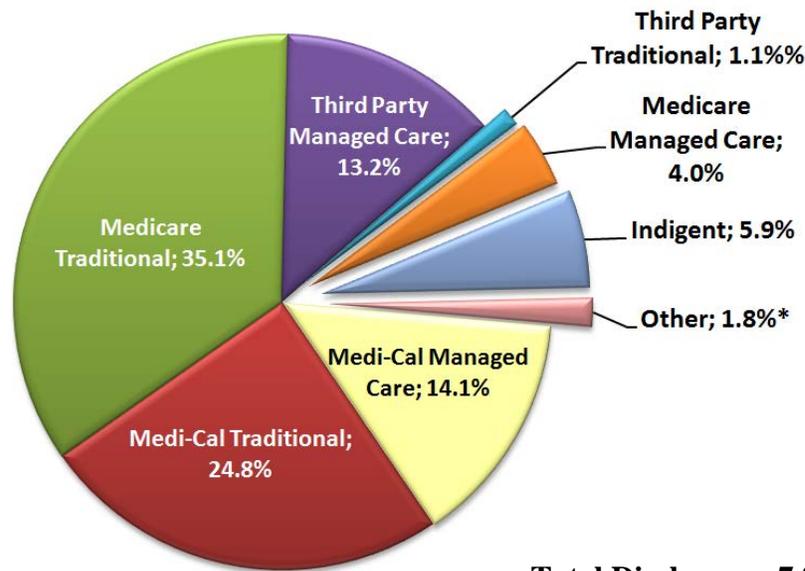
In November 2011, the SNF was closed and the beds were placed in suspense. The Hospital has the option of reactivating the license by mid-2013. Failing to do so could result in losing the SNF license permanently. The closure of the SNF has contributed to the drop in patient days (32,245) and average length of stay (4.2) in FY 2012. A review of historical utilization trends at the Hospital between FY 2007 and FY 2012 supports the following conclusions:

- Total patient days decreased by 27% between 2011 and 2012, which is attributed to the closing of the SNF in 2011. However, discharges remained relatively unchanged for the same period;
- Inpatient surgeries in 2011 are 50% down from 2006 volumes but slightly up from 2010 figures. The Hospital performed 1,053 outpatient surgeries in 2011, 24% fewer than 2006;
- Cardiac catheterization volume has remained steady since 2007, with the Hospital performing 1,224 procedures in 2012;
- ED visits decreased 15% between 2011 and 2012, with an average of 87 visits per day (down from 97 visits per day in 2011);
- Obstetric deliveries have remained relatively constant to date (averaging above 1,100 deliveries per year), with an average daily census of approximately 3 patients; and
- Overall, the average daily census at the Hospital has decreased 15%, from 104 patients in 2007 to 88 patients in 2012.

## *Payer Mix*

The Hospital has a comparatively high proportion of inpatient discharges reimbursed by Medicare and Medi-Cal that accounted for approximately 80% of all inpatient hospital discharges. Traditional and Managed Care Medi-Cal discharges amounted to 25% and 15% of inpatient volume, respectively. Traditional and Managed Care Medicare made up 35% and 4% of inpatient volume, respectively. The Hospital serves the second largest Medi-Cal population in Alameda County after APMC. Additionally, 5% of all inpatient hospital discharges were indigent patients (uninsured/poor), which is a high percentage compared to all California hospitals (1.9%). A relatively small percentage of Third-Party Traditional and Managed Care make up the remaining percentage of payer discharges.

### **St. Rose Hospital Payer Mix FY 2011 (Inpatient Discharges)**



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

Source: OSHPD Financial Disclosure Report, FY 2011 (based on inpatient discharges)

The following table compares the Hospital's payer mix to Alameda County's payer mix and California's payer mix for 2011. The table shows, relative to other hospitals in Alameda County and the State, that the Hospital has a much higher percentage of Traditional and Managed Care Medi-Cal and Medicare Traditional patients, but lower percentages of Third-Party Managed Care patients.

2011 PAYER MIX COMPARISON						
	SRH		Alameda County		California	
	Discharges*	% of Total	Discharges*	% of Total	Discharges*	% of Total
Medi-Cal Managed Care	1,113	14.1%	10,329	7.1%	288,905	8.2%
Medi-Cal Traditional	1,957	24.8%	24,157	16.7%	561,514	16.0%
<b>Medi-Cal Subtotal</b>	<b>3,070</b>	<b>38.9%</b>	<b>34,486</b>	<b>23.8%</b>	<b>850,419</b>	<b>24.2%</b>
Medicare Traditional	2,769	35.1%	33,295	23.0%	894,116	25.4%
Medicare Managed Care	316	4.0%	19,508	13.5%	397,981	11.3%
<b>Medicare Subtotal</b>	<b>3,085</b>	<b>39.1%</b>	<b>52,803</b>	<b>36.4%</b>	<b>1,292,097</b>	<b>36.8%</b>
Third-Party Managed Care	1,043	13.2%	38,801	26.8%	926,379	26.4%
<b>Third-Party Managed Care Subtotal</b>	<b>1,043</b>	<b>13.2%</b>	<b>38,801</b>	<b>26.8%</b>	<b>926,379</b>	<b>26.4%</b>
Third Party Traditional	90	1.1%	9,317	6.4%	179,056	5.1%
Other Payers	139	1.8%	3,725	2.6%	115,774	3.3%
Other Indigent	465	5.9%	2,418	1.7%	59,996	1.7%
County Indigent	0	0.0%	3,336	2.3%	89,819	2.6%
<b>Other Subtotal</b>	<b>694</b>	<b>8.8%</b>	<b>18,796</b>	<b>13.0%</b>	<b>444,645</b>	<b>12.7%</b>
<b>Total</b>	<b>7,892</b>	<b>100%</b>	<b>144,886</b>	<b>100%</b>	<b>3,513,540</b>	<b>100%</b>

\*Excludes normal newborns

Source: OSHPD Quarterly Reports, 2011

## Medical Staff

The Hospital has approximately 314 physicians on the medical staff with a large number of specialties represented. Of the 314 physicians, 90 physicians are considered “active” users of the Hospital (representing approximately 30% of the medical staff). Most of the active physicians also admit patients to other hospitals.

ST. ROSE HOSPITAL MEDICAL STAFF PROFILE 2012			
Specialty	SRH Physicians		
	Total	Active	% Active
Allergy/Immunology	1	0	0.0%
Anesthesiology	7	5	71.4%
Cardiology, Interventional	6	3	50.0%
Cardiothoracic Surgery	2	1	50.0%
Cardiovascular Disease	13	5	38.5%
Dentistry	1	0	0.0%
Dermatology	2	1	50.0%
DI/Teleradiology	7	0	0.0%
Diagnostic Radiology	29	2	6.9%
Emergency Medicine	14	5	35.7%
Endocrinology/Metabolism	1	1	100.0%
Family Practice	14	4	28.6%
Gastroenterology	11	4	36.4%
General Surgery	12	6	50.0%
Gynecology	1	1	100.0%
Gynecology/Oncology	1	0	0.0%
Hand Surgery	2	1	50.0%
Hematology/Oncology	12	1	8.3%
Infectious Disease	8	5	62.5%
Internal Medicine	49	13	26.5%
Medical Oncology	2	1	50.0%
Nephrology	21	2	9.5%
Neurology	3	1	33.3%
Obstetrics/Gynecology	15	8	53.3%
Occupational Medicine	2	1	50.0%
Oncology	4	0	0.0%
Ophthalmology	4	0	0.0%
Orthopedic Surgery	11	3	27.3%
Pathology	8	3	37.5%
Pediatric Cardiology	2	0	0.0%
Pediatrics	17	6	35.3%
Physical Medicine and Rehabilitation	3	0	0.0%
Plastic Surgery	1	0	0.0%
Podiatry	7	3	42.9%
Psychiatry	1	0	0.0%
Pulmonary Medicine	3	1	33.3%
Radiation Oncology	7	2	28.6%
Urology	5	0	0.0%
Vascular Surgery	5	1	20.0%
<b>Total</b>	<b>314</b>	<b>90</b>	<b>28.7%</b>

Source: SRH

## Financial Profile

The table below summarizes SRH's financial performance for the last five years as reported in the OSHPD Disclosure Reports. SRH reported a net loss in 2011 of nearly \$30 million. This is in large part because of a decrease in net patient revenue (6%) and an increase in operating expenses (15%) from 2010 levels. SRH's current ratio has decreased over the last three reported years from 2.11 in 2009 to 1.27 in 2011, and now trails the average for California (1.47). The operating margin of -26% in 2011 is indicative of the current financial condition of SRH.

ST. ROSE HOSPITAL FINANCIAL AND RATIO ANALYSIS: FY 2006-2011						
	2007	2008	2009	2010	2011*	
Patient Days	38,013	40,386	40,684	40,581	44,110	
Discharges	7,334	7,601	7,577	7,424	7,892	
ALOS	5.2	5.3	5.4	5.5	5.6	
Net Operating Revenue	\$102,220,825	\$114,586,449	\$124,580,057	\$127,549,308	\$119,896,951	
Operating Expense	\$102,241,023	\$115,181,914	\$125,041,938	\$130,801,560	\$150,681,628	
Net from Operations	\$455,041	(\$91,127)	\$71,207	(\$3,252,252)	(\$30,784,677)	
Net Non-Operating Rev.	\$1,001,511	(\$589,010)	\$2,803,625	\$597,276	\$824,417	
Extraordinary Items	\$3,018,427	\$369,145	\$0	\$0	\$0	
Net Income	(\$1,561,875)	(\$1,049,282)	\$2,874,832	(\$2,654,976)	(\$29,960,260)	
	<b>California Average</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Current Ratio	1.47	0.94	1.05	2.11	1.97	1.27
Days in A/R	61.3	87.7	89.8	75.5	69.1	53.0
Bad Debt Rate	1.8%	3.3%	0.9%	1.1%	1.1%	1.4%
Operating Margin	0.38%	0.44%	-0.08%	0.06%	-2.55%	-25.68%

Source: OSHPD Disclosure Reports

\* Unaudited

The Hospital is dependent on various sources of funding outside of its day to day revenue from operations. These include DSH, QAF, and Measure A funds. The Hospital is expected to receive a greater share of these funds in 2012.

Measure A, the Essential Health Care Services Tax Ordinance, was passed in 2004 in Alameda County and will remain in effect until 2018. The initiative raised the sales tax for Alameda County residents by one-half of a cent in order to provide additional financial assistance for emergency medical, hospital inpatient, outpatient, public health, and substance abuse services for indigent, low-income, and uninsured adults, children, families, seniors, and other Alameda County residents. The initiative allows for 75% of the Measure A funds to be allocated to ACMC, with the remaining 25% distributed to other healthcare providers.

The initiative generated a total of \$101,261,219 in FY 2009 and \$94,117,187 in FY 2010. ACMC received 75% of these funds, with the remaining 25% allocated to other healthcare providers, including Children's Hospital & Research Center Oakland and SRH. In FY 2009 and

2010, SRH and Children’s Hospital & Research Center Oakland each received \$2,387,025, approximately 2.5% of the Measure A funds. The remaining funds were distributed to other healthcare providers including emergency room physicians, primary care clinics, initiatives funded by the Alameda County Public Health Department and Behavioral Health Care Services, and school based health centers.

SRH has undergone changes in personnel and financial reporting policies that have raised some doubt about the accuracy of the financial results reported to OSHPD. As a result of reporting issues, Alecto has provided the following restated financial results which still show a loss of over \$23 million in FY 2011. Losses continued to be over \$7 million in FY 2012.

ST. ROSE HOSPITAL FINANCIAL AND RATIO ANALYSIS: FY 2007-2012						
	2007	2008	2009	2010	2011	2012
Patient Days	38,013	40,386	40,684	40,581	44,110	32,245
Discharges	7,334	7,601	7,577	7,424	7,892	7,746
ALOS	5.2	5.3	5.4	5.5	5.6	4.2
Net Operating Revenue (000's omitted)	\$118,445	\$128,931	\$142,322	\$147,013	\$160,444	\$136,070
Operating Expense	\$117,898	\$128,501	\$141,234	\$146,565	\$180,413	\$143,275
Net from Operations	\$547	\$430	\$1,088	\$448	(\$19,969)	(\$7,205)
Net Non-Operating Rev.	\$115	\$61	\$1,787	\$188	(\$84)	\$131
Extraordinary Items	(\$3,023)	(\$3,540)	\$2,975	(\$1,026)	(\$3,318)	\$0
Net Income	(\$2,361)	(\$3,049)	\$5,850	(\$390)	(\$23,371)	(\$7,074)
	California Average					
Current Ratio	1.47	0.93	1.07	2.21	1.69	0.81
Days in A/R	61.3	88.5	89.3	73.4	65.1	44.7
Bad Debt Rate	1.8%	3.3%	2.1%	2.4%	2.1%	2.6%
Operating Margin	0.38%	-2.00%	-2.36%	4.11%	-0.27%	-14.57%

SRH attributes its financial challenges to a number of factors including:

- The low reimbursement rates associated with its Medi-Cal and Medicare patient base;
- The economic recession and the increased amount of uncompensated care at the Hospital;
- A disproportionately low distribution of Measure A funds;
- Difficulty in recruiting and retaining physicians;
- A low market share of commercially insured patients at the Hospital; and
- Difficulties associated with running efficiently as a small stand-alone hospital.

## Cost of Hospital Services

In 2011, approximately 42% of the Hospital's total costs were associated with Medicare patients, 36% with Medi-Cal patients, and the remaining 22% were associated with third-party, indigent, and other payers.

ST. ROSE HOSPITAL COST OF SERVICES BY PAYER CATEGORY 2006 - 2011						
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011*
Operating Expenses	\$96,285,080	\$102,241,023	\$115,181,914	\$125,041,938	\$130,801,560	\$150,681,628
<b>Cost of Services By Payer:</b>						
Medicare	\$39,399,583	\$43,637,791	\$53,114,254	\$53,710,588	\$55,762,978	\$64,029,198
Medi-Cal	\$31,644,725	\$34,116,549	\$36,530,795	\$43,380,914	\$46,087,516	\$54,013,268
County Indigent	\$0	\$0	\$0	\$0	\$0	\$0
Third Party	\$17,329,463	\$16,443,095	\$18,452,758	\$19,437,210	\$19,427,841	\$21,894,010
Other Indigent	\$1,905,252	\$3,261,413	\$5,473,207	\$6,599,111	\$7,684,092	\$8,249,127
Other Payers	\$6,006,058	\$4,782,176	\$1,610,900	\$1,914,115	\$1,839,133	\$2,496,025

Source: OSHPD Disclosure Reports

\* Unaudited

## Charity Care

The Hospital provides charity care for uninsured and under-insured patients pursuant to policies that were last updated in FY 2011. Reported charity care charges can vary depending on the source. MDS examined data from both OSHPD financial disclosure reports and SRH's internal charity records, as shown below.

