

Effect of the Ministry Alignment Agreement
between Dignity Health and Catholic Health
Initiatives on the Availability and Accessibility of
Healthcare Services to the Communities Served by
Dignity Health's Hospitals Located in San Bernardino
County

Prepared for the Office of the California Attorney General

September 13, 2018

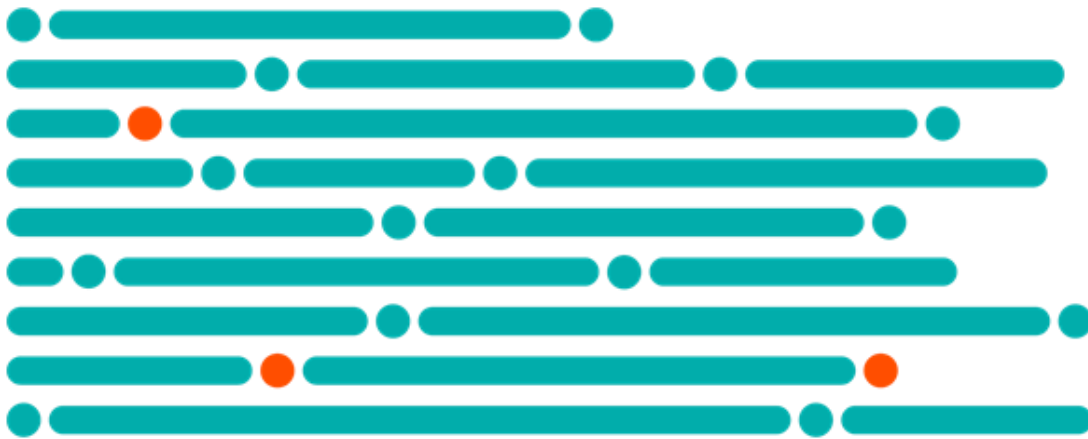


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Introduction & Purpose

JD Healthcare, Inc. and Vizient, Inc. were retained by the Office of the California Attorney General to prepare this healthcare impact statement to assess the potential impact of the proposed Ministry Alignment Agreement by and between Dignity Health, a California nonprofit public benefit corporation, and Catholic Health Initiatives, a Colorado nonprofit corporation (CHI), on the availability and accessibility of healthcare services to the communities served by Dignity Health's hospitals located in San Bernardino County. Dignity Health owns and operates 31 general acute care hospitals in California, including two in San Bernardino County: Community Hospital of San Bernardino and St. Bernardine Medical Center, both of which are located in San Bernardino.

CHI is the parent organization of several nonprofit corporations that own and/or operate over 100 hospitals in 18 states. CHI neither owns, nor controls any general acute care hospitals or other facilities in California. CHI is a Catholic organization.

Introduction

Catholic Health Care Federation (CHCF) is a public juridic person¹ within the meaning of Canon Law and the canonical sponsor² of CHI.

While Dignity Health is not a Catholic organization, its Catholic hospitals are sponsored by six congregations of Women Religious³. Dignity Health owns and operates 31 general acute care hospitals in California⁴. Nineteen of the 31 California hospitals are Catholic and 12 are non-Catholic hospitals (also referred to as community hospitals). Four of the 12 non-Catholic general acute care hospitals are owned by separately incorporated California nonprofit public benefit corporations that have Dignity Health as their sole corporate member⁵. Dignity Health also owns and operates five hospitals in Arizona and three hospitals in Nevada.

The following summary chart is a list of Dignity Health owned and operated hospitals⁶.

¹ A public juridic person is a group or persons approved by the Roman Catholic Church to oversee and ensure that the mission of its healthcare organization is carried out according to Catholic principles.

² The Catholic Health Association has defined canonical sponsorship of a healthcare ministry as a formal relationship between an authorized Catholic organization and a legally formed system, hospital, clinic, nursing home (or other institution) entered into for the sake of promoting and sustaining Christ's healing ministry to people in need.

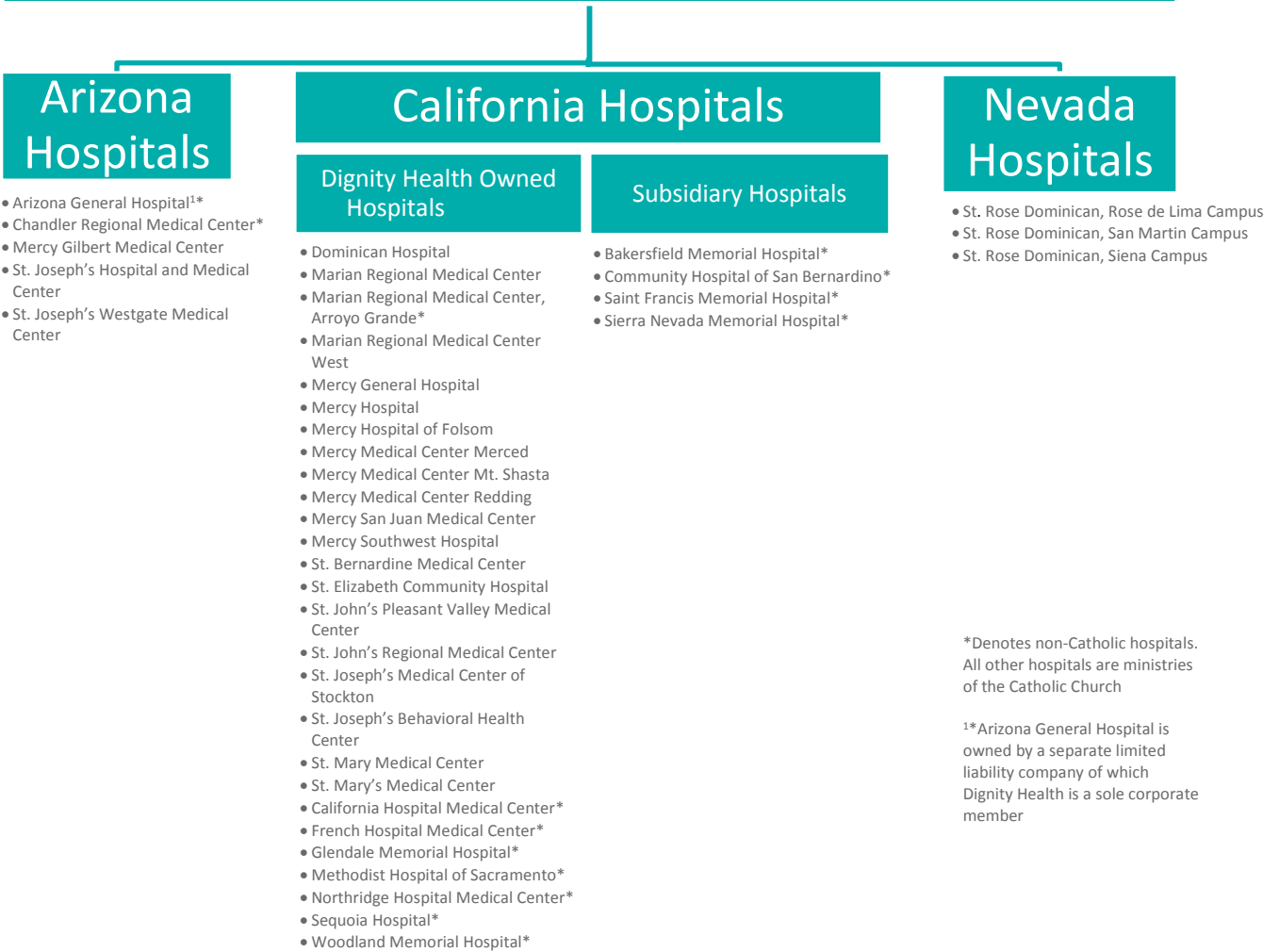
³ A group of Roman Catholic women who dedicate their lives to the Gospel of Jesus Christ and take vows of poverty, chastity, obedience and service. The six congregations are: Sisters of Mercy of the Americas, Sister of Charity of the Incarnate Word, Dominican Sisters of San Rafael, Sisters of St. Francis of Penance and Christian Charity, Adrian Dominican Sisters and the Congregation of Sisters of St. Dominic of St. Catherine of Siena. Dignity Health's sponsorship council is comprised of one sister from each congregation.

⁴ The California Department of Public Health has issued twenty-eight general acute care hospital licenses with respect to these 31 facilities. Marian Regional Medical Center, Arroyo Grande and Marian Regional Medical Center West operate under a consolidated license issued to Marian Regional Medical Center, and Mercy Southwest Hospital operates under a consolidated license issued to Mercy Hospital (in Bakersfield).

⁵ The four facilities are Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial Hospital.

⁶ St. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center are owned by Port City Operating Company, LLC, a joint venture between Kaiser Foundation Hospitals and Dignity Health. Dignity Health owns 80% of Port City Operating Company, LLC, and Kaiser Foundation Hospitals owns the remaining 20%.

Dignity Health



In addition to the hospitals listed above, Dignity Health has a management agreement with Mark Twain Medical Center Corporation, a California nonprofit public benefit corporation, to operate Mark Twain Medical Center, a 25-bed critical access hospital⁷ located at 768 Mountain Ranch Road, San Andreas, California. Mark Twain Medical Center is leased by Mark Twain Medical Center Corporation from the Mark Twain Healthcare District. The current lease agreement with Mark Twain Healthcare District expires on December 31, 2019. On June 6, 2018, the voters in the Healthcare District approved Ballot Measure A to enter into a new 30-year lease for Mark Twain Medical Center.

⁷ A critical access hospital is a designation given to eligible rural hospitals, or those grandfathered as rural, by the Centers for Medicare and Medicaid Services. Conditions to obtain a Critical Access Hospital designation include having less than or equal to 25 acute care beds, being located more than 35 miles from another hospital, maintaining an annual average length of stay of 96 hours or less for acute care patients, and providing 24-hour emergency care services.

