Confidential

September 11, 2026

To the Office of the California Attorney General:

Since I filed the Health Impact Assessment and Competitive Effect Analysis of the Proposed Acquisition of St. Elizabeth Care Center by the Ensign Group, additional information has come to light. This letter addresses that information and its implications for my assessment.

My assessment included an analysis of the rent obligations under the proposed transaction for St. Elizabeth. The documents initially submitted by the parties stated that St. Elizabeth would be required to pay annual rent of $725,616 to a related party. Providence's consulting firm, VMG Health, estimated the property's fair market rent at approximately $407,000 per year. The proposed rent was also high relative to the property's value compared with rents for other SNFs.

The parties have since informed OCAG that the correct annual rent is $417,996 and will increase at the lesser of the Consumer Price Index and 2.5 percent. Because this amount is consistent with the property's estimated fair market rent, I no longer recommend reducing the rent or requiring an additional fair market rent assessment.

I recommend that OCAG require the parties to notify it of any modifications to these terms and that it be allowed to reject modifications that would materially increase St. Elizabeth's insolvency risk. I also continue to recommend that OCAG monitor St. Elizabeth and affiliated entities for indications of heightened insolvency risk through periodic reviews of financial statements and revenue- and utilization-related metrics.

Christopher Whaley, Ph.D.