ST. ROSE HOSPITAL CHARITY CARE TOTAL CHARGES 2007-2011		
Year	OSHPD Disclosure Reports (FY)	SRH Reported in AG Application
2011*	\$43,895,506	\$43,886,935
2010	\$40,701,655	\$40,701,565
2009	\$33,419,847	\$27,869,849
2008	\$26,122,681	\$17,142,990
2007	\$13,466,994	\$13,471,529
<b>Average 2007 - 2011</b>	<b>\$31,521,337</b>	<b>\$28,614,574</b>

Source: OSHPD Disclosure Reports

\* Unaudited

According to the OSHPD reports, the Hospital's charity care charges have increased drastically, from approximately \$13.4 million in 2007, to nearly \$44 million in 2011. Data reported separately by Alecto shows on average \$2.9 million less than OSHPD data for 2007 through 2011.

ST. ROSE HOSPITAL CHARITY CARE CHARGES BY TYPE							
	2007	2008	2009	2010	2011	Five Year Average	Total
Inpatient	\$10,313,581	\$13,481,766	\$21,635,891	\$31,473,181	\$35,107,632	\$22,402,410	\$112,012,051
Outpatient	\$1,633,774	\$2,002,633	\$3,071,054	\$4,183,496	\$3,687,307	\$2,915,653	\$14,578,264
Emergency Department	\$1,524,173	\$1,658,591	\$3,162,904	\$5,044,888	\$5,091,996	\$3,296,510	\$16,482,552
<b>Total</b>	<b>\$13,471,529</b>	<b>\$17,142,990</b>	<b>\$27,869,849</b>	<b>\$40,701,565</b>	<b>\$43,886,935</b>	<b>\$28,614,574</b>	<b>\$143,072,868</b>

Source: SRH

According to the Hospital, in 2011 approximately 80% of charity care charges were for inpatient services, 12% for emergency services, and the remaining 8% for outpatient services. The five-year average for charity care charges for inpatient services was approximately \$22.5 million.

The table below shows a comparison of charity care and bad debt for the Hospital and all California general acute care hospitals. The five-year (2007-2011) average of charity care and bad debt for the Hospital, as a percentage of gross patient revenue, was 6.5%. This is considerably higher than the four-year (2007-2010) statewide average of 3.5%. According to OSHPD, "the determination of what is classified as...charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

CHARITY CARE COMPARISON										
ST. ROSE HOSPITAL CHARITY CARE - FY 2007 to 2011 (in millions)										
	2007		2008		2009		2010		2011*	
	SRH	CA	SRH	CA	SRH	CA	SRH	CA	SRH	CA
Gross Pt Revenue	\$422.2	\$207,991	\$550	\$230,008	\$633.2	\$252,204.3	\$692.8	\$270,511.0	\$801.8	n/a
Charity	\$13.5	\$3,162	\$26.1	\$4,117	\$33.4	\$4,603.4	\$40.7	\$5,587.1	\$43.9	n/a
Bad Debt	\$14.0	\$3,944	\$5.0	\$3,762	\$6.8	\$4,293.4	\$7.6	\$4,510.8	\$11.2	n/a
<b>Total</b>	<b>\$27.4</b>	<b>\$7,106</b>	<b>\$31.1</b>	<b>\$7,878</b>	<b>\$40.2</b>	<b>\$8,896.8</b>	<b>\$48.3</b>	<b>\$10,097.9</b>	<b>\$55.1</b>	<b>n/a</b>
Charity as a % of Gross Rev.	3.2%	1.5%	4.8%	1.8%	5.3%	1.8%	5.9%	2.1%	5.5%	n/a
Bad Debt as a % of Gross Rev.	3.3%	1.9%	0.9%	1.6%	1.1%	1.7%	1.1%	1.7%	1.4%	n/a
Total as a % of Gross Rev.	6.5%	3.4%	5.7%	3.4%	6.4%	3.5%	7.0%	3.7%	6.9%	n/a
<b>Uncompensated Care</b>										
Cost to Charge Ratio	24.1%	26.3%	20.9%	26.0%	19.7%	25.1%	18.8%	25.0%	18.7%	n/a
Charity	\$3.2	\$833.0	\$5.4	\$1,069.4	\$6.6	\$1,153.4	\$7.7	\$1,396.2	\$8.2	n/a
Bad Debt	\$3.4	\$1,038.9	\$1.0	\$977.2	\$1.3	\$1,075.8	\$1.4	\$1,127.3	\$2.1	n/a
<b>Total</b>	<b>\$6.6</b>	<b>\$1,871.9</b>	<b>\$6.5</b>	<b>\$2,046.6</b>	<b>\$7.9</b>	<b>\$2,229.2</b>	<b>\$9.1</b>	<b>\$2,523.5</b>	<b>\$10.3</b>	<b>n/a</b>

Source: OSHPD Disclosure Reports

\* Unaudited

The table below shows the Hospital's historical costs for charity care as reported by OSHPD. The Hospital's charity care costs rose significantly between 2007 and 2011, from a low of \$3.2 million in FY 2007 to a high of \$8.2 million in FY 2011. The average cost of charity care for the last five-year period was approximately \$6.2 million.

<b>ST. ROSE HOSPITAL COST OF CHARITY CARE</b>				
<b>Year</b>	<b>SRH Charity Care Charges (1)</b>	<b>Cost to Charge Ratio</b>	<b>Cost of Charity Care to SRH</b>	<b>Percent of Total Costs Represented by Charity Care</b>
FY 2011*	\$43,895,506	18.7%	\$8,219,247	5.5%
FY 2010	\$40,701,655	18.8%	\$7,654,247	5.9%
FY 2009	\$33,419,847	19.7%	\$6,570,342	5.3%
FY 2008	\$26,122,681	20.9%	\$5,449,191	4.7%
FY 2007	\$13,466,994	24.1%	\$3,246,892	3.2%
<b>5-Year Average</b>	<b>\$31,521,337</b>		<b>\$6,227,984</b>	<b>5.0%</b>

Source: OSHPD Disclosure Reports

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

\*Unaudited

0

In comparison to the other area hospitals, a higher percent of the Hospital's costs have been represented by charity care in each of the last five years except for ACMC in 2011.

ALAMEDA COUNTY MEDICAL CENTER COST OF CHARITY CARE				
Year	Charity Care Charges (1)	Cost to Charge Ratio	Cost of Charity Care	Percent of Total Costs Represented by Charity Care
FY 2011	\$72,091,903	46.8%	\$33,761,078	7.0%
FY 2010	\$37,368,531	41.4%	\$15,483,543	3.3%
FY 2009	\$33,074,254	42.0%	\$13,904,612	3.0%
FY 2008	\$26,741,828	45.0%	\$12,027,515	2.7%
FY 2007	\$17,790,869	45.0%	\$8,008,972	2.0%
<b>5-Year Average</b>	<b>\$37,413,477</b>		<b>\$16,637,144</b>	<b>3.7%</b>

WASHINGTON HOSPITAL - FREMONT				
Year	Charity Care Charges (1)	Cost to Charge Ratio	Cost of Charity Care	Percent of Total Costs Represented by Charity Care
FY 2011	\$23,962,370	20.8%	\$4,974,410	1.2%
FY 2010	\$19,079,273	20.6%	\$3,933,989	1.1%
FY 2009	\$20,022,029	21.1%	\$4,234,096	1.2%
FY 2008	\$9,725,711	22.8%	\$2,215,602	0.7%
FY 2007	\$3,617,668	26.5%	\$958,676	0.3%
<b>5-Year Average</b>	<b>\$15,281,410</b>		<b>\$3,263,355</b>	<b>1.0%</b>

SAN LEANDRO HOSPITAL/ EDEN MEDICAL CENTER				
Year	Charity Care Charges (1)	Cost to Charge Ratio	Cost of Charity Care	Percent of Total Costs Represented by Charity Care
FY 2011*	\$55,243,885	23.8%	\$13,156,905	4.3%
FY 2010	\$43,204,386	25.4%	\$10,989,292	3.5%
FY 2009	\$49,876,132	24.2%	\$12,077,309	4.4%
FY 2008	\$38,706,795	26.6%	\$10,285,315	3.7%
FY 2007	\$37,724,814	26.0%	\$9,798,130	3.9%
<b>5-Year Average</b>	<b>\$44,951,202</b>		<b>\$11,261,390</b>	<b>4.0%</b>

Source: OSHPD Disclosure Reports

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

\*Unaudited

## ***Community Benefit Services***

The Hospital has consistently provided community benefit services despite its weakened financial situation. Community benefit services have historically included a combination of health events, preventative health services, and educational programs.

As shown in the table below, the average annual cost of community services over five years total approximately \$470,300 per year.

<b>ST. ROSE HOSPITAL BENEFIT SERVICES</b>							
<b>Community Events - Health Events</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>5 Year Average</b>	<b>Total</b>
Community Benefit Activity	\$144,875	\$384,785	\$352,870	\$397,810	\$371,325	\$330,333	<b>\$1,651,665</b>
Community Health Fairs	\$70,535	\$85,050	\$107,675	\$111,550	\$116,300	\$98,222	<b>\$491,110</b>
Community Outreach and Events	\$35,500	\$35,100	\$34,950	\$33,800	\$69,445	\$41,759	<b>\$208,795</b>
<b>Total</b>	<b>\$250,910</b>	<b>\$504,935</b>	<b>\$495,495</b>	<b>\$543,160</b>	<b>\$557,070</b>	<b>\$470,314</b>	<b>\$2,351,570</b>

Source: SRH

- The cost of community benefit activity to SRH has remained constant between 2008 and 2011, following a significant jump of 166% from 2007 to 2008. SRH's community benefit activities include health education and support and the Integrated Nurse Leadership Program;
- The Hospital's cost for community health fairs has steadily risen from \$70,000 in 2007 to \$116,000 in 2011. The five-year average cost to SRH is approximately \$98,000 per year. Such health fairs include the SRH Health Fair, Seasonal Flu Shot Clinic, and the Silva Pediatric Flu Shot Clinic; and
- The cost of community outreach and events by SRH has remained constant between 2007 and 2010 averaging \$35,000. In 2011, the total cost increased by 98% to nearly \$70,000. The five-year average cost to SRH is approximately \$42,000 per year. Such outreach and events include Tattoo Removal Day and the Patient Assistance Fund.

The cost of community benefits over \$10,000 included the following:

<b>ST. ROSE HOSPITAL</b>					
<b>COST OF COMMUNITY BENEFIT SERVICES<sup>(1)</sup></b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Services over \$10,000 in cost</b>					
Health Education and Support	\$50,000	\$50,000	\$50,000	\$60,000	\$60,000
Integrated Nurse Leadership Program	\$80,000	\$280,000	\$280,000	\$290,000	\$290,000
Hayward Police Department Holiday Toy Drive	-	-	-	\$10,600	-
Susan G. Koman Breast/Cancer 3-Day Walk	-	\$37,000	-	-	-
SRH Health Fair	\$34,500	\$37,000	\$37,000	\$37,000	\$34,500
Flu Shot Station	\$11,800	\$12,250	\$12,250	\$12,250	\$12,250
Seasonal Flu Shot Clinic	-	-	-	\$20,600	\$20,600
Fremont Bank Health Fair	-	-	\$12,000	-	-
Tattoo Removal Day	\$30,600	\$30,600	\$30,600	\$30,600	\$30,600
Patient Assistance Fund	-	-	-	-	\$38,845
Silva Pediatric Flu Shot Clinic	\$11,000	\$13,000	\$13,000	\$13,000	\$15,000
<b>All Other</b>	<b>\$33,010</b>	<b>\$45,085</b>	<b>\$60,645</b>	<b>\$69,110</b>	<b>\$55,275</b>
<b>Total Community Benefit Services</b>	<b>\$250,910</b>	<b>\$504,935</b>	<b>\$495,495</b>	<b>\$543,160</b>	<b>\$557,070</b>
Source: SRH					<b>2007-2011 Average \$470,314</b>

(1) Represents commitments of program costs for staff and materials and cash contributions

- The Hospital's community benefit activities, including health fairs and outreach and events, helped support many programs in the community. These included:
  - SRH Health Fair: In 2011, the Hospital staff and physicians donated approximately 780 volunteer hours, including the provision of flu vaccines, blood glucose screenings, cholesterol screenings, oral cancer screenings, and blood pressure screenings. Over 1,300 individuals attended the event. The average five-year cost to SRH for the SRH Health Fair was \$36,000;
  - Health education: Health education classes consist of health maintenance programs and education, including topics related to diabetes management, alcoholism, myasthenia gravis, overeaters anonymous, caregiver support, maternal wellness, and a Look Good/Feel Better class for cancer survivors. The cost to SRH for the various health education classes totaled \$60,000 in 2011;
  - Integrated Nurse Leadership Program: The program is aimed at early detection of sepsis in patients and has proven successful in decreasing the mortality rate by 15%. The initiative is funded through the Gordon and Betty Moore Foundation, and supported by 60 SRH staff members who have volunteered 9,600 hours of staff time. This program cost SRH \$290,000 in volunteer hours in 2011; and
  - Tattoo Removal Day: SRH, Kaiser Permanente, the City of Hayward, and Eden Youth & Family Services, participate in the Hayward New Start Program, which is designed to aid ex-gang members in removing visible tattoos. The program requires participants to perform 50 hours of community service, and either be enrolled in a course of study to receive a high school diploma or a GED

certificate, or participate in a job training program. There are approximately 30 participants in the program; the goal is to add an additional five participants each year. The cost of this program to SRH consistently averaged \$30,600 per year between 2007 and 2011.