Purpose

This healthcare impact statement describes the potential effects that the proposed transaction may have on the availability and accessibility of healthcare services to the residents served by Community Hospital of San Bernardino and St. Bernardine Medical Center.

In preparation of this report, JD Healthcare, Inc. and Vizient, Inc. performed the following:

- A review of the written notice delivered to the California Attorney General on March 29, 2018 and supplemental information subsequently provided by Dignity Health;
- A review of press releases and articles related to this and other hospital transactions;
- Interviews with representatives of Dignity Health;
- An analysis of financial, utilization, and service information provided by Dignity Health and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data related to service areas for Community Hospital of San Bernardino and St. Bernardine Medical Center including hospital utilization rates and trends and hospital inpatient market share.

Background & Description of the Transaction

Background

Dignity Health was formerly known as Catholic Healthcare West. Catholic Healthcare West was founded in 1986 when the Sisters of Mercy Burlingame Regional Community and the Sisters of Mercy Auburn Regional Community merged their healthcare ministries. In 2009, the United States Conference of Catholic Bishops changed the Ethical and Religious Directives⁸ (ERDs) regarding partnerships between community and Catholic organizations. As a result of the changes to the ERDs, Catholic Healthcare West went through a process, between 2009 and 2011, to review its governance structure and its relationship to its owned and controlled non-Catholic community hospitals. In 2012, as a result of this review and based on discussions with its canonical sponsors, Catholic Healthcare West reorganized its governance structure and changed its name to Dignity Health. Dignity Health was no longer recognized as a Catholic organization, although many of its hospitals are Catholic. The restructure was designed to satisfy the requirements of the United States Conference of Catholic Bishops regarding partnerships with non-Catholic community hospitals while allowing Dignity Health to maintain its Catholic and non-Catholic hospitals under a single organization.

Following the 2012 reorganization, the six congregations of Women Religious began the exploration of alternative models for sponsorship of Dignity Health's Catholic hospitals, including the possibility for Dignity Health being recognized as a Catholic ministry. To facilitate this process, the Sponsors engaged a canon lawyer⁹ to help explore all of the options, such as the creation of a new public juridic person or a merger with a Catholic healthcare system sponsored by an existing public juridic person. As further described below, the alignment discussions between Dignity Health and CHI revealed many significant potential strategic benefits for both organizations, including CHI's current sponsorship by a public juridic person known as Catholic Health Care Federation.

Strategic Rationale, Transaction Process & Timing

The leadership of Dignity Health and CHI had numerous partnership discussions over the previous ten years. In 2013, they explored potential affiliations between the two health systems. Dignity Health and CHI identified several opportunities to collaborate on programs and services, including telehealth, micro-hospitals, and precision medicine¹⁰. In September 2016, they formed a joint-venture named the Precision Medicine Alliance, LLC to create a large precision medicine program.

⁸The Ethical and Religious Directives for Catholic Healthcare Services is a national code that guides Catholic healthcare providers on conformance with Christian theology.

⁹A canon lawyer is a lawyer who is knowledgeable of the ordinances and regulations made by ecclesiastical authority.

¹⁰ Precision medicine is an emerging approach for disease treatment and prevention that uses extensive databases and takes into account individual variability in genes, environment, and lifestyle for each person.

In the spring of 2016, the executive leadership of Dignity Health and CHI began jointly exploring the potential for an alignment of their ministries. In March 2016, an outside advisor prepared a white paper¹¹ that analyzed the potential for an affiliation between Dignity Health and CHI that was shared with the boards of directors of Dignity Health and CHI in June 2016. The boards of directors of Dignity Health and CHI concluded that they:

- Share a vision of transformation for themselves and for the industry;
- Have highly complementary organizational missions, visions, and values;
- Serve complementary communities;
- Share strategic objectives in areas such as population health, quality, consumer focus, growth, and others; and
- Have multiple key complementary strengths – for example, CHI’s clinical excellence and Dignity Health’s operating model.

As a result, the boards of directors of Dignity Health and CHI requested that a business analysis for the aligned ministry be developed. That analysis identified the following potential synergies of aligned ministries:

- Enhancing clinical excellence;
- Improving patient experience;
- Ensuring care for the vulnerable and underserved;
- Developing talent and creating a learning organization;
- Improving access to care;
- Accelerating innovation and research; and
- Expanding the capabilities that support the health system of the future.

In addition, the white paper identified high level economic implications and synergies of an alignment that have the potential to:

- Provide the financial resources and complementary strengths to support the capabilities needed for a changing health system;

¹¹ The white paper is entitled “Creating a Transformative Ministry in Response to the Signs of the Times, Cultural, Strategic, Business and Financial Planning for an Aligned Ministry.”

- Extend the mission of social justice through a national platform for care that is accessible and equitable to all people, with particular attention to the vulnerable and underserved; and
- Develop new models for integrated, community focused care that combine clinical excellence, health improvement and innovation.

On October 24, 2016, the boards of directors of Dignity Health and CHI announced the signing of a non-binding letter of intent to explore aligning the organizations. After the signing of the letter of intent, independent advisors from Kaufman Hall Associates, PricewaterhouseCoopers, McKinsey & Company, and Dentons US LLP provided analyses regarding the strategic, cultural, financial, legal, operational, and structural aspects of the alignment of the organizations. A steering committee, comprised of executives from both organizations, was formed to negotiate the terms of the Ministry Alignment Agreement. In March 2017, Dignity Health and CHI sought a moral analysis¹² from several Catholic theologians for the purposes of obtaining a *nihil obstat*¹³ from Archbishop Aquila of the Denver Archdiocese and Archbishop Cordileone of the San Francisco Archdiocese. On April 20, 2017, the boards of directors of Dignity Health passed a resolution authorizing and approving the execution of the Ministry Alignment Agreement subject to the moral analysis. The resolution cited the intention to combine Dignity Health and CHI into a new nationwide health system that would:

- Serve as an unprecedented platform to further Catholic identity and the Catholic health ministry;
- Provide an opportunity for Dignity Health and CHI’s employees, physicians, partners and people in the communities served by Dignity Health and CHI to experience and participate in the enhanced Catholic health ministry;
- Enhance and expand access to care and the healthcare services performed for the poor and underserved;
- Possess a strong voice for social justice and promote advocacy at local, state and national levels;
- Be a leader in healthcare’s transformation;
- Promote clinical efficiency and effectiveness in the delivery of healthcare and medical services; and
- Provide a platform to accomplish other goals, objectives, and benefits for the communities served by the CHI and Dignity Health.

¹²A formal report by a Catholic theologian on the appropriate application of Catholic moral teachings.

¹³A Roman Catholic Church certification by an official censor that something is not objectionable on doctrinal or moral grounds.

The *nihil obstats* were received in October 2017. The Ministry Alignment Agreement was signed by Dignity Health and CHI on December 6, 2017. On March 29, 2018, Dignity Health submitted the written notice to the California Attorney General's Office and requested the California Attorney General's consent to the Ministry Alignment Agreement.

Summary of the Ministry Alignment Agreement

The Ministry Alignment Agreement will be implemented primarily through the reorganization and renaming of CHI's current corporation. This reorganized entity will become the parent organization (henceforth referred to as "System Corporation") over the new health system and will be renamed before the Closing Date¹⁴ of the transaction. The governing board of the System Corporation will initially be comprised of six directors each from the legacy boards of directors of Dignity Health and CHI, and the Chief Executive Officers from each organization (i.e., a total of 14 directors).

As part of the transaction, Dignity Health formed a separate Colorado nonprofit corporation named Integrated Healthcare Operations (IHO). As of the Effective Date¹⁵ of the transaction, Dignity Health will transfer the assets of its eight non-Catholic owned hospitals (seven of which are in California and one in Arizona) to IHO. IHO will also become the sole corporate member of Dignity Health's four subsidiary hospitals in California for a total of 12 hospitals. The System Corporation is not a member of IHO. However, the System Corporation approves the majority of the IHO board from nominees selected by the IHO board and holds reserve powers over certain actions to be taken by IHO. IHO will not be Catholic, and the eleven California non-Catholic hospitals¹⁶ transferred to IHO from Dignity Health and one Arizona non-Catholic hospital will remain non-Catholic and not subject to the ERDs. The 12 non-Catholic Dignity Health hospitals are not obligated to alter, restrict, or terminate any clinical medical service or program that was permitted on the effective date of the transaction by reason of Catholic doctrine or theology or any amendments to the Statement of Common Values¹⁷ or Designated Procedures¹⁸ that increases or expands prohibited services. The 12 non-Catholic Dignity Health hospitals will be provided with the same benefits, systems, services, and programs, and on the same terms as all other hospitals in System Corporation. The 12 non-Catholic Dignity Health hospitals will retain or adopt Dignity Health's Statement of Common Values.

¹⁴The Closing Date is the date the parties exchange all signed documents pursuant to the conditions precedent set forth in the Ministry Alignment Agreement. One of those conditions precedent requires the Attorney General's consent.

¹⁵As of 12:00:01am on the day immediately after the "Closing Date".

¹⁶Marian Regional Medical Center, Arroyo Grande is and will remain a non-Catholic general acute care hospital. It operates under a consolidated license issued to a Catholic general acute care hospital, Marian Regional Medical Center. Marian Regional Medical Center, Arroyo Grande will not be transferred to IHO.

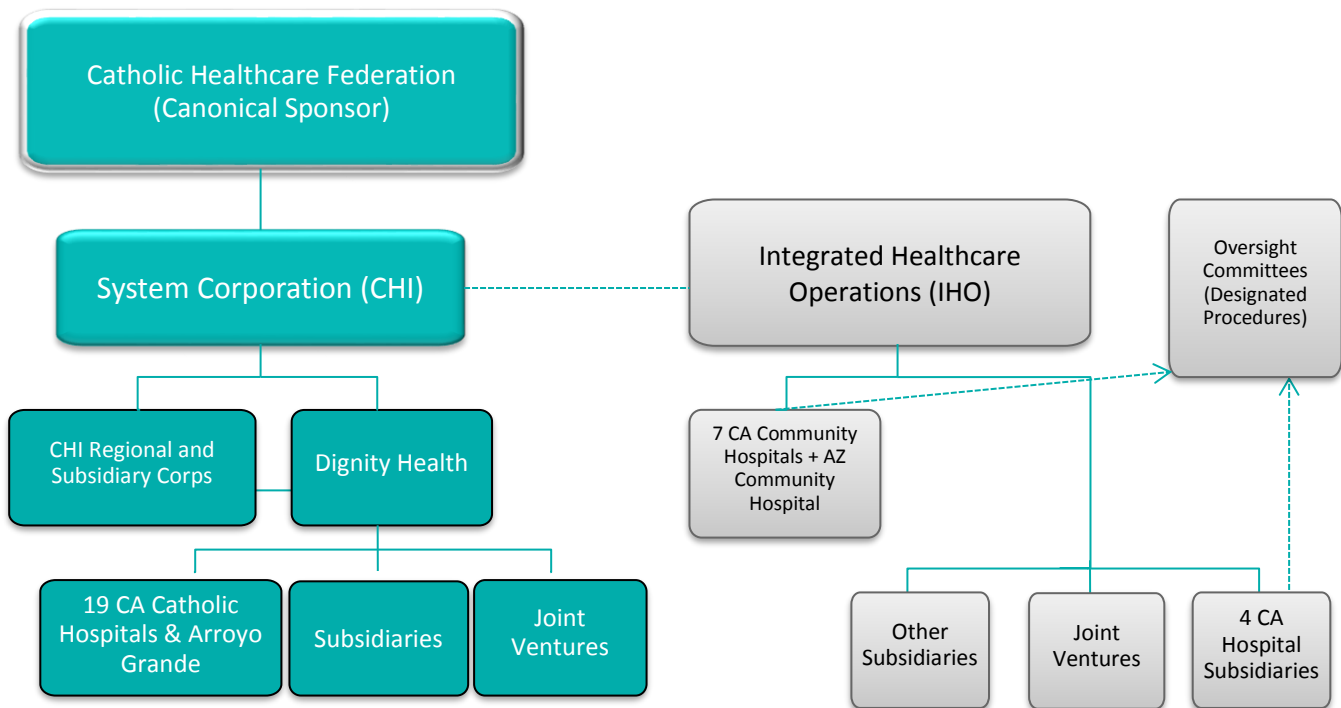
¹⁷Dignity Health's Statement of Common Values prohibits direct abortions, in-vitro fertilizations, and provider or physician-assisted suicide or aid in dying. The most common medical procedure performed in hospitals that is prohibited by the ERDs is tubal ligation (a surgical procedure for female sterilization that involves severing and tying the fallopian tubes). Tubal ligations are not prohibited by Dignity Health's Statement of Common Values.

¹⁸Designated Procedures means "direct sterilizations" that consist of an elective procedure, the primary purpose of which is to render the patient permanently incapable of reproducing; provided, however, that procedures that induce sterility do not constitute a "Designated Procedure" when their effect is the cure or alleviation of a present and serious pathology, and a simpler treatment is not available.

On the Effective Date, the System Corporation will become the sole corporate member of Dignity Health and the board of directors of Dignity Health will be comprised of the same persons who comprise the board of directors of the System Corporation. On the Closing Date, Catholic Healthcare Federation becomes the sponsor of all Catholic activities, including Dignity Health’s Catholic hospitals. The board members of System Corporation and Dignity Health will be identical. A single executive management team will manage the System Corporation, Dignity Health, and CHI Regional and Subsidiary Corporations¹⁹.

System Corporation Post the Effective Date of the Ministry Alignment Agreement

The following chart shows the organization of System Corporation after the Closing Date of the Ministry Alignment Agreement. System Corporation would be the sole member of Dignity Health and the CHI Regional and Subsidiary Corporations²⁰. System Corporation would not be a member of IHO, however, a majority of the nominees to IHO’s board of directors will be subject to approval by System Corporation and IHO’s hospitals will retain or adopt Dignity Health’s Statement of Common Values.

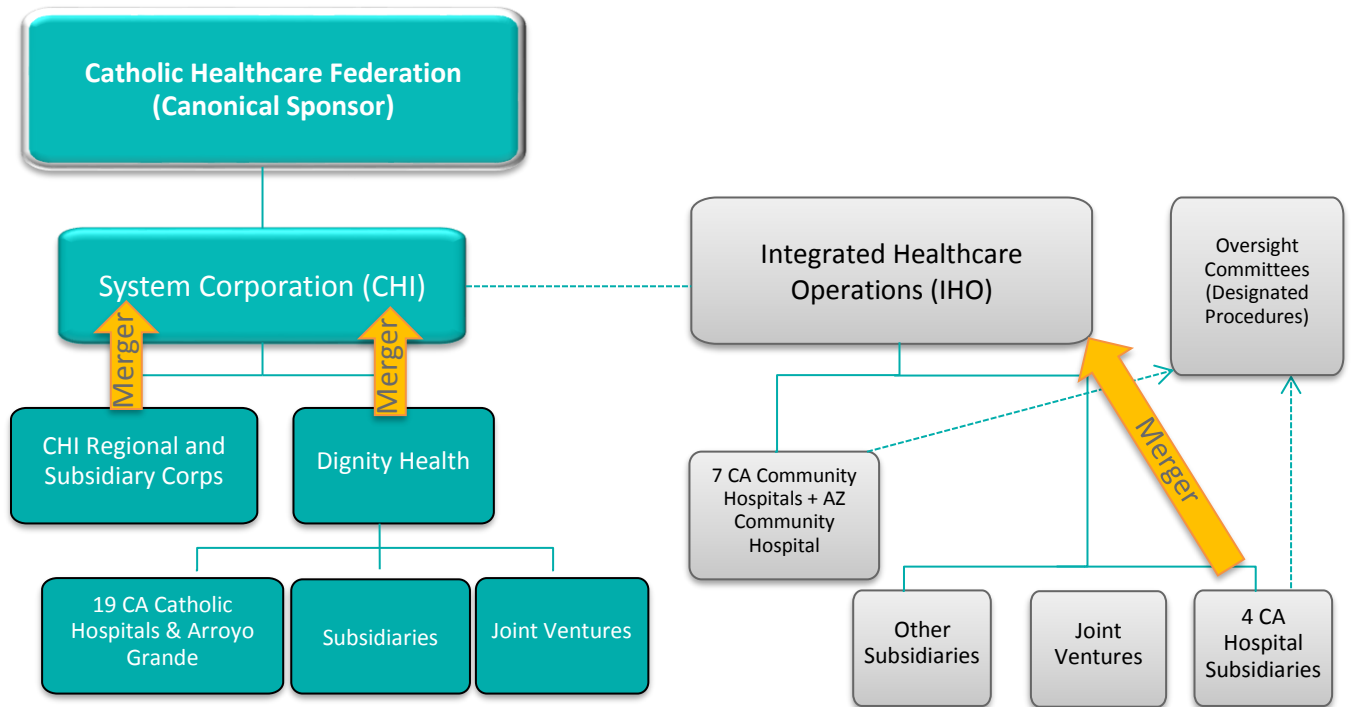


¹⁹Both Dignity Health’s and IHO’s local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

²⁰The majority of CHI hospitals are organized into eight regional corporations.

System Corporation Post Debt Consolidation (Within 36 Months)

After the Closing Date and after the restructuring and consolidation of the existing tax-exempt bonds and other debt of CHI and Dignity Health, Dignity Health and the CHI Regional and Subsidiary Corporations will merge into System Corporation, and the four non-Catholic separately-incorporated hospitals will merge into IHO.



Major Provisions of the Ministry Alignment Agreement

The major provisions of the Ministry Alignment Agreement, dated December 6, 2017, include the following:

Structures and Responsibilities

- Catholic Health Care Federation (CHCF)
 - CHCF, as a public juridic person, shall be the Catholic canonical sponsor of System Corporation, and shall serve as the canonical sponsor of all of the Catholic ministries that are a part of the Ministry Alignment Agreement;
 - CHCF's governance composition will be reconstituted after the Effective Date of the Ministry Alignment Agreement:
 - Dignity Health and CHI shall each select six individuals from their existing governing bodies to serve as the initial CHCF members. In addition, the members of CHCF shall also include the current president and CEO of Dignity Health, and the current CEO of CHI, for a total of fourteen members. No later than twelve months after the Effective Date, CHCF shall approve and appoint one individual who was previously neither a member of CHCF, nor the board of directors of Dignity Health or CHI to serve as the fifteenth CHCF member;
 - CHCF shall continue to provide for the participation of its congregations, and shall admit the six congregations of Women's Religious as additional participating congregations; and
 - CHCF reserves the rights to approve or remove any member of the Board of Stewardship Trustees and veto any amendments or changes to Dignity Health's Statement of Common Values.
- System Corporation
 - System Corporation, formerly known as Catholic Health Initiatives, shall become the parent entity and the surviving corporation;
 - System Corporation shall be a ministry of the Catholic Church and shall be subject to the ERDs;