## **PROFILE OF PURCHASER AND ALECTO HEALTHCARE SERVICES HAYWARD LLC**

Alecto Healthcare Services Hayward LLC is a subsidiary of Alecto Healthcare Services LLC, a healthcare system and management services organization headquartered in Long Beach, California. Alecto was formed in August 2012 by Lex Reddy. Mr. Reddy has over 25 years of experience in hospital and healthcare management. Mr. Reddy is knowledgeable about the California healthcare market-place, having worked with and managed more than 15 California hospitals. Mr. Reddy has been successful in increasing the profitability of financially distressed hospitals while maintaining services to the community.

## ST. ROSE HOSPITAL SERVICE AREA ANALYSIS

### *Definition of St. Rose Hospital's Service Area*

The Hospital's service area is composed of 8 ZIP Codes, from which approximately 80% of the Hospital's discharges originated in 2011. Almost 70% of the Hospital's discharges were from the top four ZIP Codes, located in Hayward and Union City. The Hospital's market share in the service area was 17.8%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2011						
ZIP Codes	Community	SRH Discharges	% of Discharges	Cumulative % of Discharges	Total Discharges	Market Share
94544	Hayward	2,343	28.5%	28.5%	7,613	30.8%
94541	Hayward	1,604	19.5%	48.1%	7,008	22.9%
94545	Hayward	1,144	13.9%	62.0%	3,579	32.0%
94587	Union City	644	7.8%	69.8%	5,835	11.0%
94578	San Leandro	263	3.2%	73.0%	3,751	7.0%
94580	San Leandro	238	2.9%	75.9%	2,442	9.7%
94536	Fremont	207	2.5%	78.5%	5,661	3.7%
94542	Hayward	107	1.3%	79.8%	889	12.0%
<b>Sub Total</b>		<b>6,550</b>	<b>79.8%</b>	<b>79.8%</b>	<b>36,778</b>	<b>17.8%</b>
Other ZIPs		1,662	20.2%	100%		
<b>Total</b>		<b>8,212</b>	<b>100%</b>			

Source: OSHPD Patient Discharge Database

Note: Excludes Normal Newborns

## Service Area Map

The Hospital's service area includes the communities of Hayward, Union City, San Leandro, and Fremont. Approximately 390,000 people live within the service area.

There are two other hospitals located within the Hospital's service area (San Leandro Hospital ("SLH") and Kaiser-Hayward). Washington Hospital-Fremont ("WHF") falls just outside of the Hospital's service area.



- In 2014, Kaiser-Hayward will be moving to a new campus located 8 miles north of the Hospital in San Leandro; and
- SLH is currently in talks with ACMC about a possible consolidation that may result in the closing of SLH's ED and its general acute care services. Alternatively, ACMC may move its behavioral health and rehabilitation services to SLH. The future use of SLH is currently in discussion among the involved parties.

## Demographic Profile

The Hospital's service area is projected to grow by approximately 7.4% between 2011 and 2016. This is slightly higher than the expected growth rate for California and Alameda County (5.4% and 6.3% respectively).

SRH SERVICE AREA POPULATION STATISTICS: 2011-2016			
Hospital	2011	2016	% Change
	Estimate	Projection	
Total Population	390,615	419,671	7.4%
Households	125,696	134,670	7.1%
Percentage Female	49.9%	49.9%	

Source: AGS

The average age of the population in the Hospital's service area is 35.0 years. The statewide average is slightly higher (35.2 years of age). The percentage of adults over the age of 65 is expected to grow by approximately 7.1% between 2011 and 2016. However, between 2011 and 2016, the fastest growing age cohort is expected to be ages 0-14 at 7.7%. The percentage of females between the ages of 15 and 44 is expected to grow by 7.7% by 2016, but remain the same percentage of total population.

SRH SERVICE AREA POPULATION AGE DISTRIBUTION: 2011-2016				
	2011 Estimate		2016 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	79,699	20.4%	85,798	20.4%
Age 15-44	172,232	44.1%	185,272	44.1%
Age 45-64	97,259	24.9%	104,232	24.8%
Age 65+	41,425	10.6%	44,368	10.6%
<b>Total</b>	<b>390,615</b>	<b>100%</b>	<b>419,671</b>	<b>100%</b>
Female 15-44	83,852	21.5%	90,317	21.5%
Average Age	35.0		35.0	

Source: AGS

The largest population cohort in the service area is Hispanic (33%). The Hispanic population is expected to grow by approximately 15% between 2011 and 2016.

SRH 2011 POPULATION ESTIMATES ETHNIC & RACIAL DISTRIBUTION COMPARISON				
Cohort	SRH	Alameda	California	U.S.
	Service Area	County		
Hispanic	33.0%	22.9%	38.1%	16.8%
Asian	29.1%	25.9%	12.8%	4.7%
White	21.6%	33.6%	39.6%	63.3%
Black	9.5%	12.2%	5.8%	12.1%
Multiple Race	4.6%	4.2%	2.7%	2.0%
Hawaiian/Pacific Islander	1.7%	0.8%	0.3%	0.2%
American Indian	0.3%	0.3%	0.4%	0.7%
Other Race	0.2%	0.3%	0.2%	0.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: AGS

The average household income (aggregate household income divided by total households) in the service area is \$75,284. This is 14.4% lower than the County average of \$86,109, and it is 4% less than the statewide average of \$78,973. The service area household income is projected to grow by 9.8% by 2016, slightly lower than for the County (10.1%) and State (10.2%).

SRH SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2011-2016												
	2011 Estimate						2016 Projection					
	SRH Service Area		Alameda County		California		SRH Service Area		Alameda County		California	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
\$0 - \$15,000	10,940	8.7%	60,625	11.0%	1,425,791	11.1%	11,270	8.4%	61,688	10.5%	1,341,183	9.9%
\$15,000 - \$24,999	9,523	7.6%	44,233	8.0%	1,241,353	9.7%	9,975	7.4%	46,256	7.9%	1,236,498	9.2%
\$25,000 - \$34,999	10,745	8.5%	43,911	7.9%	1,216,941	9.5%	10,824	8.0%	43,912	7.5%	1,191,002	8.8%
\$35,000 - \$49,999	16,488	13.1%	64,159	11.6%	1,682,033	13.1%	16,520	12.3%	63,615	10.8%	1,669,676	12.4%
\$50,000 - \$74,999	24,847	19.8%	94,351	17.0%	2,308,881	18.0%	24,835	18.4%	92,875	15.8%	2,361,454	17.5%
\$75,000 - \$99,999	17,779	14.1%	70,872	12.8%	1,621,686	12.7%	18,630	13.8%	72,619	12.4%	1,763,721	13.1%
\$100,000 - \$149,999	21,498	17.1%	92,372	16.7%	1,820,314	14.2%	24,925	18.5%	104,570	17.8%	2,126,037	15.8%
\$150,000 +	13,880	11.0%	82,993	15.0%	1,489,707	11.6%	17,698	13.1%	101,556	17.3%	1,805,055	13.4%
<b>Total</b>	<b>125,701</b>	<b>100%</b>	<b>553,516</b>	<b>100%</b>	<b>12,806,706</b>	<b>100%</b>	<b>134,676</b>	<b>100%</b>	<b>587,091</b>	<b>100%</b>	<b>13,494,626</b>	<b>100%</b>
Average	\$75,284		\$86,109		\$78,973		\$82,677		\$94,782		\$87,051	

Source: AGS

## *Payer/Insurance Mix in the Service Area*

Approximately 19% of the population in the Hospital's service area is Medi-Cal eligible, which is higher than for Alameda County (16%). The percentage of persons eligible for Medi-Cal in the Hospital's service area ranges from 8.7% to 25.9%. The number and percent of the population that is eligible for Medi-Cal is expected to grow significantly as a result of healthcare reform.

<b>SERVICE AREA MEDI-CAL ELIGIBLES 2011</b>				
<b>ZIP Codes</b>	<b>City</b>	<b>Eligibles</b>	<b>Population</b>	<b>Percentage</b>
94536	Fremont	7,792	70,922	11.0%
94541	Hayward	16,035	62,718	25.6%
94542	Hayward	1,172	13,410	8.7%
94544	Hayward	19,331	74,605	25.9%
94545	Hayward	5,739	29,260	19.6%
94578	San Leandro	9,159	40,130	22.8%
94580	San Leandro	4,147	27,840	14.9%
94587	Union City	11,606	71,730	16.2%
<b>Total</b>		<b>74,981</b>	<b>390,615</b>	<b>19.2%</b>

Source: California Department of Health Care Services, AGS

- The Patient Protection and Affordable Care Act ("PPACA") will provide meaningful health insurance coverage to approximately 32 million people nationally. The belief is that the PPACA will improve cost, reduce medical errors, and create savings in federal healthcare expenditures. As part of the PPACA, state health exchanges will be created for individuals to purchase lower-cost health insurance. While these initiatives may result in more individuals with health insurance, it is unknown if this will result in less charity care and bad debt, especially in a service area like the Hospital's where a high percentage of the population is medically indigent; and
- These persons eligible for Medi-Cal will, on January 1st, 2014, qualify for health insurance through state-regulated healthcare plans, from which individuals may purchase health insurance made available by federal subsidies.

## Selected Health Indicators

Overall, health status in Alameda County is slightly better than in the State of California as a whole. A review of health status indicators<sup>6</sup> for Alameda County (deaths, diseases, and births) supports the following conclusions:

- Natality statistics in Alameda County are better than statewide figures in the areas of obstetrics and prenatal care (refer to table below). Measures on percentages of low birth weight infants in Alameda County (7.1%) are slightly worse than California as a whole (6.8%) and the national goal (5.0%). The County's infant mortality rate (4.3%) falls within the nationally set goal of 4.5%;

NATALITY STATISTICS: 2012			
Health Status Indicator	California		
	Alameda County	a	National Goal
Low birth weight infants	7.1%	6.8%	5.0%
Late or no prenatal care	13.4%	17.1%	10.0%
Infant mortality rate (per 1,000 births)	4.3%	5.2%	4.5%

Source: California Department of Health Care Services

- The overall age-adjusted mortality rate for Alameda County is lower than both the State of California and national rates. Alameda County's rates for most causes are lower than the statewide rate. Homicide is the only cause of death that is significantly higher than the statewide and national rates. The County's age-adjusted death rates were better than the national mortality benchmarks on seven of the fourteen causes; and

MORTALITY STATISTICS					
RATE PER 100,000 POPULATION					
Selected cause	Alameda County		(Age Adjusted)		
	Crude Death Rate	Age Adjusted Death Rate	California	National	National Goal
All Causes	583.9	600.4	632.7	741.1	—
- All Cancers	142.2	147.5	151.7	173.2	158.6
- Colorectal Cancer	13.6	14.1	14.1	15.9	13.7
- Lung Cancer	32.8	34.5	36.1	48.5	43.3
- Female Breast Cancer	21.4	19.7	20.7	22.3	21.3
- Prostate Cancer	17.5	23.2	21.2	22.0	28.2
- Diabetes	19.2	20.0	19.5	20.9	n/a
- Alzheimer's Disease	21.8	22.5	28.2	23.5	n/a
- Coronary Heart Disease	95.7	98.3	121.6	126.0	162.0
- Cerebrovascular Disease (Stroke)	36.3	38.0	37.4	38.9	50.0
- Influenza/Pneumonia	14.9	15.2	17.2	16.2	n/a
- Chronic Lower Respiratory Disease	27.6	29.7	36.7	42.3	n/a
- Chronic Liver Disease And Cirrhosis	8.9	8.4	10.8	9.2	3.2
- Accidents (Unintentional Injuries)	22.4	21.8	27.1	37.3	17.1
- Motor Vehicle Traffic Crashes	5.0	5.0	7.9	11.7	8.0
- Suicide	9.0	8.7	9.7	11.8	4.8
- Homicide	9.1	9.1	5.3	5.5	2.8
- Firearm-Related Deaths	10.9	11.0	7.8	10.1	3.6
- Drug-Induced Deaths	9.7	9.0	10.5	12.6	1.2

Source: California Department of Public Health, Center for Health Statistics. 2008-2010

<sup>6</sup> Source: California Department of Health Services' County Health Status Profiles 2012

- Alameda County has considerably higher incidence rates per 100,000 people for AIDS, Chlamydia, Gonorrhea, and Tuberculosis when compared to California and the national goal.

<b>MORBIDITY STATISTICS: 2012</b>			
<b>RATE PER 100,000 POPULATION</b>			
<b>Health Status Indicator</b>	<b>Alameda County</b>	<b>California</b>	<b>National Goal</b>
AIDS	14.2	9.4	1.00
Chlamydia	449.7	389.6	n/a
Gonorrhea	118.7	65.8	19.00
Tuberculosis	10.5	6.5	1.00

Source: California Department of Health Care Services

## ***2010 Community Health Needs Assessment***

The Hospital Council of Northern and Central California, comprised of seven Alameda County hospitals, including the Hospital, commissioned the Alameda County Public Health Department to prepare *The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010*.

The study analyzed quantitative and qualitative data, including interviews of community leaders and members. The results for Alameda County included the following:

- The three leading causes of death overall in Alameda County were heart disease, cancer, and stroke;
- The adult smoking prevalence rate in 2007 was 13.4%;
- The uninsured rate in Alameda County was 12.6%, compared to the California rate of 18.6% and the national rate of 15.6%;
- The Medi-Cal population made up 22% of Alameda County hospital inpatient visits and 32% of live births;
- Measures of adult obesity in Alameda County were significantly above the state average (30.5% versus 23.0%);
- Measures for adult diabetes in Alameda County were 7.8%, on par with the California prevalence rate but below the national rate of 10.7%; and
- In Alameda County, communities of color and low-income communities fared poorest on most key health indicators tracked by the Alameda County Public Health Department. The most important health issues in the community were viewed to be the following:
  - Hypertension;
  - Asthma; and
  - Homicide/Assault, especially in the African American community.

The community health needs assessment showed that the cities surrounding the Hospital performed worse than the County as whole, particularly Hayward, where the Hospital is located. The following tables rank the cities within the County and service area. Lower rankings indicate more significant social or health issues within the respective cities. Oakland has been included in the tables for comparative purposes since its demographic composition is similar to Hayward and the surrounding area.