- System Corporation shall be governed by a board called the Board of Stewardship Trustee that shall consist of the same persons who serve as the CHCF members; and
- Under the supervision of the CHCF, the Board of Stewardship Trustee reserves the rights to control or manage the property, affairs and activities of System Corporation. Responsibilities include approving the policies of System Corporation, developing System Corporation’s strategic plan, and approving the System Corporation’s articles of incorporation and bylaws.
- Dignity Health
 - Dignity Health shall continue to be a California nonprofit corporation with federal tax-exempt 501(c)(3) status until after debt consolidation between Dignity Health and CHI, at which point Dignity Health will merge into System Corporation;
 - As of the Effective Date:
 - Dignity Health shall transfer all of the assets and liabilities associated with the Dignity Health businesses and operations of the following California non-Catholic hospitals to IHO:
 - California Hospital Medical Center;
 - French Hospital Medical Center;
 - Glendale Memorial Hospital and Health Center;
 - Methodist Hospital of Sacramento;
 - Northridge Hospital Medical Center;
 - Sequoia Hospital; and
 - Woodland Memorial Hospital.
 - Dignity Health shall cause the four subsidiary hospitals that are separately incorporated, Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial Hospital, to first substitute its membership from Dignity Health to IHO, until after debt consolidation between Dignity Health and CHI, at which point these four subsidiary hospitals will merge into IHO; and

- Marian Regional Medical Center, Arroyo Grande, a non-Catholic hospital, will remain with Dignity Health under a consolidated license with Marian Regional Medical Center, a Catholic hospital. Marian Regional Medical Center, Arroyo Grande will not adhere to the ERDs. It will adopt or retain Dignity Health’s Statement of Common Values. It does not offer obstetrics or women’s healthcare services.
 - Dignity Health’s nineteen Catholic hospitals shall remain a ministry of the Catholic Church and subject to the ERDs;
 - System Corporation (after the transfers of the community hospitals to IHO) shall become the sole corporate member of Dignity Health; and
 - Dignity Health shall be governed by a board consisting of the same individuals who are serving as the board for System Corporation and are also the members of CHCF.
- Integrated Healthcare Operations
 - IHO was formed by Dignity Health prior to the signing date without involvement, input, or direction from CHI. IHO shall continue to be a Colorado nonprofit corporation;
 - IHO and its subsidiaries shall not become ministries of the Catholic Church, shall not use the name “Catholic” for their respective public businesses, shall not be subject to the ERDs, and shall operate consistent with Dignity Health’s Statement of Common Values;
 - IHO shall be governed by a board of directors consisting of individuals who shall:
 - Be initially appointed by Dignity Health and then nominated by the board of directors of IHO or a committee thereof;
 - Serve in their individual capacities and not in any manner as a representative of System Corporation; and
 - Not contemporaneously serve; as a CHCF Member, or on the board of System Corporation, Dignity Health, nor any other subsidiary of System Corporation.
 - After the Effective Date, a majority of the members of the IHO Board who are subject to nomination or re-appointment shall be nominated by the IHO Board

then in effect, subject to the acceptance (or rejection) of a majority of such nominees by the board of System Corporation;

- IHO is anticipated to operate on a collaborative basis with System Corporation. Neither CHCF, System Corporation, Dignity Health, or any other subsidiary of System Corporation shall be the corporate member of IHO; and
 - Prior to the Effective Date of the contemplated merger, Dignity Health shall require IHO and each of its subsidiary operating hospitals to create a Community Hospital Oversight Committee for each hospital. These committees will act as a separate governance body to oversee the operations, management, and financial results related to the Designated Procedures performed in each community hospital.
 - With respect to the Designated Procedures performed at each community hospital:
 - Such community hospital shall separately account for and regularly report to the Community Hospital Oversight Committee on the net revenues and expenses reasonably allocated to such Designated Procedures together with the net financial results (i.e. either a net profit or net loss); and
 - The Community Hospital Oversight Committee shall donate any net profits to one or more healthcare related tax-exempt charities that provide or advocate for activities, services, or procedures benefitting the communities served by the hospital and that are not inconsistent with the ERDs.
 - On an annual basis, and not more than four months following the end of each fiscal year of IHO, each Community Hospital Oversight Committee shall prepare and deliver a written certification to the IHO Board and to the Local Hospital Community Board or the applicable board of one of the four subsidiaries:
 - The Community Hospital Oversight Committee has not amended its charter in any manner that violates or otherwise modifies the structure or authorities contained in the IHO bylaws;
 - The composition of the Community Hospital Oversight Committee complies with the requirements; and

- All donations or grants (if any) of the net profits from the performance of the Designated Procedures were contributed to one or more healthcare related tax-exempt charities.
- IHO reserves the right to approve changes of non-Catholic hospitals, its subsidiaries and its joint ventures. Changes include changing the mission or philosophical direction of entities, and approval or removal of entities under IHO. Modifications to Dignity Health's Statement of Common Values must be approved by the board of System Corporation and can be vetoed by CHCF.
- Port City Operating Company, LLC
 - St. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center are owned by Port City Operating Company, LLC, a joint venture between Kaiser Foundation Hospitals and Dignity Health. Dignity Health owns 80% of Port City Operating Company, LLC and Kaiser Foundation Hospitals owns the remaining 20%. Dignity Health's continued ownership in Port City Operating Company, LLC after a change of control of Dignity Health will be subject to Kaiser Foundation Hospitals' consent; and
 - Dignity Health's ownership interest of Port City Operating Company, LLC will transfer to System Corporation.
- CHI Regional Corporations
 - Each of the CHI Regional Corporations shall continue to be nonprofit corporations organized in their respective states of incorporation until Dignity Health and CHI consolidate debt. Afterwards, the CHI Regional Corporations will merge into System Corporation.
- Mark Twain Medical Center
 - Dignity Health and CHI acknowledge that the continued management of Mark Twain Medical Center by Dignity Health after a change of control of Dignity Health may be subject to consent from outside parties.

Dignity Health Commitments

- Licensed Acute Care Hospital Commitments
 - For a period of five years from the Effective Date of the transaction:
 - The System Corporation and Dignity Health shall continue to operate and maintain each Dignity Health owned hospital as a licensed general acute care hospital;
 - IHO shall continue to operate and maintain each IHO owned hospital as a licensed general acute care hospital; and
 - IHO and each IHO subsidiary shall continue to operate and maintain the IHO subsidiary hospital as a licensed general acute care hospital.

- Licensed Specialty Service Commitments and Additional Specialty Services Commitments
 - For a period of five years from the Effective Date of the transaction:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals shall continue to operate, provide and maintain the following services at each California hospital:
 - Twenty-four-hour emergency medical services at current licensure, with the current number of emergency treatment stations, the current types and levels of emergency medical services, and the current designations or certifications associated with such emergency medical services;
 - Core specialty and additional specialty healthcare services at current licensure and designation with current minimum types and/or levels of services²¹; and
 - Additional specialty healthcare services at current licensure and designation with current types and/or levels of services.

²¹ See the “Assessment of Potential Issues Associated with the Availability or Accessibility of Healthcare Services” for a complete listing of commitments made by Dignity Health for Community Hospital of San Bernardino and St. Bernardine Medical Center.

- Women's Healthcare Services Commitments
 - For a period of five years from the Effective Date:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall continue to provide women's healthcare services; and
 - Those Dignity Health California hospitals that are non-Catholic shall retain their identity as community hospitals and shall not become ministries of the Catholic Church, nor be subject to the ERDs. In addition, they will retain or adopt Dignity Health's Statement of Common Values.

- Medicare & Medi-Cal Commitment
 - For a period of five years from the Effective Date of the transaction:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall:
 - Continue to be certified to participate in the Medicare program;
 - Continue to be certified to participate in the Medi-Cal program; and
 - Continue to have and maintain their respective Medi-Cal Managed Care contracts in effect as of the signing date.

- City/County Contract Commitment:
 - For a period of five years from the Effective Date of the transaction:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall maintain healthcare-related services contracts, with any city or county in the State of California as of the signing date.

- Charity Care Commitment
 - For the six fiscal years from the Effective Date, System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, in California shall:

- Provide an annual amount of charity care at each hospital equal to or greater than the average annual amount of charity care provided by such hospital during the three fiscal years prior to the signing date and adjusted for cost-of-living-adjustments.
- Community Benefit Program Commitment
 - For a period of six fiscal years from the Effective Date, System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals in California, shall provide an annual amount of community benefit services at each such Dignity Health California Hospital equal to or greater than the average annual amount of community benefit services provided by hospital during the three fiscal years prior to the signing date and adjusted for cost-of-living adjustments.
- Medical Staff and Related Commitments
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals in California, shall maintain privileges for the current medical staff members of each such hospital who are in good standing as of the Effective Date.
- LGBT Non-Discrimination Commitments
 - There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at any Dignity Health California hospitals. System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, and IHO with respect to the IHO owned hospitals and the IHO subsidiary hospitals, shall cause this prohibition to be explicitly set forth in the written policies applicable to such hospitals, adhered to and strictly enforced.
- Seismic Compliance Commitments
 - System Corporation, Dignity Health and IHO shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at each Dignity Health California hospital until January 1, 2030.
- Union Commitments
 - Dignity Health and CHI agree that the collective bargaining agreements in effect as of the Effective Date shall remain in full force and effect following the Effective Date in accordance with their respective terms.

- Hospital Quality Assurance Fee Program Participation
 - System Corporation, Dignity Health and IHO commit to continue participation in the California Department of Health Care Services' Hospital Quality Assurance Fee Program for five years for all California hospitals.

Use of Net Sale Proceeds

There will be no net proceeds as a result of the proposed transaction.

Profile of Catholic Health Initiatives

Overview

CHI is a nonprofit, faith-based health system that formed in 1996 through the consolidation of three Catholic health systems: Catholic Health Corporation, Franciscan Health System, and Sisters of Charity Health System.

CHI, headquartered in Englewood, Colorado, has a service area that covers approximately 54 million people and operates acute care facilities in 13 states. CHI’s network consists of 97 acute care facilities, academic health centers and major teaching hospitals, critical-access facilities, community health-service organizations, nursing colleges, and senior living communities. The health system has more than 95,000 employees, including approximately 4,700 employed physicians and advanced practice clinicians.