UNEMPLOYMENT RATE COMPARISON 2009		
Area	Percentage	County Rank
Oakland	16.0%	1
Hayward	11.9%	4
Alameda County	10.7%	
San Leandro	10.5%	6
Union City	10.0%	8
Fremont	7.7%	11

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

The report found that Hayward had the 4th highest unemployment rate (11.9%) in the County.

ALL-CAUSE MORTALITY RATE COMPARISON 2006-2008		
Area	Rate per 100,000	Rank
Oakland	710.9	4
Hayward	669.4	6
San Leandro	643.1	9
Alameda County	629.8	
Union City	629.6	10
Fremont	579.1	15

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

The City of Hayward ranked 6th in the County in the overall mortality rate with 669.4 deaths per 100,000 population. San Leandro ranked 9th, also surpassing the overall mortality rate of the County.

COMPARISON OF OVERWEIGHT CHILDREN BY SCHOOL DISTRICT, 2008-2009		
Area	Percentage	Rank
Hayward	38.4%	2
Oakland	36.4%	4
San Leandro	33.6%	5
Union City	30.5%	6
Alameda County	29.1%	
Fremont	21.7%	11

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

The City of Hayward has the 2nd highest percentage of overweight<sup>7</sup> children<sup>8</sup> in the County. San Leandro and Union City also have percentages above the County average. Hispanics and Pacific

<sup>7</sup> Overweight is defined as having a body mass index of between 25.0 and 29.9.

Islanders living in Hayward were shown as being the ethnicity with the highest percentage of overweight children (42% and 46%, respectively). This is significantly higher than the County average of 29%.

CORONARY HEART DISEASE (CHD) COMPARISON 2006-2008				
Area	CHD-Related Hospitalization		CHD Mortality	
	(Rate per 100,000)	Rank	(Rate per 100,000)	Rank
Hayward	1,223.9	3	127.1	6
Union City	1,208.1	4	142.2	3
Fremont	1,098.8	5	107.9	11
Alameda County	924.6		115.3	
San Leandro	904.0	7	110.4	10
Oakland	815.3	11	125.6	8

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

Hayward ranked 3rd in the County for coronary heart disease-related ("CHD") hospitalizations and 6th for CHD-related mortality. CHD-related hospitalization rates amongst American Indians and Whites in Hayward and San Leandro, at 1,855 per 100,000 population, were considerably higher than those in the County, City, and among other ethnicities living in the surrounding cities.

ASTHMA EMERGENCY DEPARTMENT VISITS COMPARISON 2005-2008				
Area	Asthma ED Visits		Asthma ED Visits, Children under 5 yrs.	
	Rate per 100,000	Rank	Rate per 100,000	Rank
Oakland	726.3	1	2,198.5	1
Hayward	702.9	2	1,689.8	2
San Leandro	530.5	3	1,605.5	3
Alameda County	505.2		1,427.1	
Union City	442.7	6	1,100.3	8
Fremont	327.9	10	860.3	11

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

The table above shows asthma-related ED rates per 100,000 population for all age cohorts and children under 5 years of age. In both studies, the leading three cities are Oakland, Hayward, and San Leandro.

<sup>8</sup> The California Department of Education requires that public schools conduct fitness testing every year for children in fifth, seventh, and ninth grades. One part of the test is body composition, measured by either skin fold test or by body mass index (BMI), a height-weight algorithm.

EMERGENCY DEPARTMENT VISITS FOR MENTAL DISORDERS 2006-2008		
Area	Rate per 100,000	Rank
Hayward	1,150.6	1
Oakland	1,087.1	2
San Leandro	1,019.5	6
Alameda County	925.1	
Fremont	837.5	9
Union City	763.7	10

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

Hayward ranked first in the rate of ED visits per 100,000 population by individuals suffering from mental disorders. African Americans and Whites living in Hayward had even higher rates, at 1709.9 and 1,878.4 ED visits per 100,000 population. Whites in Union City have a rate of 2,502.7, over twice that of the County rate of 925.1.

TEEN BIRTHS COMPARISON 2006-2008		
Area	Rate per 1,000 Females, 15-19 yrs.	Rank
Hayward	46.0	3
Oakland	45.7	4
San Leandro	33.6	5
Alameda County	26.5	
Union City	23.6	8
Fremont	16.0	11

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

The table above shows teen birth rates per 1,000 female population, 15-19 years of age. Hayward ranked third highest at a rate of 46.0, significantly higher than the rate for Alameda County (26.5). The Hispanic population had the highest rate (72.6).

NUMBER AND PERCENTAGE OF UNINSURED, BY GEOGRAPHIC AREA 2008				
Area	Population Uninsured	Percentage Uninsured		
		All Ages	0-17 years	18-64 years
California	6,430,486	18%	11%	23%
Oakland	63,582	17%	11%	22%
Hayward	22,289	16%	7%	21%
Alameda County	171,430	12%	6%	15%
San Leandro	9,659	11%	6%	15%
Fremont	16,431	8%	3%	11%
Union City	4,287	7%	1%	10%

Source: The Health of Alameda County Cities and Places: A Report for the Hospital Council of Northern and Central California, 2010

The overall percentage of uninsured population for Alameda County was 12%. This is lower than California and the city of Hayward, with 18% and 16% respectively.

## Hospital Supply, Demand, and Market Share

There are four other general acute care hospitals within approximately 10 miles of the Hospital. Together, they have a combined total of 1,262 licensed beds with an aggregate occupancy rate of 53.8%. The level of occupancy rates varies among area hospitals with Fremont Hospital (an acute psychiatric hospital) running at a very high occupancy level (nearly 90%), whereas the Hospital's occupancy level is at 55.7%. The Hospital's licensed-bed capacity (217 beds) represents 17% of the area beds.

Kaiser-Hayward is one mile from the Hospital. Kaiser-Hayward is scheduled to relocate in 2014 when the facility re-opens in San Leandro, approximately 8 miles north of the Hospital. Kaiser's future six-story hospital, located on over 60 acres of land, will have 264 private beds, 10 operating rooms, and a 24-hour emergency center. It will be staffed by over 2,500 physicians, nurses, technicians, and support workers.

Fremont Hospital is a behavioral healthcare facility that provides services to adults and adolescents, ages 12-17. Services at Fremont Hospital include the treatment of psychiatric conditions and chemical dependency.

ACMC is currently in the process of building a new Highland Campus. The project is estimated to cost \$670 million with a completion date set for 2015. ACMC is also currently in negotiations to purchase Sutter Health's SLH. It is yet to be determined which services SLH will continue to provide after it is sold. It is possible that the ED and other general acute care services may be closed at SLH.

An analysis of the services offered by the Hospital in comparison to services offered by other providers is shown on the following pages. The hospitals shown in the table below were the primary facilities analyzed to determine area hospital available bed capacity by service. SLH and Eden Medical Center ("EMC") are about 4.5 miles apart but operate under the same license.

AREA HOSPITAL DATA: 2011							
Hospital	Ownership/Affiliation	City	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied from SRH Miles
St. Rose Hospital	Hayward Sisters Hospital	Hayward	217	7,892	44,110	120.8	55.7% -
Kaiser - Hayward/Fremont*	Kaiser Foundation Hospitals	Hayward	319	15,499	52,668	144.3	45.2% 0.5
Eden Medical Center/ San Leandro Hospital	Sutter Health	Castro Valley	271	13,281	55,622	152.4	56.2% 6.3
Fremont Hospital*	Universal Health Services	Fremont	96	3,620	31,038	85.0	88.6% 10.0
Washington Hospital - Fremont	Washington Township Health Care District	Fremont	359	12,700	64,343	176.3	49.1% 10.3
<b>Sub-Total</b>			<b>1,262</b>	<b>52,992</b>	<b>247,781</b>	<b>678.9</b>	<b>53.8%</b>
Kaiser - Oakland Campus*	Kaiser Foundation Hospitals	Oakland	391	18,859	79,027	216.5	55.4% 15.5
Alameda Co Med Ctr - Highland Campus	Alameda County	Oakland	475	13,945	115,356	316.0	66.5% 16.0
Children's Hospital and Research Ctr at Oakland*	Children's Hospital and Research Ctr at Oakland	Oakland	190	10,254	52,398	143.6	75.6% 17.2
Lucile Packard Children's Hospital*	Lucile Salter Packard	Palo Alto	311	12,541	80,923	221.7	71.3% 18.4
Stanford Hospital*	Stanford University Hospital	Stanford	613	24,970	137,733	377.4	61.6% 18.8
Alta Bates Summit Med Ctr-Alta Bates Campus*	Sutter Health	Berkeley	527	19,424	125,942	345.0	65.5% 21.7
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne*	Sutter Health	Oakland	399	14,060	73,243	200.7	50.3% 21.7
UCSF Medical Center	UC Regents	San Francisco	660	28,381	181,396	497.0	75.3% 30.7
Kaiser - Walnut Creek*	Kaiser Foundation Hospitals	Walnut Creek	233	14,657	58,323	159.8	68.6% 33.1
<b>Sub-Total</b>			<b>3,799</b>	<b>157,091</b>	<b>904,341</b>	<b>2477.6</b>	<b>65.2%</b>
<b>Total</b>			<b>5,061</b>	<b>210,083</b>	<b>1,152,122</b>	<b>3156.5</b>	<b>62.4%</b>

Source: OSHPD Annual Utilization Reports

\* Unaudited

## Profile of Area Hospitals

The tables below show the financial and utilization data of area hospitals with the highest market share for FY 2010 and 2011.

AREA HOSPITALS: 2010-2011						
	Alameda County Medical Center General Acute		Eden Medical Center General Acute		Washington Hospital - Fremont General Acute	
	2010	2011	2010	2011*	2010	2011
City	Oakland		Castro Valley		Fremont	
Licensed Beds	475	475	271	271	359	359
Patient Days	114,320	115,356	58,953	55,622	61,802	64,343
Discharges <sup>1</sup>	13,816	13,945	13,650	13,281	13,038	12,700
ALOS	8.3	8.3	4.3	4.2	4.7	5.1
Average Daily Census	313	316	162	152	169	176
Occupancy	65.9%	66.5%	59.6%	56.2%	47.2%	49.1%
ED Visits	76,008	78,506	65,018	65,047	46,811	50,313
Inpatient Surgeries	2,225	2,458	3,531	3,313	3,527	3,487
Outpatient Surgeries	2,157	2,475	2,677	2,529	820	816
Births	1,293	1,154	1,160	1,127	2,077	1,964
<b>Payer Mix (Based on Discharges):</b>						
Traditional Medicare	16.2%	14.9%	42.9%	42.9%	39.1%	39.8%
Managed Medicare	0.7%	0.8%	10.3%	11.4%	5.2%	5.7%
Traditional Medi-Cal	41.6%	44.5%	12.9%	13.6%	10.2%	10.0%
Managed Medi-Cal	9.2%	9.0%	5.7%	6.2%	4.8%	4.6%
County Indigent	15.3%	15.8%	0.0%	0.3%	0.0%	0.0%
Traditional Third Party	3.0%	3.1%	1.8%	4.6%	1.1%	1.3%
Managed Third Party	0.0%	0.0%	18.3%	15.8%	35.7%	34.9%
Other Indigent	6.4%	6.1%	2.5%	2.1%	1.7%	1.7%
Other	7.5%	5.7%	5.7%	3.0%	2.1%	1.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Income Statement:</b>						
Gross Patient revenue	\$924,770,364	\$944,474,238	\$1,199,096,365	\$1,262,910,957	\$1,784,823,557	\$1,900,979,578
Net Pt. Revenue	\$445,314,155	\$498,782,697	\$318,155,889	\$307,961,978	\$408,505,515	\$433,913,691
Other Operating Rev.	\$80,934,242	\$38,968,063	\$7,115,978	\$7,103,774	\$4,461,714	\$3,786,952
Total Operating Rev.	\$526,248,397	\$537,750,760	\$325,271,867	\$315,065,752	\$412,967,229	\$437,700,643
Total Operating Exp.	\$464,110,177	\$481,271,109	\$312,113,246	\$307,879,139	\$372,477,638	\$398,416,166
Net From Operations	\$62,138,220	\$56,479,651	\$13,158,621	\$7,186,613	\$40,489,591	\$39,284,477
Non-operating Rev.	\$5,921,464	\$95,872,618	\$1,689,834	\$2,803,455	\$21,299,578	\$19,689,518
Non-operating Exp.	\$109,064	\$108,533	\$256,740	\$275,469	\$1,114,604	\$597,291
Provision for Taxes	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Income</b>	<b>\$67,950,620</b>	<b>\$152,243,736</b>	<b>\$14,591,715</b>	<b>\$9,714,599</b>	<b>\$60,674,565</b>	<b>\$58,376,704</b>
<b>Other Financial:</b>						
Charity Care Charges	\$37,368,531	\$72,091,903	\$43,204,386	\$55,243,885	\$19,079,273	\$23,962,370
Bad Debt Charges	\$68,538,081	\$32,394,236	\$36,996,817	\$42,647,386	\$42,581,432	\$44,437,247
<b>Total Uncompensated Care</b>	<b>\$105,906,612</b>	<b>\$104,486,139</b>	<b>\$80,201,203</b>	<b>\$97,891,271</b>	<b>\$61,660,705</b>	<b>\$68,399,617</b>
Cost to Charge Ratio	41.4%	46.8%	25.4%	23.8%	20.6%	20.8%
Cost of Charity	\$15,483,543	\$33,761,078	\$10,989,292	\$13,156,905	\$3,933,989	\$4,974,410
Uncompensated Care as % of Chgs.	11.5%	11.1%	6.7%	7.8%	3.5%	3.6%
State of Calif. Uncompensated Care <sup>2</sup>	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Fiscal Year Ending	6/30/2010	6/30/2011	12/31/2010	12/31/2011	6/30/2010	6/30/2011

\* Unaudited data

<sup>1</sup> Excludes normal newborns

<sup>2</sup> Statewide average for hospitals

Source: OSHPD Disclosure Reports FY2010-2011

AREA HOSPITALS: 2010-2011						
	Kaiser - Hayward/Fremont		Alta Bates Summit Med. Cntr. - Alta Bates Campus		Alta Bates Summit Med. Cntr. - Summit Campus Hawthorne	
	General Acute		General Acute		General Acute	
	2010	2011*	2010	2011*	2010	2011*
City	Hayward		Berkeley		Oakland	
Licensed Beds	316	319	527	527	399	399
Patient Days	54,983	52,668	132,606	125,942	74,519	73,243
Discharges <sup>1</sup>	15,885	15,499	20,355	19,424	14,467	14,060
ALOS	3.5	3.4	6.5	6.5	5.2	5.2
Average Daily Census	151	144	363	345	204	201
Occupancy	47.7%	45.2%	68.9%	65.5%	51.2%	50.3%
ED Visits	74,290	76,357	42,917	43,032	40,758	43,229
Inpatient Surgeries	3,785	1,936	5,520	3,269	2,191	3,370
Outpatient Surgeries	11,455	10,891	4,016	4,322	1,489	3,417
Births	2,554	2,500	7,625	7,220	0	0
<b>Payer Mix (Based on Discharges):</b>						
Traditional Medicare	1.8%	3.3%	24.1%	24.6%	44.4%	46.1%
Managed Medicare	38.6%	38.7%	6.3%	6.6%	12.3%	15.1%
Traditional Medi-Cal	0.5%	0.6%	20.7%	17.0%	17.0%	14.1%
Managed Medi-Cal	3.7%	3.5%	9.8%	12.7%	3.7%	5.3%
County Indigent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Traditional Third Party	0.5%	0.4%	0.2%	4.5%	0.8%	0.7%
Managed Third Party	53.5%	52.1%	33.0%	32.3%	17.3%	15.3%
Other Indigent	0.0%	0.0%	0.8%	0.8%	3.8%	3.2%
Other	1.4%	1.3%	5.1%	1.5%	0.7%	0.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Income Statement:</b>						
Gross Patient revenue	-	-	\$2,246,542,774	\$2,152,897,304	\$1,912,383,705	\$1,790,024,800
Net Pt. Revenue	-	-	\$643,405,113	\$597,311,085	\$435,315,847	\$407,777,670
Other Operating Rev.	-	-	\$6,226,957	\$6,798,208	\$55,027,425	\$59,226,719
Total Operating Rev.	-	-	\$649,632,070	\$604,109,293	\$490,343,272	\$467,004,389
Total Operating Exp.	-	-	\$550,311,992	\$565,998,177	\$473,385,078	\$448,912,297
Net From Operations	-	-	\$99,320,078	\$38,111,116	\$16,958,194	\$18,092,092
Non-operating Rev.	-	-	\$15,691,985	\$12,277,591	\$8,041,612	\$8,393,378
Non-operating Exp.	-	-	\$6,666,938	\$5,862,981	\$4,722,206	\$4,071,397
Provision for Taxes	-	-	\$0	\$0	\$0	\$0
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>\$108,345,125</b>	<b>\$44,525,726</b>	<b>\$20,277,600</b>	<b>\$22,414,073</b>
<b>Other Financial:</b>						
Charity Care Charges	-	-	\$62,067,307	\$19,931,784	\$46,478,463	\$46,213,732
Bad Debt Charges	-	-	\$16,270,194	\$19,773,198	\$6,894,666	\$16,926,404
<b>Total Uncompensated Care</b>	<b>-</b>	<b>-</b>	<b>\$78,337,501</b>	<b>\$39,704,982</b>	<b>\$53,373,129</b>	<b>\$63,140,136</b>
Cost to Charge Ratio	-	-	24.2%	26.0%	21.9%	21.8%
Cost of Charity	-	-	\$15,031,939	\$5,177,141	\$10,167,740	\$10,060,657
Uncompensated Care as % of Chgs.	-	-	3.5%	1.8%	2.8%	3.5%
State of Calif. Uncompensated Care <sup>2</sup>	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Fiscal Year Ending	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011

\* Unaudited data

<sup>1</sup> Excludes normal newborns

<sup>2</sup> Statewide average for hospitals

Source: OSHPD Disclosure Reports FY 2010-2011

## Hospital Market Share

The table below illustrates inpatient market share by individual hospital, within the Hospital's service area, over the past four years.

SERVICE AREA HOSPITAL MARKET SHARE 2008-2011				
Hospitals	2008	2009	2010	2011
Kaiser - All	29.5%	28.0%	27.7%	27.3%
<b>St. Rose Hospital</b>	<b>17.1%</b>	<b>17.0%</b>	<b>16.8%</b>	<b>17.8%</b>
Washington Hospital - Fremont	15.3%	15.7%	14.8%	15.1%
Eden Medical Center	11.1%	11.6%	11.6%	11.9%
Alameda County Med. Ctr. - Highland Campus	5.5%	6.1%	6.9%	6.6%
Children's Hospital And Research Ctr. At Oakland	3.4%	3.3%	3.3%	2.9%
Alta Bates Summit Med. Ctr.-Alta Bates Campus	2.7%	3.2%	3.5%	3.0%
San Leandro Hospital	3.2%	2.9%	3.0%	2.6%
Stanford Hospital	1.8%	1.8%	2.0%	1.9%
Alta Bates Summit Med Ctr.-Summit Campus-Hawthorne	1.5%	1.6%	1.6%	1.6%
Lucile Salter Packard Children's Hosp. At Stanford	1.3%	1.3%	1.2%	1.2%
UCSF Medical Center	1.1%	1.1%	1.1%	1.1%
Fremont Hospital	0.8%	0.7%	0.6%	0.6%
Valleycare Medical Center	0.5%	0.5%	0.5%	0.5%
Alta Bates Summit Med Ctr. - Herrick Campus	0.4%	0.5%	0.5%	0.5%
<b>Sub-Total</b>	<b>95.2%</b>	<b>95.2%</b>	<b>95.2%</b>	<b>94.7%</b>
All Other	4.8%	4.8%	4.8%	5.3%
<b>Total Percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total Discharges</b>	<b>37,157</b>	<b>37,156</b>	<b>36,928</b>	<b>36,778</b>

Note: Excludes normal newborns

Source: OSHPD Inpatient Discharge Database

- The majority (72%) of inpatient services for residents of the service area are delivered by Kaiser-Hayward (27%), the Hospital (18%), WHF (15%), and EMC (12%);
- The number of discharges in the Hospital's service area has decreased by 1% over the last four years;
- The Hospital ranks second, behind all Kaiser facilities, in terms of overall market share for the Hospital's service area, based on discharges, with approximately 17.1% in 2011;
- The Hospital's market share in the service area has increased over the past four years, from 17.1% in 2008 to 17.8% in 2011; and
- Approximately 30% of inpatients receive services out of the area.

## Market Share by Payer

The following table illustrates hospital market share by payer category as reported to OSHPD for FY 2011.

HOSPITAL MARKET SHARE BY PAYER, 2011											
Hospitals	Total Discharges	Market Share	Medicare		Private Coverage			Medi-Cal		Other	
			FFS	Managed	HMO	PPO	FFS	FFS	Managed	Indigent Programs	Other
Kaiser - All	10,100	27.5%	3.6%	70.8%	65.2%	3.5%	5.6%	1.1%	12.5%	0.0%	7.3%
<b>St. Rose Hospital</b>	<b>6,550</b>	<b>17.8%</b>	<b>27.9%</b>	<b>8.1%</b>	<b>3.5%</b>	<b>12.1%</b>	<b>7.9%</b>	<b>30.7%</b>	<b>28.9%</b>	<b>7.6%</b>	<b>21.5%</b>
Washington Hospital - Fremont	5,536	15.1%	28.6%	7.2%	11.1%	29.8%	9.1%	6.1%	11.5%	0.0%	9.3%
Eden Medical Center	4,380	11.9%	17.0%	8.3%	3.6%	16.3%	4.4%	15.9%	15.4%	0.0%	17.3%
Alameda Co Med Ctr - Highland Campus	2,436	6.6%	2.6%	0.1%	0.1%	0.0%	7.6%	21.4%	5.0%	76.5%	12.5%
Alta Bates Summit Med Ctr-Alta Bates Campus	1,104	3.0%	0.7%	0.0%	2.4%	2.4%	5.9%	9.2%	6.9%	0.5%	1.4%
Childrens Hospital and Research Ctr at Oakland	1,071	2.9%	0.0%	0.0%	0.8%	3.3%	7.0%	3.7%	10.8%	0.0%	14.7%
San Leandro Hospital	960	2.6%	7.0%	1.9%	0.6%	0.8%	3.2%	1.4%	1.7%	5.0%	0.7%
Stanford Hospital	698	1.9%	2.8%	0.3%	1.1%	5.6%	5.9%	1.2%	0.4%	0.0%	4.2%
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne	583	1.6%	2.5%	0.9%	1.4%	1.6%	7.6%	1.0%	0.6%	5.0%	1.0%
Lucile Packard Children's Hospital	435	1.2%	0.0%	0.0%	1.2%	7.1%	0.3%	1.1%	1.6%	0.0%	0.2%
All Others	2,925	8.0%	7.2%	2.5%	9.0%	17.4%	35.5%	7.0%	4.7%	5.5%	9.8%
<b>Total</b>	<b>36,778</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Discharges</b>			<b>8,384</b>	<b>4,922</b>	<b>8,511</b>	<b>2,980</b>	<b>341</b>	<b>5,274</b>	<b>3,414</b>	<b>805</b>	<b>2,147</b>
<b>% of Total Discharges</b>			<b>22.8%</b>	<b>13.4%</b>	<b>23.1%</b>	<b>8.1%</b>	<b>0.9%</b>	<b>14.3%</b>	<b>9.3%</b>	<b>2.2%</b>	<b>5.8%</b>

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The combined totals for Medi-Cal show that SRH has the largest market share with 60%, EMC ranks second with 31%, and ACMC ranks third with 26%;
- WHF leads in many payer categories, including Traditional Medicare, and PPO and FFS private coverage; and
- Kaiser ranks first in Medicare Managed Care and HMO.

## Alameda Alliance for Health

Alameda Alliance for Health (“AAH”) serves approximately 140,000 residents across the County. AAH is a public, nonprofit managed care health plan providing healthcare services to lower income people of Alameda County. The AAH contracts with ten hospitals across the County, including the Hospital, and is instrumental in providing access to care for many Alameda County residents. The table below shows where AAH patients are most admitted for their inpatient healthcare needs across the County, based on the four-year market share trend.

Alameda Alliance for Health: Market Share by Hospital, 2008-2011 (Entire County)					
Hospitals	2008	2009	2010	2011	Trend
Alta Bates Summit Med Ctr-Alta Bates Campus	26.1%	22.5%	23.0%	19.8%	↘
Children's Hospital And Research Ctr At Oakland	17.7%	18.7%	20.0%	16.2%	↘
<b>St. Rose Hospital</b>	<b>14.1%</b>	<b>13.7%</b>	<b>14.4%</b>	<b>16.4%</b>	↗
Washington Hospital - Fremont	10.8%	10.1%	8.6%	9.0%	↘
Alameda Co Med Ctr - Highland Campus	11.1%	10.3%	8.4%	8.7%	↘
Eden Medical Center	5.5%	6.8%	7.1%	9.3%	↗
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne	4.8%	5.5%	6.3%	7.5%	↗
Valleycare Medical Center	3.4%	4.8%	4.3%	3.7%	↔
San Leandro Hospital	1.9%	1.7%	1.7%	2.7%	↗
UCSF Medical Center	1.6%	1.7%	1.9%	2.1%	↗
Alameda Hospital	0.8%	1.4%	1.1%	1.3%	↔
Lucile Salter Packard Children's Hosp.	0.9%	0.8%	1.0%	0.9%	↔
<b>Sub Total</b>	<b>98.8%</b>	<b>98.0%</b>	<b>98.0%</b>	<b>97.5%</b>	↘
All Other	1.2%	2.0%	2.0%	2.5%	↗
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>Discharges</b>	<b>5,498</b>	<b>6,024</b>	<b>6,211</b>	<b>7,346</b>	↗

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- In 2011, the Hospital had the 3rd highest volume of inpatient services to AAH patients in Alameda County;
- The Hospital had provided an increasing amount of inpatient services to AAH patients, from 14.1% in 2008 to 16.5% in 2011; and
- AAH patients make up approximately 20% of SRH's inpatient volume.

## Market Share by Service Line

The following table illustrates hospital market share by service line for 2011.

HOSPITAL MARKET SHARE BY SERVICE LINE, 2011											
Service Line	Total Discharges	Kaiser - All	St. Rose Hospital	Washington Hospital - Fremont	Eden Medical Center	Alameda Co Med Ctr - Highland Campus	Alta Bates Summit Med Ctr-Alta Bates Campus	Childrens Hospital and Research Ctr at Oakland	San Leandro Hospital	All Others	Total
General Medicine	11,629	26.3%	23.2%	17.6%	11.7%	4.8%	0.5%	4.9%	4.0%	7.1%	100%
Obstetrics	5,741	31.8%	14.6%	15.0%	13.2%	4.5%	12.6%	0.0%	0.0%	8.2%	100%
Cardiac Services	4,387	28.2%	27.6%	16.3%	8.5%	3.8%	0.5%	0.7%	3.3%	11.3%	100%
General Surgery	2,690	31.0%	16.2%	12.6%	10.1%	7.2%	0.9%	3.0%	2.8%	16.3%	100%
Neonatology	2,218	30.6%	11.1%	15.7%	14.4%	3.9%	8.9%	2.8%	0.0%	12.6%	100%
Orthopedics	1,892	39.2%	8.1%	15.1%	12.6%	3.9%	0.8%	3.5%	2.6%	14.1%	100%
Behavioral Health	1,886	5.4%	4.8%	1.4%	11.2%	33.6%	0.2%	0.1%	0.6%	42.8%	100%
Neurology	1,399	24.7%	18.2%	18.3%	20.1%	6.4%	0.7%	2.4%	2.1%	7.1%	100%
Oncology/Hematology (Medical)	1,034	22.4%	16.5%	14.9%	8.0%	7.3%	1.2%	5.2%	4.9%	19.5%	100%
Vascular Services	638	26.8%	14.3%	23.4%	5.3%	1.4%	1.4%	0.3%	15.4%	11.8%	100%
Gynecology	591	35.9%	12.7%	8.3%	12.0%	8.1%	4.1%	2.2%	0.0%	16.8%	100%
Spine	564	23.0%	3.9%	22.7%	16.1%	6.4%	0.7%	1.6%	0.9%	24.6%	100%
Other	513	17.7%	7.2%	10.5%	37.2%	3.1%	0.4%	5.5%	0.8%	17.5%	100%
ENT	475	28.2%	10.9%	11.2%	6.9%	6.9%	0.4%	15.8%	3.2%	16.4%	100%
Urology	468	37.4%	11.8%	12.0%	6.0%	7.3%	1.1%	1.5%	3.0%	20.1%	100%
Rehabilitation	385	8.1%	30.1%	0.0%	0.0%	28.3%	0.0%	3.1%	0.0%	30.4%	100%
Neurosurgery	223	41.3%	1.3%	8.1%	12.6%	4.5%	0.0%	6.7%	0.0%	25.6%	100%
Ophthalmology	45	20.0%	8.9%	6.7%	15.6%	13.3%	0.0%	15.6%	2.2%	17.8%	100%
<b>Grand Total</b>	<b>36,778</b>	<b>27.5%</b>	<b>17.8%</b>	<b>15.1%</b>	<b>11.9%</b>	<b>6.6%</b>	<b>3.0%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>12.6%</b>	<b>100%</b>

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital (17.8%) ranks second behind Kaiser (27.5%) in overall market share in all services within the service area;
- The Hospital is the market share leader for only one of the eighteen service lines (rehabilitation) profiled. The Hospital's inpatient market share for rehabilitation is high because the Hospital's inpatient skilled nursing discharges are bundled into this category. The SNF was closed in November 2011; and
- The service line with the next highest market share for the Hospital is cardiac services (27.6%), which is an important service line at the Hospital.