CHI Acute Care Facilities	
REGION	ACUTE CARE FACILITIES
Arkansas	4
Colorado and Kansas	12
Iowa and Nebraska	21
Kentucky	13
Minnesota	4
North Dakota	10
Ohio	5
Tennessee	2
Texas	16
Oregon and Washington	10

Source: 2017 CHI Annual Report

CHI OPERATIONS	
Acute Care Facilities	97
Home Services Location	52
Critical- Access Hospitals	30
Long-Term Facilities	16
Clinical Integrated Networks	11
Academic Medical Centers a Major Teaching Hospital	3
Community Health Services Organizations	2

Source: 2017 CHI Annual Report

Key Statistics

In Fiscal Year (FY) 2017, CHI reported growth in the number of admissions, outpatient emergency visits, outpatient non-emergency visits, physician office visits, the number of full-time equivalent employees, and total employees overall compared to FY 2016. CHI reported a decrease in acute patient days, average daily census, residential days, and long-term care days.

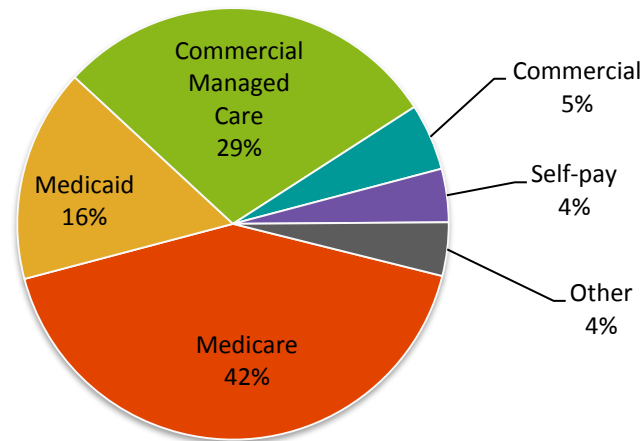
CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017			
<i>Fiscal Year ended June 30, 2017</i>	FY 2016	FY 2017	Change
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of Stay, in days	4.8	4.7	-2.1%
Outpatient emergency visits	1,951,714	1,966,342	0.7%
Outpatient non-emergency visits	5,557,647	5,804,586	4.4%
Physician office visits	9,635,875	10,540,482	9.4%
Residential days	751,072	665,885	-11.3%
Long-term care days	503,450	483,151	-4.0%
Full-time equivalent employees	79,194	84,463	6.7%
Employees	93,697	95,968	2.4%
Acute inpatient revenues as a percentage of total	44.70%	44.70%	-

Source: CHI 2017 Annual Report

Payer Mix

The following chart represents the gross revenue by payer for CHI's consolidated operations for the FY 2017.

Gross Revenue By Payer



Source: CHI Annual Report

Financial Profile

CHI's audited consolidated financial statements show the following system-wide performance of CHI and its affiliates:

CHI COMBINED STATEMENT OF OPERATIONS		
FY 2016 – FY 2017 (In Thousands)		
Unrestricted Revenues and Support	FY 2016	FY 2017
Net Patient Service Revenue Less Bad Debt Provision	\$13,847,027	\$14,450,868
Donations	\$36,983	\$30,954
Changes in Equity of Unconsolidated Organizations	\$133,375	\$48,404
Gains on Business Combinations	\$223,036	-
Hospital Ancillary Revenues	\$351,509	\$339,072
Other	\$597,657	\$678,166
Total Operating Revenues	\$15,189,587	\$15,547,464
Expenses		
Salaries and Wages	\$6,117,712	\$6,294,834
Employee Benefits	\$1,182,203	\$1,201,044
Purchased Services, Medical Professional Fees, Medical Claims and Consulting	\$2,232,689	\$2,402,478
Supplies	\$2,490,524	\$2,550,328
Utilities	\$212,732	\$210,285
Rentals, Leases, Maintenance and Insurance	\$898,020	\$901,272
Depreciation and Amortization	\$833,394	\$846,291
Interest	\$281,581	\$295,476
Other	\$1,019,385	\$1,056,536
Restructuring, Impairment and Other Losses	\$292,758	\$374,167
Total Expenses	\$15,560,998	\$16,132,711
Income From Operations	(\$371,411)	(\$585,247)
Non-operating Income (Loss)		
Investment Income (Loss), net	(\$3,384)	\$638,519
Loss on early extinguishment of debt	(\$29,469)	(\$19,586)
Realized and Unrealized Gains (Losses) on Interest Rate Swaps	(\$154,816)	\$92,698
Other Non-operating Gains (Losses)	(\$16,491)	\$2,006
Total Non-operating Income (Loss)	(\$204,160)	\$713,637
Excess of revenues over Expenses	(\$575,571)	\$128,390

Source: CHI Audited Financial Statements

- Net Patient Service Revenue (less provision for bad debts) of \$14.5 billion in FY 2017 represents a net increase of approximately \$600 million, or 4.4%, as compared to FY 2016. Total operating revenues increased by \$358 million, or 2.4%, from \$15.2 billion in FY 2016 to \$15.5 billion in FY 2017;

Total expenses increased by 3.7% from \$15.6 billion in FY 2016 to \$16.1 billion in FY 2017. CHI's salaries, wages and employee benefits expense accounted for 46% of total expenses;

- In FY 2017, CHI realized a non-operating gain of approximately \$714 million, a substantial increase from the non-operating loss of \$204 million loss in FY 2016; and
- Excess revenue over expenses increased from a loss of approximately \$576 million in FY 2016 to a gain of approximately \$128 million in FY 2017. This is mainly due to an increase in non-operating revenue.

Profile of Dignity Health

Dignity Health is a California nonprofit public benefit corporation that traces its history to the Sisters of Mercy, founded by Catherine McAuley in Dublin, Ireland in 1831. On December 8, 1854, eight Sisters of Mercy left Ireland and arrived in San Francisco, California to begin caring for residents struck by influenza, cholera and typhoid. The Sisters of Mercy opened St. Mary's Hospital, the oldest operating hospital in San Francisco, on July 27, 1857.

Today, Dignity Health has grown to be one of the largest health systems in the United States. Dignity Health provides healthcare services in California, Arizona and Nevada. In California, Dignity Health owns and operates 31 hospitals across 17 counties with an estimated 11,500 physicians on its hospitals' medical staff. Dignity Health also operates five general acute care hospitals in Arizona and three in Nevada.



Payer Mix

The following chart shows inpatient discharges by payer for Dignity Health’s consolidated California operations for FY 2016.

DIGNITY HEALTH TOTAL PAYER MIX COMPARISON FY 2016²²				
	Dignity Health FY 2016		California FY 2016 ¹	
	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	42,492	15.20%	441,300	14.70%
Medi-Cal Managed Care	65,590	23.40%	590,581	19.70%
Medi-Cal Total	108,082	38.60%	1,031,881	34.40%
Medicare Traditional	88,052	31.40%	829,621	27.60%
Medicare Managed Care	27,196	9.70%	315,579	10.50%
Medicare Total	115,248	41.10%	1,145,200	38.10%
Third-Party Managed Care	47,682	17.00%	648,533	21.60%
Third-Party Managed Care Total	47,682	17.00%	648,533	21.60%
Third-Party Traditional	5,245	1.90%	100,382	3.30%
Other Payers	2,495	0.90%	44,809	1.50%
Other Indigent	1,344	0.50%	17,246	0.60%
County Indigent	76	0.00%	15,160	0.50%
Other Total	9,160	3.30%	177,597	5.90%
Total	280,172	100%	3,003,211	100%

Source: OSHPD Disclosure Reports, FY 2016

¹ FY 2017 California data was not available when the data was collected to prepare this report.

- Dignity Health’s largest payer in California by percentage of inpatient discharges is Medicare (41.1%), followed by Medi-Cal (38.6%), and Third-Party Managed Care (17.0%);
- Dignity Health’s California hospitals care for 10.5% of all California Medi-Cal inpatient discharges;
- Dignity Health’s California hospitals had 10.1% of all California Medicare inpatient discharges; and
- In FY 2016, Dignity Health’s California hospitals cared for 9.3% of all inpatient discharges in California.

²²Fiscal Year from July 1 through June 30.

Financial Profile

Dignity Health’s audited consolidated financial statements show the following system-wide performance of Dignity Health and its affiliates.

DIGNITY HEALTH COMBINED STATEMENT OF OPERATIONS		
FY 2016 - FY 2017 (In Thousands)		
Unrestricted Revenues and Support	FY 2016	FY 2017
Net Patient Service Revenue Less Bad Debt Provision	\$11,542,262	\$11,572,387
Premium Revenue	\$633,395	\$755,427
Revenue from health-related activities, net	\$66,586	\$139,013
Other Revenue	\$376,580	\$364,631
Contributions	\$17,452	\$18,649
Total Unrestricted Revenues And Support	\$12,636,275	\$12,850,107
Expenses		
Salaries and Benefits	\$6,581,323	\$6,883,671
Supplies	\$1,769,212	\$1,850,519
Purchased Services and Other	\$3,497,502	\$3,454,313
Depreciation and Amortization	\$581,624	\$606,370
Interest Expense, net	\$270,034	\$122,018
Total Expenses	\$12,699,695	\$12,916,891
Income From Operations	(\$63,420)	(\$66,784)
Non-operating Income (Loss)		
Investment Income (Loss), net	(\$123,869)	\$555,538
Loss on early extinguishment of debt	-	(\$48,012)
Income Tax Expense	(\$14,189)	(\$15,024)
Total Non-operating Income (Loss)	(\$138,058)	\$492,502
Excess of Revenues over Expenses	(\$201,478)	\$425,718

Source: Dignity Health Audited Financial Statements

- Net patient service revenue, less bad debt provision, increased slightly to \$11.6 billion in FY 2017. Total unrestricted revenues and support increased by \$214 million from \$12.6 billion in FY 2016 to \$12.9 billion in FY 2017;
- Total expenses increased by 1.7% from \$12.7 billion in FY 2016 to \$12.9 billion in FY 2017. Dignity Health’s salaries, wages and benefits expense accounted for approximately 53% of total expenses;
- In FY 2017, Dignity Health realized a net non-operating gain of \$493 million, representing a substantial increase from the net non-operating loss of \$138 million in FY 2016; and
- Excess revenue over expenses increased from a loss of \$201 million in FY 2016 to a gain of \$426 million in FY 2017, mainly due to an increase in investment income in FY 2017.

Dignity Health's California Hospitals Overview

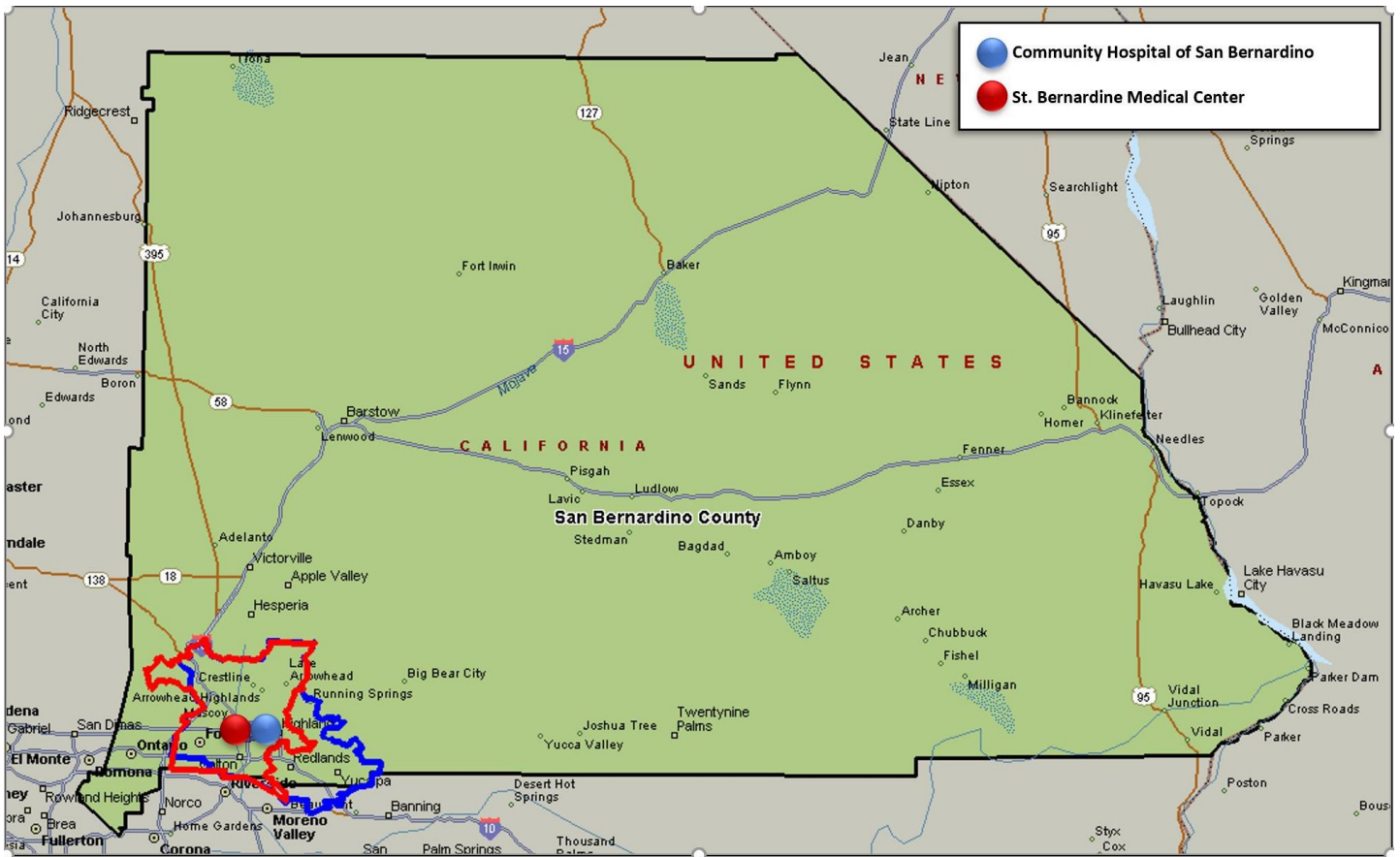
The following table lists the location of each Dignity Health owned and managed hospital in California.

DIGNITY HEALTH'S OWNED & OPERATED CALIFORNIA HOSPITALS		
Hospital	County	City
Bakersfield Memorial Hospital	Kern County	Bakersfield
Mercy Hospital	Kern County	Bakersfield
Mercy Southwest Hospital	Kern County	Bakersfield
California Hospital Medical Center	Los Angeles	Los Angeles
Glendale Memorial Hospital	Los Angeles	Glendale
Northridge Hospital Medical Center	Los Angeles	Northridge
St. Mary Medical Center	Los Angeles	Long Beach
Mercy Medical Center Merced	Merced County	Merced
Sierra Nevada Memorial Hospital	Nevada County	Grass Valley
Marian Regional Medical Center, Arroyo Grande	San Luis Obispo County	Arroyo Grande
French Hospital Medical Center	San Luis Obispo County	San Luis Obispo
Mercy General Hospital	Sacramento County	Sacramento
Mercy Hospital of Folsom	Sacramento County	Folsom
Mercy San Juan Medical Center	Sacramento County	Carmichael
Methodist Hospital of Sacramento	Sacramento County	Sacramento
Community Hospital of San Bernardino	San Bernardino	San Bernardino
St. Bernardine Medical Center	San Bernardino	San Bernardino
Saint Francis Memorial Hospital	San Francisco County	San Francisco
St. Mary's Medical Center	San Francisco County	San Francisco
St. Joseph's Behavioral Health Center	San Joaquin County	Stockton
Sequoia Hospital	San Mateo County	Redwood City
St. Joseph's Medical Center of Stockton	San Joaquin County	Stockton
Marian Regional Medical Center	Santa Barbara County	Santa Maria
Marian Regional Medical Center West	Santa Barbara County	Santa Maria
Dominican Hospital	Santa Cruz County	Santa Cruz
Mercy Medical Center Redding	Shasta County	Redding
Mercy Medical Center Mt Shasta	Siskiyou County	Mt. Shasta
St. Elizabeth Community Hospital	Tehama County	Red Bluff
St. John's Pleasant Valley Hospital	Ventura County	Camarillo
St. John's Regional Medical Center	Ventura County	Oxnard
Woodland Memorial Hospital	Yolo County	Woodland

Source: Dignity Health

Analysis of Dignity Health’s Market Share in San Bernardino County

San Bernardino County has more than 884,000 residents and encompasses over 47,000 square miles. The map below shows the location and the service areas of Dignity Health’s hospitals: Community Hospital of San Bernardino and St. Bernadine Medical Center.



The table lists hospitals where San Bernardino County residents received inpatient care in calendar year (CY) 2016, the most recent data available from OSHPD, and their respective market share. Kaiser Foundation Hospital - Fontana is the inpatient market share leader (12.3%) in San Bernardino County. A profile of Community Hospital of San Bernardino and St. Bernadine Medical Center is described in the following sections.

SAN BERNARDINO COUNTY MARKET SHARE BY HOSPITAL CY 2016		
Hospital	CY 2016	
	Discharges	Market Share
Kaiser Foundation Hospital - Fontana	24,913	12.3%
Arrowhead Regional Medical Center	20,021	9.9%
St. Mary Medical Center - Apple Valley	14,585	7.2%
San Antonio Regional Hospital	13,767	6.8%
Loma Linda University Medical Center	13,076	6.4%
St. Bernadine Medical Center¹	12,383	6.1%
Pomona Valley Hospital Medical Center	11,981	5.9%
Desert Valley Hospital	10,158	5.0%
Community Hospital of San Bernardino¹	10,078	5.0%
Redlands Community Hospital	9,494	4.7%
Loma Linda University Children's Hospital	8,411	4.1%
Victor Valley Global Medical Center	6,111	3.0%
Chino Valley Medical Center	4,542	2.2%
Desert Regional Medical Center	2,842	1.4%
Loma Linda University Behavioral Medicine Center	2,688	1.3%
Hi-Desert Medical Center	2,603	1.3%
Montclair Hospital Medical Center	2,517	1.2%
Barstow Community Hospital	2,242	1.1%
Canyon Ridge Hospital	2,132	1.1%
Riverside Community Hospital	1,775	0.9%
Casa Colina Hospital	1,206	0.6%
All Non-Dignity Health Discharges	25,433	12.50%
All Dignity Health of California Discharges	22,708	11.2%
Total Discharges	202,958	100.00%

Source: CY 2016 OSHPD Discharge Database

¹Dignity Health hospital

- St. Bernadine Medical Center and Community Hospital of San Bernardino have a combined market share of 11.1%; and
- “All Dignity Health of California Discharges” includes residents of San Bernardino County who received inpatient care at Dignity Health hospitals located outside of San Bernardino County.

Profile of Community Hospital of San Bernardino

Overview

Community Hospital of San Bernardino is a general acute care hospital located at 1805 Medical Center Drive in San Bernardino, California.

Community Hospital of San Bernardino offers services including critical care, sub-acute care, psychiatry, and pediatrics. In addition, the Hospital has as a County Lanterman-Petris-Short Act²³ Designation. The Hospital has five surgical operating rooms and a “basic” emergency department²⁴ with 18 emergency treatment stations. According to Community Hospital of San Bernardino’s current hospital license, it is licensed for 347 beds as shown below.