## Service Availability by Bed Type

The tables on the following pages analyze existing hospital bed capacity, occupancy, and bed availability for medical/surgical, critical care, obstetrics, pediatrics, and emergency services for FY 2011.

### Medical/Surgical Beds

In 2011, there were 846 medical/surgical beds within approximately ten miles of the Hospital. Kaiser currently has 224 medical/surgical beds in Hayward that are approximately 44% occupied. Overall, there is available hospital bed capacity for medical/surgical services, based on an occupancy rate of 50% (if excluding Kaiser-Hayward beds from the subtotal).

MEDICAL/SURGICAL BEDS 2011						
Hospital	Miles from SRH	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
St. Rose Hospital*	-	163	6,242	33,335	91.3	56.0%
Kaiser - Hayward/Fremont*	0.5	224	11,392	35,971	98.6	44.0%
Eden Medical Center/ San Leandro Hospital*	6.3	197	9,312	38,565	105.7	53.6%
Fremont Hospital*	10.0	-	-	-	-	-
Washington Hospital - Fremont	10.3	262	8,145	41,226	112.9	43.1%
<b>Subtotal</b>		<b>846</b>	<b>35,091</b>	<b>149,097</b>	<b>408.5</b>	<b>48.3%</b>
Kaiser - Oakland Campus*	15.5	263	13,785	53,180	145.7	55.4%
Alameda Co Med Ctr - Highland Campus	16.0	171	7,635	26,688	73.1	42.8%
Childrens Hospital and Research Ctr at Oakland*	17.2	-	-	-	-	-
Lucile Packard Children's Hospital*	18.4	-	-	-	-	-
Stanford Hospital*	18.8	491	23,490	109,693	300.5	61.2%
Alta Bates Summit Med Ctr-Alta Bates Campus*	21.7	146	8,553	37,608	103.0	70.6%
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne*	21.7	307	12,917	54,431	149.1	48.6%
UCSF Medical Center	30.7	370	20,409	107,979	295.8	80.0%
Kaiser - Walnut Creek*	33.1	138	9,331	36,904	101.1	73.3%
<b>Total</b>		<b>2,732</b>	<b>131,211</b>	<b>575,580</b>	<b>1,576.9</b>	<b>57.7%</b>

\*Unaudited

Source: OSHPD Annual Utilization Reports, MapPoint

Eden Medical Center and San Leandro Hospital operate under one license

- If the Hospital closed, the reduction in medical/surgical beds in the community would lead to an occupancy rate of over 80%. The occupancy rate would further increase if SLH reduced beds upon consolidation with APMC. No specifics have yet been released on the terms of the SLH/APMC affiliation;
- The Kaiser-Hayward move should have minimal impact on the supply of medical/surgical beds since the new hospital will have more supply than demand;
- The Hospital's medical/surgical beds are important to the community since occupancy rates for non-Kaiser hospitals could rise to 68% without the Hospital's beds; and

- If the Hospital and SLH closed, occupancy could rise to 85% in non-Kaiser hospitals, creating patient access issues for medical/surgical beds.

### ***Critical Care Beds (ICU/CCU)***

There are 106 critical care beds in or in close proximity to the Hospital’s service area, with an overall occupancy rate of approximately 76%. The Hospital has 15 critical care beds that were 74% occupied, on average, in 2011 (average daily census of 11 patients). WHF, located approximately 10 miles from the Hospital, is running at an occupancy rate of 87%.

<b>ICU/CCU BEDS 2011</b>						
<b>Hospital</b>	<b>Miles from SRH</b>	<b>Licensed Beds</b>	<b>Discharges</b>	<b>Pt. Days</b>	<b>Average Daily Census</b>	<b>Occupancy</b>
<b>St. Rose Hospital*</b>	-	<b>15</b>	<b>225</b>	<b>4,073</b>	<b>11.2</b>	<b>74.4%</b>
Kaiser - Hayward/Fremont*	0.5	26	488	6,682	18.3	70.4%
Eden Medical Center/ San Leandro Hospital*	6.3	37	1,905	9,935	27.2	73.6%
Fremont Hospital*	10.0	-	-	-	-	-
Washington Hospital - Fremont	10.3	28	479	8,883	24.3	86.9%
		<b>106</b>	<b>3,097</b>	<b>29,573</b>	<b>81.0</b>	<b>76.4%</b>
Kaiser - Oakland Campus*	15.5	38	274	5,262	14.4	37.9%
Alameda Co Med Ctr - Highland Campus	16.0	20	303	5,820	15.9	79.7%
Childrens Hospital and Research Ctr at Oakland*	17.2	-	-	-	-	-
Lucile Packard Children's Hospital*	18.4	-	-	-	-	-
Stanford Hospital*	18.8	75	636	19,241	52.7	70.3%
Alta Bates Summit Med Ctr-Alta Bates Campus*	21.7	30	351	5,144	14.1	47.0%
Alta Bates Summit Med Ctr-Summit Campus-Hawthor	21.7	36	271	7,802	21.4	59.4%
UCSF Medical Center	30.7	90	657	17,652	48.4	53.7%
Kaiser - Walnut Creek*	33.1	24	545	6,435	17.6	73.5%
<b>TOTAL</b>		<b>419</b>	<b>6,134</b>	<b>96,929</b>	<b>265.6</b>	<b>63.4%</b>

\*Unaudited

Source: OSHPD Annual Utilization Reports, MapPoint

Eden Medical Center and San Leandro Hospital operate under one license

- The available bed occupancy rate, excluding Kaiser-Hayward, is nearly 80% for the area hospitals;
- On average, 81 ICU/CCU beds are occupied in the region; and
- If the Hospital closed, area hospitals would have difficulty handling the additional patient demand, compromising availability and accessibility of services. If SLH closed, access and availability of services would also be compromised.

## Obstetrics Beds

In 2011, there were 83 obstetrics beds (22 of which were alternative birthing center<sup>9</sup> beds) located in and around the service area, with an aggregate occupancy rate of 54.5%.

LICENSED OBSTETRICS BEDS 2011						
Hospital	Miles from SRH	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
St. Rose Hospital*	-	17	1,121	2,756	7.6	44.4%
Kaiser - Hayward/Fremont*	0.5	33	2,587	4,384	12.0	36.4%
Eden Medical Center/ San Leandro Hospital*	6.3	11	1,496	3,863	10.6	96.2%
Fremont Hospital*	10.0	-	-	-	-	-
Washington Hospital - Fremont	10.3	22	2,128	5,513	15.1	68.7%
		<b>83</b>	<b>7,332</b>	<b>16,516</b>	<b>45.2</b>	<b>54.5%</b>
Kaiser - Oakland Campus*	15.5	39	2,445	4,484	12.3	31.5%
Alameda Co Med Ctr - Highland Campus	16.0	17	1,587	3,921	10.7	63.2%
Childrens Hospital and Research Ctr at Oakland*	17.2	-	-	-	-	-
Lucile Packard Children's Hospital*	18.4	32	4,637	14,602	40.0	125.0%
Stanford Hospital*	18.8	-	-	-	-	-
Alta Bates Summit Med Ctr-Alta Bates Campus*	21.7	116	5,481	29,349	80.4	69.3%
Alta Bates Summit Med Ctr-Summit Campus-Hawthor	21.7	-	-	-	-	-
UCSF Medical Center	30.7	29	2,048	7,450	20.4	70.4%
Kaiser - Walnut Creek*	33.1	34	3,552	6,612	18.1	53.3%
<b>Total</b>		<b>350</b>	<b>27,082</b>	<b>82,934</b>	<b>227.2</b>	<b>64.9%</b>

\*Unaudited

Source: OSHPD Annual Utilization Reports, MapPoint

Eden Medical Center and San Leandro Hospital operate under one license

- Individual hospitals in or close to the service area had varying percentages of occupancy rates with lows of 36% (Kaiser-Hayward) to highs of 96% (EMC);
- The Hospital reported 17 licensed obstetric beds with a 44% occupancy rate for 2011;
- The Lucile Packard Children's Hospital, located 18 miles from the Hospital, had an occupancy rate of 125% based upon its 32 licensed obstetrics beds; and
- The obstetrics program at the Hospital was described in interviews as being a key service line, especially to Medi-Cal patients who made up nearly 85% of all obstetrics discharges. Other facilities would be challenged to absorb the obstetrics volume from the Hospital if the Hospital closed.

<sup>9</sup> Alternative Birth Center's (ABCs) are facilities that provide comprehensive perinatal services and delivery care to pregnant women who remain less than 24 hours at the facility.

## Pediatric Beds

In 2011, there were a total of 35 pediatric beds in and around the Hospital's service area, with an aggregate occupancy rate of 21%. There are two large pediatric hospitals located within 20 miles of the Hospital that serve the majority of area pediatric inpatients. The Hospital does not support any licensed pediatric beds or provide inpatient care for pediatric medical conditions. These pediatric patients are typically transferred to Children's Hospital & Research Center Oakland. However, pediatric patients that arrive at the ED are evaluated and care is provided to stabilize their condition. Once stabilized, children requiring a higher level of care are transferred to Children's Hospital & Research Center Oakland.

LICENSED PEDIATRIC BEDS 2011						
Hospital	Miles from SRH	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
St. Rose Hospital*	-	-	-	-	-	-
Kaiser - Hayward/Fremont*	0.5	20	826	1,770	4.8	24.2%
Eden Medical Center/ San Leandro Hospital*	6.3	-	-	-	-	-
Fremont Hospital*	10.0	-	-	-	-	-
Washington Hospital - Fremont	10.3	15	470	951	2.6	17.4%
		<b>35</b>	<b>1,296</b>	<b>2,721</b>	<b>7.5</b>	<b>21.3%</b>
Kaiser - Oakland Campus*	15.5	33	1,637	5,669	15.5	47.1%
Alameda Co Med Ctr - Highland Campus	16.0	-	-	-	-	-
Childrens Hospital and Research Ctr at Oakland*	17.2	111	9,154	33,225	91.0	82.0%
Lucile Packard Children's Hospital*	18.4	146	5,825	32,301	88.5	60.6%
Stanford Hospital*	18.8	-	-	-	-	-
Alta Bates Summit Med Ctr-Alta Bates Campus*	21.7	-	-	-	-	-
Hawthorne*	21.7	-	-	-	-	-
UCSF Medical Center	30.7	70	4,087	22,919	62.8	89.7%
Kaiser - Walnut Creek*	33.1	12	891	2,554	7.0	58.3%
<b>Total</b>		<b>407</b>	<b>22,890</b>	<b>99,389</b>	<b>272.3</b>	<b>66.9%</b>

\*Unaudited

Source: OSHPD Annual Utilization Reports, MapPoint

Eden Medical Center and San Leandro Hospital operate under one license

- Only two area hospitals have pediatric beds, with the majority of cases being seen at or sent to Children's Hospital & Research Center Oakland; and
- When Kaiser-Hayward relocates, only WHF, located over 10 miles away, will provide inpatient pediatric services to the local community.

## Neonatal Intensive Care Beds

The Hospital does not have a neonatal unit. Infants requiring neonatal intensive care are transferred to other hospitals.

NEONATAL ICU SERVICES 2011						
Hospital	Miles from SRH	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
St. Rose Hospital*	-	-	-	-	-	-
Kaiser - Hayward/Fremont*	0.5	16	206	3,861	10.6	66.1%
Eden Medical Center*	6.3	3	122	696	1.9	63.6%
Fremont Hospital*	10.0	-	-	-	-	-
Washington Hospital - Fremont	10.3	-	-	-	-	-
<b>Subtotal</b>		<b>19</b>	<b>328</b>	<b>4,557</b>	<b>12.5</b>	<b>65.7%</b>
Kaiser - Oakland Campus*	15.5	18	274	5,262	14.4	80.1%
Alameda Co Med Ctr - Highland Campus	16.0	8	324	1,379	3.8	47.2%
Childrens Hospital and Research Ctr at Oakland*	17.2	44	384	10,139	27.8	63.1%
Lucile Packard Children's Hospital*	18.4	89	1600	21,616	59.2	66.5%
Stanford Hospital*	18.8	-	-	-	-	-
Alta Bates Summit Med Ctr-Alta Bates Campus*	21.7	55	1758	15,308	41.9	76.3%
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne*	21.7	-	-	-	-	-
UCSF Medical Center	30.7	51	743	13,738	37.6	73.8%
Kaiser - Walnut Creek*	33.1	25	338	5,818	15.9	63.8%
<b>Total</b>		<b>309</b>	<b>5,749</b>	<b>77,817</b>	<b>213.2</b>	<b>69.0%</b>

\*Unaudited

Source: OSHPD Annual Utilization Reports, MapPoint

Eden Medical Center and San Leandro Hospital operate under one license

- There are 19 neonatal beds in the area (Kaiser-Hayward has 16 and EMC has 3); and
- Children's Hospital & Research Center Oakland and Lucile Packard Children's Hospital provide the majority of area neonatal intensive care services.