COMMUNITY HOSPITAL OF SAN BERNARDINO LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Pediatric	27
Perinatal	24
Intensive Care	11
Coronary Care	10
Neonatal Intensive Care	9
Unspecified General Acute	104
Total General Acute Care Beds	185
Skilled Nursing (D/P) ²	74
Acute Psychiatric (D/P)	88
Total Licensed Beds	347

¹2018 Hospital License

²Per Hospital Management, the Skilled Nursing beds operate as Sub-Acute beds.

²³The Hospital is a Lanterman-Petris-Short Act Designated 24-hour facility that receives Welfare and Institutions Code section 5150 patients. This designation allows medical personnel to place an involuntary 72-hour hold on a person who is: a danger to themselves, a danger to others, or gravely disabled.

²⁴ A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

Key Statistics

Community Hospital of San Bernardino reported 11,158 inpatient discharges, 76,235 patient days, and an average daily census of 209 patients (60% occupancy) for FY 2017.

COMMUNITY HOSPITAL OF SAN BERNARDINO KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	12,139	10,963	11,158
Licensed Beds	347	347	347
Patient Days	80,126	72,914	76,235
Average Daily Census	220	200	209
Occupancy	63.3%	57.6%	60.2%
Average Length of Stay	6.6	6.7	6.8
Cardiac Catheterization Procedures	522	670	420
Emergency Service Visits	63,283	63,619	68,190
Total Live Births	2,151	2,028	1,846

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

¹ FY 2015 and FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 data is from unaudited.

- Since FY 2015, inpatient discharges have decreased by 8%, while patient days decreased by 5%;
- In FY 2017, 68,190 emergency service visits were reported, an 8% increase from FY 2015;
- In FY 2017, total live births decreased by 14%, with an average of 2,008 live births annually.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends at Community Hospital of San Bernardino.

COMMUNITY HOSPITAL OF SAN BERNARDINO					
SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	15,619	14,380	17,017	15,764	15,667
Neonatal Intensive Care	2,353	2,114	1,819	1,762	1,692
Intensive Care	3,152	3,040	3,197	3,403	2,639
Obstetrics	6,130	5,640	5,731	5,259	4,705
Pediatrics Acute	2,464	2,705	2,019	1,645	1,594
Sub-Acute Care ³	31,134	31,390	31,531	31,849	31,807
Psychiatric Acute - Adult	19,021	20,427	18,812	16,447	18,131
Total	79,873	79,696	80,126	76,129	76,235
DISCHARGES					
Medical/Surgical ²	3,943	3,650	4,189	3,896	4,136
Neonatal Intensive Care	290	281	281	136	126
Intensive Care	214	177	176	160	154
Obstetrics	2,509	2,398	2,395	2,172	1,987
Pediatrics Acute	798	836	676	553	573
Sub-Acute Care ³	66	46	42	18	26
Psychiatric Acute - Adult	3,800	4,276	4,380	4,028	4,156
Total	11,620	11,664	12,139	10,963	11,158
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	4.0	3.9	4.1	4.0	3.8
Neonatal Intensive Care	8.1	7.5	6.5	13.0	13.4
Intensive Care	14.7	17.2	18.2	21.3	17.1
Obstetrics	2.4	2.4	2.4	2.4	2.4
Pediatrics Acute	3.1	3.2	3.0	3.0	2.8
Sub-Acute Care ³	n/a	n/a	n/a	n/a	n/a
Psychiatric Acute - Adult	5.0	4.8	4.3	4.1	4.4
Total	6.9	6.8	6.6	6.9	6.8
AVERAGE DAILY CENSUS					
Medical/Surgical ²	42.8	39.4	46.6	43.2	42.9
Neonatal Intensive Care	6.4	5.8	5.0	4.8	4.6
Intensive Care	8.6	8.3	8.8	9.3	7.2
Obstetrics	16.8	15.5	15.7	14.4	12.9
Pediatrics Acute	6.8	7.4	5.5	4.5	4.4
Sub-Acute Care ³	85.3	86.0	86.4	87.3	87.1
Psychiatric Acute - Adult	52.1	56.0	51.5	45.1	49.7
Total	219	218	220	209	209
OTHER SERVICES					
Inpatient Surgeries	1,126	1,108	1,215	993	949
Outpatient Surgeries	3,608	3,942	4,076	2,104	1,559
Emergency Service Visits	52,806	56,794	63,283	63,619	68,190
Total Live Births	3,005	2,086	2,151	2,028	1,846

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

² Includes Definitive Observation Beds

³ Hospital management noted that Sub-Acute Care volumes fluctuated as a result of the way in which their volumes were classified within their new electronic health record system.

"n/a" means not applicable because Sub-Acute Care patients can stay for extended periods of months and years.

A review of Community Hospital of San Bernardino’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- The average daily census decreased by 5%; and
- Outpatient surgeries decreased by 16%.

Financial Profile

Over the last five fiscal years, Community Hospital of San Bernardino has had a negative net income ranging from a loss of \$19.6 million in FY 2013 to a loss of \$26.6 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 15%. Over the same period, the Hospital's operating expenses increased by 17% from \$203.2 million in FY 2013 to \$237.5 million in FY 2017. Other operating revenue²⁵ decreased significantly over the five-year period by 57% from \$1.1 million in FY 2013 to \$478,500 in FY 2017.

The Hospital's current ratio²⁶ has increased over the last five years from 1.27 in FY 2013 to 2.62 in FY 2017. The California average in FY 2016 was 1.56. The Hospital's FY 2017 percentage of bad debt is equal to that of the state average (0.8%).

COMMUNITY HOSPITAL OF SAN BERNARDINO FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	79,873	79,696	80,126	72,914	76,235	-
Discharges	11,620	11,664	12,139	10,963	11,158	-
ALOS	6.9	6.8	6.6	6.7	6.8	-
Net Patient Revenue	\$181,851,252	\$167,252,851	\$266,227,509	\$235,691,557	\$209,743,951	-
Other Operating Revenue	\$1,115,533	\$5,457,084	\$1,187,108	\$1,350,746	\$478,500	-
Total Operating Revenue	\$182,966,785	\$172,709,935	\$267,414,617	\$237,042,303	\$210,222,451	-
Operating Expenses	\$203,201,021	\$190,345,068	\$238,581,380	\$246,144,657	\$237,506,238	-
Net from Operations	(\$20,234,236)	(\$17,635,133)	\$28,833,237	(\$9,102,354)	(\$27,283,787)	-
Net Non-Operating Revenues and Expenses	\$637,629	\$708,421	\$189,753	\$43,324	\$711,881	-
Net Income	(\$19,596,607)	(\$16,926,712)	\$29,022,990	(\$9,059,030)	(\$26,571,906)	-
						2016 California Average ²
Current Ratio	1.27	0.95	2.90	2.68	2.62	1.56
Days in A/R	45.0	47.5	29.8	33.0	37.2	57.1
Bad Debt Rate	2.2%	1.7%	0.5%	0.6%	0.8%	0.8%
Operating Margin	-11.06%	-10.21%	10.78%	-3.84%	-12.98%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 is data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

² FY 2017 California data was not available when the data was collected to prepare this report.

²⁵ Other operating revenue represents amounts received for services that are central to the provision of healthcare services but are not directly related to patient care.

²⁶ The current ratio compares a company's CURRENT assets to its current liabilities to measure its ability to pay short-term and long-term debt obligations. A low current ratio of less than 1.0 could indicate that a company may have difficulty meeting its current obligations. The higher the current ratio, the more capable the company is of paying its obligations as it has a larger proportion of assets relative to its liabilities.

Cost of Hospital Services

Community Hospital of San Bernardino’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 76% of total costs were associated with Medi-Cal patients, followed by 17% with Medicare, and 5% with Third-Party.

COMMUNITY HOSPITAL OF SAN BERNARDINO OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$203,201,021	\$190,345,068	\$238,581,380	\$246,144,657	\$237,506,238
Cost of Services By Payer:					
Medicare	\$40,673,788	\$20,409,786	\$40,021,096	\$46,919,313	\$41,018,268
Medi-Cal	\$130,280,538	\$140,911,792	\$172,806,079	\$179,829,793	\$179,327,369
County Indigent	\$6,666,165	\$4,370,817	-	-	\$199,891
Third-Party	\$12,492,047	\$14,733,381	\$20,236,403	\$14,577,318	\$13,734,765
Other Indigent	\$7,010,430	\$5,657,086	\$3,958,307	\$2,328,171	\$1,785,794
All Other Payers	\$6,078,053	\$4,262,207	\$1,559,494	\$2,490,063	\$1,440,151

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

Charity Care

The following table shows a comparison of charity care and bad debt for Community Hospital of San Bernardino to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 3.9% and greater than the four-year (FY 2013 – FY 2016) statewide average of 2.5%. 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.”