## *Emergency Department Volume at Hospitals in the Service Area*

The Hospital has 17 ED stations and had 35,028 visits in FY 2011, amounting to 17% of total visits among area hospitals (203,054 total visits). Approximately 14% of the region's ED visits resulted in admission to area hospitals. On average, 17% of the Hospital's ED patients were admitted to the Hospital.

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2011											
Hospital	Miles from SRH	ER Level	Stations	Total Visits	Minor	Low/ Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
<b>St. Rose Hospital</b>	-	Basic	17	<b>35,028</b>	<b>6,223</b>	<b>3,773</b>	<b>12,394</b>	<b>8,716</b>	<b>3,922</b>	<b>16.8%</b>	<b>273</b>
Kaiser - Hayward	0.5	Basic	26	49,510	12,516	9,548	11,688	11,727	4,031	11.3%	-
Eden Medical Center	6.3	Basic	16	39,404	437	2,761	11,876	9,493	14,837	13.8%	-
San Leandro Medical Center	7.0	Basic	12	29,359	1,734	8,612	8,479	4,479	6,055	11.2%	-
Fremont Hospital	10.0	-	-	-	-	-	-	-	-	-	-
Washington Hospital - Fremont	10.3	Basic	23	49,753	3,385	6,633	14,969	11,414	13,352	15.0%	-
<b>Subtotal</b>			<b>94</b>	<b>203,054</b>	<b>24,295</b>	<b>31,327</b>	<b>59,406</b>	<b>45,829</b>	<b>42,197</b>	<b>13.6%</b>	<b>273</b>
Kaiser - Oakland Campus	15.5	Basic	32	50,725	14,635	6,582	8,721	13,887	6,900	13.8%	-
Alameda Co Med Ctr - Highland Campus	16.0	Basic	52	81,761	32,736	9,013	9,928	16,911	13,173	9.9%	251
Childrens Hospital and Research Ctr Oakland	17.2	Basic	37	46,903	1,155	6,780	27,294	7,966	3,708	13.7%	18
Lucile Packard Children's Hospital	18.4	-	-	-	-	-	-	-	-	-	-
Stanford Hospital	18.8	Basic	37	50,907	3	3,902	14,002	19,054	13,946	20.4%	-
Alta Bates Summit Med Ctr-Alta Bates Campus	21.7	Basic	22	41,867	673	4,235	13,822	13,020	10,117	14.8%	39
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne	21.7	Basic	31	42,348	492	2,966	12,104	12,667	14,119	19.6%	39
UCSF Medical Center	30.7	Basic	29	35,354	2,766	1,277	8,374	10,356	12,581	26.1%	923
Kaiser - Walnut Creek	33.1	Basic	52	51,532	10,379	6,823	11,395	15,995	6,940	15.8%	-
<b>Total</b>			<b>386</b>	<b>604,451</b>	<b>87,134</b>	<b>72,905</b>	<b>165,046</b>	<b>155,685</b>	<b>123,681</b>	<b>15.1%</b>	<b>1,543</b>

Source: OSHFD Alerts Annual Utilization Reports, MapPoint

## *Service Area Emergency Department Patient Origin*

Due to different sources and reporting periods, the ED totals in the table below differ from previous and subsequent tables. The Hospital's ED service area is composed of 8 ZIP Codes, from which approximately 81% of the Hospital's ED volume originated in 2011. The Hospital's ED market share fluctuates from a low of 2% in Fremont to a high of 41% in Hayward. The Hospital's ED market share volume in the service area was approximately 23%.

ST. ROSE HOSPITAL EMERGENCY DEPARTMENT PATIENT ORIGIN, 2011							
ZIP Codes	Community	SRH Encounters	% of Encounters	Cummulative % of Encounters	Total Encounters	Market Share	Draw Rate per 1,000 Population
94544	Hayward	10,472	35.2%	35.2%	25,502	41.1%	142.5
94541	Hayward	5,081	17.1%	52.3%	21,274	23.9%	82.0
94545	Hayward	3,739	12.6%	64.9%	9,096	41.1%	127.8
94587	Union City	2,415	8.1%	73.0%	14,881	16.2%	33.9
94580	San Lorenzo	836	2.8%	75.8%	6,625	12.6%	30.1
94578	San Leandro	756	2.5%	78.4%	12,560	6.0%	19.3
94542	Hayward	484	1.6%	80.0%	2,573	18.8%	36.5
94536	Fremont	317	1.1%	81.1%	14,332	2.2%	4.5
<b>Subtotal</b>		<b>24,100</b>	<b>81.1%</b>	<b>81.1%</b>	<b>106,843</b>	<b>22.6%</b>	<b>62.3</b>
Other ZIPs		5,624	18.9%	100%			
<b>Total</b>		<b>29,724</b>	<b>100%</b>				

Source: OSHPD Emergency Department Data

- The draw rate examines the number of ED visits by ZIP Code per 1,000 population that use the Hospital. ZIP Code 94544 and 94545, both located in Hayward, had draw rates of 142.5 and 127.8, respectively, per 1,000 population in 2011; and
- Approximately 66% of the Hospital ED volume comes from the City of Hayward.

## Emergency Department Capacity

Industry sources, including the American College of Emergency Physicians (“ACEP”), 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 is operating at 103% of its 17-bed capacity. ED capacity at all area hospitals, with the exception of Kaiser-Hayward, is limited based on this benchmark. EMC, SLH, and WHF are at 123%, 122%, and 108% of their respective capacity, bringing the total utilization rate to area hospitals to nearly 110% of recommended volumes. The burden on the Hospital’s ED is likely to worsen with Kaiser-Hayward closing its hospital, and relocating to a new campus 8 miles north of the Hospital, and the possibility that SLH may close its ED if acquired by APMC.

EMERGENCY DEPARTMENT CAPACITY 2011						
Hospital	Miles from SRH	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
<b>St. Rose Hospital</b>	-	<b>Basic</b>	<b>17</b>	<b>35,028</b>	<b>34,000</b>	<b>(1,028)</b>
Kaiser - Hayward	0.5	Basic	26	49,510	52,000	2,490
Eden Medical Center	6.3	Basic	16	39,404	32,000	(7,404)
San Leandro Medical Center	7.0	Basic	12	29,359	24,000	(5,359)
Fremont Hospital	10.0	-	-	-	-	-
Washington Hospital - Fremont	10.3	Basic	23	49,753	46,000	(3,753)
<b>Sub-total</b>			<b>94</b>	<b>203,054</b>	<b>188,000</b>	<b>(15,054)</b>
Kaiser - Oakland Campus	15.5	Basic	32	50,725	64,000	13,275
Alameda Co Med Ctr - Highland Campus	16.0	Basic	52	81,761	104,000	22,239
Childrens Hospital and Research Ctr at Oakland	17.2	Basic	37	46,903	74,000	27,097
Lucile Packard Children's Hospital	18.4	-	-	-	-	-
Stanford Hospital	18.8	Basic	37	50,907	74,000	23,093
Alta Bates Summit Med Ctr-Alta Bates Campus	21.7	Basic	22	41,867	44,000	2,133
Alta Bates Summit Med Ctr-Summit Campus-Hawthorne	21.7	Basic	31	42,348	62,000	19,652
UCSF Medical Center	30.7	Basic	29	35,354	58,000	22,646
Kaiser - Walnut Creek	33.1	Basic	52	51,532	104,000	52,468
<b>Total</b>			<b>386</b>	<b>604,451</b>	<b>772,000</b>	<b>167,549</b>

Source: OSHPD Alerts Annual Utilization Reports, MapPoint

## SUMMARY OF COMMUNITY INTERVIEWS

In November 2012, both in-person and telephone interviews were conducted with numerous physicians, community members, and representatives from SRH, Alecto, APMC, Alameda County Health Services Agency, and AAH. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability or accessibility as a result of the proposed transaction between Alecto and SRH. The major findings from the interviews are summarized below.

### *Reasons for the Transaction*

Those interviewed cited the following as the major reasons for the transaction:

- A history of poor financial performance and the risk of continuing financial losses due to the following:
  - A poor payer mix made up of 80% Medi-Cal and Medicare patients;
  - A high percentage of uninsured patients;
  - A low percentage of commercial patients;
  - A proportionately low share of Measure A funds;
  - Low rates of reimbursement from AAH and other managed care organizations due to the Hospital's inability to negotiate favorable contracts;
  - A low daily census that averages 75 to 80 patients per day;
  - An unusually generous and unsustainable employee benefit package;
  - A large and growing amount of outstanding debt; and
  - A lack of support from area physicians who take their insured patients to other hospitals.
- Without the transaction, the risk that the community would lose needed services that are essential for uninsured and under-insured patients;
- Without the transaction, the Hospital would close, thereby leaving patients without accessible medical care and flooding other area emergency rooms and hospital services; and
- The inability of other healthcare providers and payers to work together to find a solution to avoid sale or closure of the Hospital.

### *Selection of Alecto*

The majority of people interviewed expressed support for Alecto's proposed transaction as long as the Hospital was kept open and its services as a safety net provider were maintained. Some interviewees expressed concern that the Hospital would be turned into a for-profit facility, thereby impacting access to community and government funding. A few were concerned that

Alecto's commitment to the Hospital may be short-term and that the Hospital would be sold to another operator.

All physicians and SRH Board members who were interviewed support the transaction; however, they expressed a few concerns, including the following:

- Physicians may not support the Hospital and would take patients elsewhere if the Hospital changed to a for-profit;
- The potential cancelation of managed care contracts (especially AAH) by the Purchaser, requiring patients to go to other hospitals outside the service area;
- Terminating managed care contracts would affect the physician's ability to coordinate patient care; and
- The potential closure of the Silva Pediatric Clinic.

Despite these concerns, most interviewees believed that Alecto would attempt to enhance programs and services and hoped that the Hospital would become financially viable.

### ***Importance of the Hospital to the Community***

According to those who were interviewed, the Hospital is very important to the local community, especially for its provision of services to the uninsured and under-insured. It is especially important to residents of the Jackson Triangle, located approximately 3 miles from the Hospital. This area is defined as the area between Jackson Street, Harder Road, and Whitman Street. The Jackson Triangle is a low-income neighborhood that has an estimated 11,000 residents facing economic challenges, including high levels of poverty, underfunded schools, and high unemployment. Of the households within the Jackson Triangle community, 17.3% are considered to be living in poverty. This is significantly higher than that of Alameda County (10.4%) and the city of Hayward (9.9%). Additionally, the median income for the Jackson Triangle is \$48,267 and is significantly lower than that of Alameda County and the city of Hayward (\$86,109 and \$68,446, respectively).

The Hospital is considered a "safety net" hospital and many interviewed considered it "The County Hospital of Southern Alameda County." The near-capacity ED at the Hospital could be further burdened when Kaiser-Hayward relocates in 2014. The possibility that the ED at SLH would close makes the continued operation of the Hospital additionally important.

If the Hospital and SLH closed, a severe access problem would be created, and remaining area EDs would be overwhelmed. Other services frequently mentioned as important for healthcare access and availability include:

- Obstetrics: The Hospital was responsible for 30% of the service area's Medi-Cal FFS obstetrics services in 2011. The obstetrics program was described in interviews as being a key service line at the Hospital, especially to Medi-Cal patients, who made up nearly

85% of all obstetrics discharges at the Hospital;

- The Women's Center at SRH: It provides comprehensive obstetrics and gynecology services to the local community. In 2011, approximately 84% of admissions were Medi-Cal beneficiaries; and
- Cardiac services: The Hospital and Kaiser had the largest service area market share in cardiac services in 2011 (approximately 28% each). The Hospital is in its third year of an elective PCI (Percutaneous Coronary Intervention) research program which evaluates if elective cardiac interventions (angioplasty) may be performed in California at facilities that do not have a cardiac surgical unit. Only six California hospitals were awarded participation into the research program. The program may be in jeopardy as of January 1, 2013, when Kaiser - Hayward plans to start its own elective PCI research program. Currently, 25% of the Hospital's PCI volume is derived from Kaiser members.

The Hospital is also viewed as an important contributor to overall economic development and prosperity within the community, and is also cited as one of Hayward's largest employers.

### ***Potential Closure of the Hospital***

Throughout the interview process, the Hospital's administration, community stakeholders, physicians, and Board members expressed relief that a buyer would keep the Hospital open and continue to provide services to the community. It was widely believed that failure to find a buyer would result in bankruptcy and the Hospital more than likely would have to close. Some expressed concern that Alecto would not be able to reverse the Hospital's poor financial situation and that the Hospital could still be forced into bankruptcy and close.

### ***Opposition to the Sale***

Interviewees almost unanimously indicated that, when faced with the expected alternative of bankruptcy/closure, they support the sale of the Hospital to Alecto.

## *Investment in the Hospital*

The APA does not stipulate that the Purchaser is obligated to provide any form of capital investment in the Hospital. However, in the LOI, Alecto stated that it intends to invest in the Hospital to maintain and improve infrastructure, capital improvements, equipment, information technology, etc. Over the last five years, the Hospital has seen investment in the form of a seismic retrofit, equipment, including a 320 Slice CT scanner, a new administration building, and a fully refurbished 5th floor in the main tower. In FY 2013, the Hospital is looking to complete \$3.7 million in capital investment needed to replenish old and broken equipment, conduct remodels within various departments, and other general plant restoration. Below is a table showing capital requirements SRH believes are needed either to comply with regulations or update/replace aging equipment and infrastructure.

ST. ROSE HOSPITAL CAPITAL NEEDS (Over \$100,000), 2013					
Department	Department	Quantity	Total Cost	Required by Regulation	Needed Now
Hemodynamic Monitoring system	Cath Lab	1	\$150,000	X	X
Phillips C-ARM	Cath Lab	1	\$300,000	X	
48" Prevac Sterilizer	Central Services	1	\$140,000		
Flouro machine	Diagnostic Imaging	1	\$242,670	X	
Pet/CT	Diagnostic Imaging	1	\$1,050,118		
Modular building	Diagnostic Imaging	1	\$525,000		
U/S machine	Diagnostic Imaging	1	\$178,000		
New Kronos Program	Human Resources	1	\$100,000		
Hill Rom Patient Beds	ICU	15	\$390,000		X
Air conditioning	Plant Operations	1	\$300,000	X	X
Pharmacy Remodel	Plant Operations	1	\$500,000	X	X
Laboratory Remodel	Plant Operations	1	\$250,000	X	
Remodel lobby restrooms	Plant Operations	2 Areas	\$350,000		
Roof replacement	Plant Operations	1	\$300,000		X
Nurse call system	Plant Operations	5	\$200,000	X	
EMS Control	Plant Operations	4 areas	\$180,000		
Elevator controls	Plant Operations	5	\$800,000	X	
Elevator controls	Plant Operations	3	\$450,000		X
1st Floor Air conditioning	Plant Operations	1	\$135,000		
Windows	Plant Operations	100	\$750,000		
Doors, Doorframes	Plant Operations	4	\$100,000		X
<b>Sub-total</b>			<b>\$7,390,788</b>	<b>\$2,742,670</b>	<b>\$2,190,000</b>
All Other			\$2,055,966	\$218,874	\$1,564,296
<b>Total</b>			<b>\$9,446,754</b>	<b>\$2,961,544</b>	<b>\$3,754,296</b>

Source: SRH

## **ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES**

### ***Continuation of the Hospital as a General Acute Care Hospital***

Alecto has expressed its commitment to the mission, vision, and values of the Hospital and its intention to maintain the essential services offered by the Hospital. The Hospital would continue as a nonprofit organization until Alecto decides to exercise its option to buy the Hospital. If the financial performance does not improve, Alecto may not purchase the Hospital. In that event, the Hospital may still face bankruptcy and potentially close.

### ***Emergency Services***

With 17 emergency beds and approximately 35,000 visits in 2011, the Hospital's ED has a high volume and operates near capacity. Based on a standard of 2,000 visits per station per year, the Hospital's ED was at 103% capacity in 2011. EMC, SLH, and WHF are at 123%, 122%, and 108% of their respective capacity, bringing the total utilization rate to nearly 110% of recommended volumes. Therefore, keeping the Hospital's ED open is critical to providing adequate emergency services in the service area.

### ***Medical/Surgical Services***

An analysis of the current supply and demand of area hospital beds shows that there could potentially be a shortage in medical/surgical beds in the community if the Hospital closed, based on current utilization patterns and an expected population growth of 7% over the next five years. Kaiser-Hayward is also leaving the community. Although it typically does not serve non-Kaiser patients, Kaiser-Hayward does reduce the number of medical/surgical beds potentially needed in the case of a demand surge caused by spikes in illness or catastrophic events. The majority of the Hospital's medical/surgical beds are utilized by Medi-Cal FFS and Medicare FFS patients (35% of the service area), making these beds especially important to the poor and elderly.

### ***Intensive Care/Critical Care Services***

The Hospital has a high occupancy rate (approximately 74%) and patient census (average of 11 patients per day) in its ICU. The critical care services provide a range of medical/surgical patient needs and are a critical resource for maintaining the current level of ED services at the Hospital.

### ***Obstetrics Services***

The Hospital's obstetrics services were mentioned in the community interviews as being one of the most important services the Hospital provides to the community despite the low occupancy rate of 44% for its 17 reported beds in 2011. It is especially important for the Medi-Cal population. The Hospital was responsible for 30% of the service area's Medi-Cal FFS obstetrics services.

### ***Effect on Services to Medi-Cal, Medicare, County Indigent, and Other Classes of Patients***

Approximately 80% of the Hospital's inpatients are reimbursed through Medicare (40%) and Medi-Cal (40%). The number of Medi-Cal patients in the Hospital's service area is likely to increase as a result of new federal health laws. The Hospital also treats a significant number of County indigent patients (6%) that access services through the ED. Closure of the Hospital would create significant problems regarding access to healthcare services for these populations.

Alecto is currently in discussions to renegotiate contracts with AAH and other managed care payers. Establishing a contract with AAH is especially important for the large number of area managed Medi-Cal patients.

### ***Effect on the Level and Type of Charity Care Historically Provided***

Many uninsured and under-insured individuals in the community rely on the Hospital for care. The Hospital provides a higher percentage of charity care than the statewide average (5.9% of gross patient revenue for SRH as compared to 2.1% for the State).

The Hospital has historically provided large amounts of charity care averaging over \$6.2 million over the last five years on a cost basis. While the Hospital is likely to continue providing similar charity care support, Alecto has not made that commitment in the AMSA and APA.

### ***Effect on Community Benefit Programs***

Despite the Hospital's poor financial performance, it has continued to provide significant support to community benefit programs. Between 2007 and 2011, the support to community education and prevention, health initiatives, health professionals' training, etc. has averaged \$470,314 per year.

### ***Effect on Staffing and Employee Rights***

Alecto agreed to employ substantially all active Hospital employees; however, the employee benefits, compensation, and other employment terms and conditions historically provided are currently being renegotiated and may be reduced.

### ***Effect on the Medical Staff***

While Alecto is expected to maintain privileges for current medical staff members in good standing, some physicians may choose to practice elsewhere if the Hospital's mission or nonprofit status is jeopardized.

## ***Reproductive Health Services***

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

## ***Alternatives***

If the proposed transaction is not approved, SRH would be forced to consider other options. While it is possible that another buyer could step forward, the majority of those interviewed believe bankruptcy would be imminent, resulting in the possible closure of the Hospital. While it is possible that other area providers, community leaders, and County government healthcare organizations could join together in a relationship to prevent the Hospital from closing, these efforts have not recently been successful.

## CONCLUSIONS

### ***Management Services Agreement and Asset Purchase Agreement Mitigation Measures***

In the AMSA and APA, Alecto has not agreed to any measures to mitigate or eliminate any potentially significant adverse impact on the availability or accessibility of healthcare services. However, Alecto indicated its willingness to make a number of commitments in the LOI.

Overall, if Alecto can improve the performance of the Hospital to make it financially viable, the proposed transaction is likely to allow continuance of the availability and accessibility of healthcare services in the community it serves.

The largest potential for negative impact on healthcare accessibility and availability occurs if Alecto is not successful and SRH is forced into bankruptcy and closes the Hospital. If patients do not have access to the Hospital, healthcare services at surrounding hospitals would also be affected with the additional patient load creating access difficulties for all patients.

### ***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, Medical Development Specialists, LLC recommends that the following conditions be required in order to minimize any potential negative health impact that might result from the transaction:

1. The Hospital should continue to operate as a nonprofit general acute care hospital until Alecto exercises the option to buy the Hospital. Alecto should continue to operate the Hospital as a general acute care facility for at least five (5) years from the closing date of the APA;
2. The Hospital should maintain 24-hour emergency medical services at current licensure (17 treatment stations), types, and levels of service until Alecto exercises the option to buy the Hospital. Alecto should continue to maintain emergency services at current licensure (17 treatment stations), types and of levels of service for at least five (5) years from the closing date of the APA;
3. Prior to the closing date of the APA, the Hospital should maintain the following services at current licensure, types, and levels of services :
  - a. Critical care (ICU/CCU) services, including a minimum of 15 beds;
  - b. Obstetric services, including a minimum of 17 beds;
  - c. Cardiac services, including the comprehensive cardiovascular lab, maintaining the designation as a STEMI Receiving Center, and participating in the Elective PCI Research Project (if continued by the State of California);

- d. The Silva Pediatric Clinic, unless a suitable operator commits to continuing to operate the clinic at the same type and level of service; and
    - e. The Women’s Imaging Center.
4. For at least five (5) years from the closing date of the APA, Alecto should maintain the following current licensure, types, and levels of services:
  - a. Critical care (ICU/CCU) services, including a minimum of 15 beds;
  - b. Obstetric services, including a minimum of 17 beds;
  - c. Cardiac services, including the comprehensive cardiovascular lab, maintaining the designation as a STEMI Receiving Center, and participating in the Elective PCI Research Project (if continued by the State of California);
  - d. The Silva Pediatric Clinic, unless a suitable operator commits to continuing to operate the clinic at the same type and level of service; and
  - e. The Women’s Imaging Center.
5. Prior to the closing date of the APA, SRH should:
  - a. Maintain the Hospital’s certification to participate in the Medi-Cal program for as long as SRH operates the Hospital;
  - b. Maintain a CMAC contract to 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;
  - c. Maintain a contract with Alameda Alliance for Health on similar terms and conditions as other hospitals; and
  - d. Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) at the Hospital as required in these Conditions.
6. For at least five (5) years from the closing date of the APA, Alecto should:
  - a. Maintain the Hospital’s certification to participate in the Medi-Cal program;
  - b. Maintain a CMAC contract to 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;
  - c. Maintain a contract with Alameda Alliance for Health; and
  - d. Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services to Medicare beneficiaries.
7. Prior to the closing date of the APA, SRH should maintain the Hospital’s charity care and collections policies and should provide an annual amount of Charity Care at the Hospital equal to or greater than \$6.2 million (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 that used by OSHPD for annual hospital reporting purposes. The minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco;

8. For a period extending to at least five (5) years from the closing date of the APA, Alecto should maintain the Hospital’s charity care and collections policies. For a period extending to at least five (5) years from the closing date of the APA, Alecto should provide an annual amount of Charity Care at the Hospital equal to or greater than the “Minimum Charity Care Amount” required by the Hospital at the close of the transfer of SRH’s assets. For purposes hereof, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Alecto in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco;
9. The capital expenditures for equipment, information technology, and infrastructure improvements should not be less than \$5 million over the period prior to the closing date and for five (5) years after the closing date;
10. Prior to the closing date of the APA and for at least five (5) years after the closing date of the APA, Alecto shall maintain the same services as provided under all current contracts with the Alameda County Health Care Services Agency and the City of Hayward, without interruption of services of quality as listed below:
  - a. Alameda County Health Services Agency’s contract for medically necessary inpatient and emergency services to individuals eligible or enrolled in the Health Program of Alameda County (“HealthPAC”);
  - b. Alameda County Health Services Agency SSI Trust Advocacy Program contract to increase enrollment in disability benefit programs, especially Medi-Cal; and
  - c. City of Hayward Blood Draws for Law Enforcement Agencies contract to draw blood for drug tests.
11. Prior to the closing date of the APA, SRH should continue to expend an average of no less than \$470,000 annually in community benefit services (inclusive of in-kind services). This amount should be increased annually based on the Consumer Price Index for San Francisco. For a period extending to at least five (5) years from the closing date of the APA, Alecto should continue to expend an average of no less than \$470,000 annually in community benefit services (inclusive of in-kind services) for at least five (5) years. This amount should be increased annually based on the Consumer Price Index for San Francisco;

12. SRH's Board should obtain written confirmation that Cal-Mortgage and other State agencies approve the AMSA before it takes effect; and
13. Immediately after the closing date of the APA, Alecto should appoint a Hospital Community Board to be responsible for medical staff credentialing, quality assurance, and accreditation of the Hospital, and assure that this Board reviews and approves any reports submitted to the Attorney General regarding compliance with these conditions.

***Recommended Action***

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

## APPENDICES

Interviews were conducted with the following people:

Last Name	First Name	Position	Affiliation
Briscoe	Alex	Agency Director	Alameda County Health Care Services Agency
Charles	Ramorino	Chair of Advisory	St. Rose Hospital
Farber	Nancy	CEO	Washington Hospital - Fremont
Graff	Jeremy	M.D Medical Director, Emergency Medicine	St. Rose Hospital
Hardwig	Richard	Chair of Foundation	St. Rose Hospital
Jain	Aditya	M.D Cardiologist	St. Rose Hospital
Kears	David	Retired Health Executive	Community Stakeholder
Kohleriter	Eric	M.D Medical Director, Internal Medicine	Bay Valley Medical Group
Krissman	Roger	CFO/ St. Rose Hospital	Alecto Healthcare Services
Lamirault	Ingrid	CEO	Alameda Alliance for Health
Lassiter	Wright	CEO	Alameda County Medical Center
Mahadevan	Dev	CEO	Eden Township Healthcare District
Marchiano	Michael	M.D Chief of Staff	St. Rose Hospital
McLaney	Carl	Deputy Director	Office of Statewide Health Planning and Development
Nakayama	Mak	Former CEO	St. Rose Hospital
Reddy	Lex	CEO/ St. Rose Hospital	Alecto Healthcare Services
Salinas	Mark	Council Member	Hayward City Council
Streeter	Kathy	Former Chair of the Board	St. Rose Hospital
Talley	Tracey	Former CFO	St. Rose Hospital
Valle	Richard	County Board of Supervisors	Alameda County District 2
Wiley	Roslind	Director, Decision Support/Analytics	St. Rose Hospital
Zermeno	Francisco	Council Member	Hayward City Council

A copy of SRH's hospital license is below:

License: 140000107  
Effective: 11/01/2012  
Expires: 10/31/2013  
Licensed Capacity: 217

**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*

**Hayward Sisters Hospital**

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

**ST ROSE HOSPITAL**

27200 Calaroga Ave  
Hayward, CA 94545-4339

**Bed Classifications/Services**

- 195 General Acute Care
- 17 Perinatal Services
- 9 Intensive Care
- 6 Coronary Care
- 163 Unspecified General Acute Care
- 22 Skilled Nursing (D/P)

**Other Approved Services**

- Audiology
- Basic Emergency
- Cardiac Catheterization Laboratory Services
- Dental Services
- Mobile Unit - MRI
- Mobile Unit - PET
- Nuclear Medicine
- Occupational Therapy
- Outpatient Clinics - Pediatric at Silva Pediatric Clinic, 680 W. TENNYSON, HAYWARD
- Outpatient Services - Mobile Clinic
- Outpatient Services - PULMONARY SERVICES at 27200 Calaroga Avenue, Hayward
- Physical Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:  
22 Skilled Nursing beds suspended from 11/01/2012 to 11/01/2013.  
EFFECTIVE 12/01/89 APPROVED FOR LABOR, DELIVERY, RECOVERY AND POST PARTUM. Mobile Clinic/Outpatient Service effective 8/16/96.  
24 beds located in Medical Satellite Extension, Room 327 in third floor of Main Hospital not approved as licensed beds.

*Ron Chapman, MD, MPH*

Director & State Health Officer

John Carlson, Acting District Manager

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

POST IN A PROMINENT PLACE