COMMUNITY HOSPITAL OF SAN BERNARDINO CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$746,862	\$320,382,471	\$760,360	\$338,322,364	\$829,331	\$365,501,463	\$848,220	\$396,427,743	\$893,524	-
Charity	\$48,741	\$6,563,487	\$39,295	\$5,113,965	\$29,746	\$3,441,227	\$29,670	\$3,457,868	\$6,718	-
Bad Debt	\$16,739	\$5,891,632	\$13,232	\$4,365,936	\$4,428	\$3,262,642	\$4,870	\$3,108,971	\$6,980	-
Total Charity & Bad Debt	\$65,480	\$12,455,119	\$52,526	\$9,479,902	\$34,173	\$6,703,869	\$34,540	\$6,566,839	\$13,699	-
Charity Care as a % of Gross Patient Revenue	6.5%	2.0%	5.2%	1.5%	3.6%	0.9%	3.5%	0.9%	0.8%	-
Bad Debt as a % of Gross Patient Revenue	2.2%	1.8%	1.7%	1.3%	0.5%	0.9%	0.6%	0.8%	0.8%	-
Total as a % of Gross Patient Revenue	8.8%	3.9%	6.9%	2.8%	4.1%	1.8%	4.1%	1.7%	1.5%	-
Uncompensated Care										
Cost to Charge Ratio	27.1%	24.5%	24.3%	23.6%	28.6%	24.1%	28.9%	23.8%	26.5%	-
Charity	\$13,188	\$1,608,711	\$9,555	\$1,207,919	\$8,515	\$828,647	\$8,563	\$822,627	\$1,782	-
Bad Debt	\$4,529	\$1,444,039	\$3,217	\$1,031,234	\$1,267	\$785,644	\$1,406	\$739,624	\$1,852	-
Total	\$17,718	\$3,052,750	\$12,772	\$2,239,153	\$9,782	\$1,614,292	\$9,968	\$1,562,251	\$3,634	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

² FY 2017 California data was not available when the data was collected to prepare this report.

The table below shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$13.2 million in FY 2013 to \$1.8 million in FY 2017. The average cost of charity care for the last five-year period was \$8.3 million, while the three-year average cost of charity care was \$6.3 million.

COMMUNITY HOSPITAL OF SAN BERNARDINO COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$6,718,347	26.5%	\$1,782,196
FY 2016	\$29,669,693	28.9%	\$8,562,594
FY 2015	\$29,745,729	28.6%	\$8,514,649
FY 2014	\$39,294,683	24.3%	\$9,554,841
FY 2013	\$48,741,043	27.1%	\$13,188,320
FY 2015 - FY 2017 Average			\$6,286,480
FY 2013 - FY 2017 Average			\$8,320,520

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

In the application to the California Attorney General, Dignity Health reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room costs.

COMMUNITY HOSPITAL OF SAN BERNARDINO COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$604,070	\$484,295	\$702,655	\$1,791,020
Visits/Discharges	47	382	1,255	
FY 2016:				
Cost of Charity	\$646,825	\$565,553	\$552,556	\$1,764,934
Visits/Discharges	60	793	1,287	
FY 2015:				
Cost of Charity	\$1,055,461	\$902,326	\$1,085,920	\$3,043,707
Visits/Discharges	100	696	2,493	
FY 2014:				
Cost of Charity	\$2,917,226	\$1,258,627	\$1,315,133	\$5,490,986
Visits/Discharges	310	1,272	3471	
FY 2013:				
Cost of Charity	\$3,851,840	\$970,490	\$957,678	\$5,780,008
Visits/Discharges	453	1,730	2,818	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussions with JD Healthcare, Inc. and Vizient, Inc., Dignity Health has acknowledged that an error was made in its calculation of charity care costs. Dignity Health has stated that it accepts the calculations provided by JD Healthcare, Inc. and Vizient, Inc. for the purposes of determining their charity care commitment.

Community Benefit Services

In the last five years, Community Hospital of San Bernardino has provided contributions for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three and five fiscal years has been \$1.6 million. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$1.8 million.

COMMUNITY HOSPITAL OF SAN BERNARDINO COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017							
Community Benefit Programs	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015- FY 2017 Average	FY 2013- FY 2017 Average
Benefits for Living in Poverty	\$3,512,280	2,202,314	\$3,523,871	\$2,588,983	\$2,663,674	\$2,925,509	\$2,898,224
Benefits for Broader Community	\$389,791	335,651	\$305,129	\$280,947	\$196,546	\$260,874	\$301,613
Totals	\$3,902,071	\$2,537,965	\$3,829,000	\$2,869,930	\$2,860,220	\$3,186,383	\$3,199,837
Medi-Cal Provider Fee CHFT Grant Expense	(\$1,802,949)	(\$640,683)	(\$2,481,069)	(\$1,309,338)	(\$976,794)	-	-
Adjusted Totals	\$2,099,122	\$1,897,282	\$1,347,931	\$1,560,592	\$1,883,426	\$1,597,316	\$1,757,671

Source: Dignity Health, Community Hospital of San Bernardino Community Benefit Reports and Plans

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$2.9 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is approximately \$201,613 per year; and
- Over the five-year period, the Hospital’s combined adjusted total cost of the community benefit services decreased from \$2.1 million per year in FY 2013 to \$1.9 million per year in FY 2017.

The following table lists the Hospital’s community benefit services over the past five fiscal years that cost over \$10,000 in FY 2017, followed by descriptions of these community benefit services.

COMMUNITY HOSPITAL OF SAN BERNARDINO COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Services over \$10,000 in cost in FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Behavioral Health Services Partial Hospitalization Program Transportation	\$167,252	\$192,378	\$161,082	\$260,641	\$397,621
Community Health Navigator	\$42,578	\$57,931	\$85,067	\$121,074	\$156,197
Health Education Center	\$16,507	\$80,940	\$133,223	\$151,727	\$197,737
Safe Trip Home for Patients discharged with no ride or funds	\$53,587	\$33,498	\$28,184	\$25,591	\$10,379
Donation - In-Kind: Community Outreach Thanksgiving Dinner	\$10,078	\$24,917	\$20,249	\$11,779	\$16,466
Dignity Health Community Grants Program	\$100,132	\$104,003	\$102,040	\$95,764	\$93,779
Focus 92411 Homework Center	\$141,248	\$133,300	\$179,132	\$226,576	\$281,023
Donation - In-Kind: Meeting & Office Space for Community Groups	\$203,000	\$168,718	\$308,214	\$296,767	\$352,080
Donation - In-Kind: Tabitha's Closet	-	-	-	\$4,559	\$19,407
Community Benefit Operations	\$99,418	\$23,954	\$17,033	\$106,179	\$173,344
Breastfeeding Clinic	\$13,563	\$23,607	\$24,487	\$27,678	\$22,793
Diabetes and Chronic Disease Self-Management Programs	\$82,038	\$76,743	\$50,358	\$66,612	\$32,266
Stepping Stones Program	\$121,799	\$112,593	\$69,147	\$81,589	\$123,799

Source: Dignity Health

- Behavioral Health Services Partial Hospitalization Program Transportation: Transportation for means-tested enrollees to and from behavioral health outpatient therapy sessions;
- Community Health Navigator: Provides uninsured patients with community resources at sites offering specialty care. The navigator collaborates with local nonprofits and clinics to ensure connections for patients served;
- Health Education Center: Health hub where community members have access to classes and information related to healthcare;
- Safe Trip Home for Patients: Provides transportation expenses for post-discharge patients who lack the means or funds to transition safely to an outpatient setting;
- Donation - In-Kind: Community Outreach Thanksgiving Dinner: Staff serves a holiday meal for means-tested families;
- Dignity Health Community Grants Program: The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the

communities served. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations, and to help reduce disparities;

- Focus 92411 Homework Center: The Hospital provides a facility for an after-school program for tutoring and mentoring neighborhood youth;
- Donation - In-Kind: Meeting & Office Space for Community Groups: In-kind contributions of office space with utilities/maintenance for nonprofit community partners who work towards addressing community needs;
- Donation - In-Kind: Tabitha's Closet: Provides clothing and personal hygiene items for families in need;
- Community Benefit Operations: Staff costs for managing/overseeing community benefit programs that are not already included in other categories. Includes education and travel associated with community benefit planning, strategy, and training;
- Breastfeeding Clinic: Provide cultural/linguistic appropriate education, assistance, and support for mothers to breastfeed their newborns;
- Diabetes and Chronic Disease Self-Management Programs: Provides education to community members, patients, and family members to promote decision-making, self-care behaviors, problem solving, and active collaboration with the healthcare team to improve clinical outcomes and health status; and
- Stepping Stones Program: Youth volunteer program designed for teens and young adults to gain valuable hospital workplace experience.

Reproductive Health

For CY 2016, Community Hospital of San Bernardino reported 128 inpatient discharges related to reproductive health services²⁷. The following table lists inpatient reproductive health services by diagnostic related group (DRG) for CY 2016.

COMMUNITY HOSPITAL OF SAN BERNARDINO CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C ¹	43
778-Threatened Abortion	37
777-Ectopic Pregnancy	23
779-Abortion W/O D&C ¹	13
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	12
Total Discharges:	128

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

- Out of the five diagnostic related groups, DRG 767- Vaginal Delivery with Sterilization has the highest number of reproductive service inpatient discharges.

According to Dignity Health representatives, the following table indicates whether the Hospital performs the listed women’s reproductive health services.

COMMUNITY HOSPITAL OF SAN BERNARDINO REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	Yes
Terminate pregnancy when:	
A. Placenta previa	No
B. Premature rupture of membranes	No
C. Second trimester bleeding with previable fetus	No
Placement of an IUD at time of other gynecological surgery	No
Postpartum placement of IUD	No
Gender affirming surgery	No
Emergency contraception as emergency room or inpatient service	Yes, Prescription for "morning after" pill in Emergency Dept.
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	Yes

Source: Dignity Health

²⁷ Community Hospital of San Bernardino is not a Catholic hospital and is not subject to the Catholic ERDs. It is subject to the Statement of Common Values that prohibits direct abortions. Although the Statement of Common Values prohibits direct abortions, these procedures are performed at the Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

Analysis of Community Hospital of San Bernardino’s Service Area

Service Area Definition

Community Hospital of San Bernardino’s service area is comprised of 31 ZIP Codes from which 79% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital’s inpatient discharges originated from the top five ZIP Codes, four of which are in the City of San Bernardino and one in the City of Rialto. Additionally, 75.1% inpatient discharges originated from the top 13 ZIP Codes. In CY 2016, Community Hospital of San Bernardino’s market share in the service area was 11.9%.

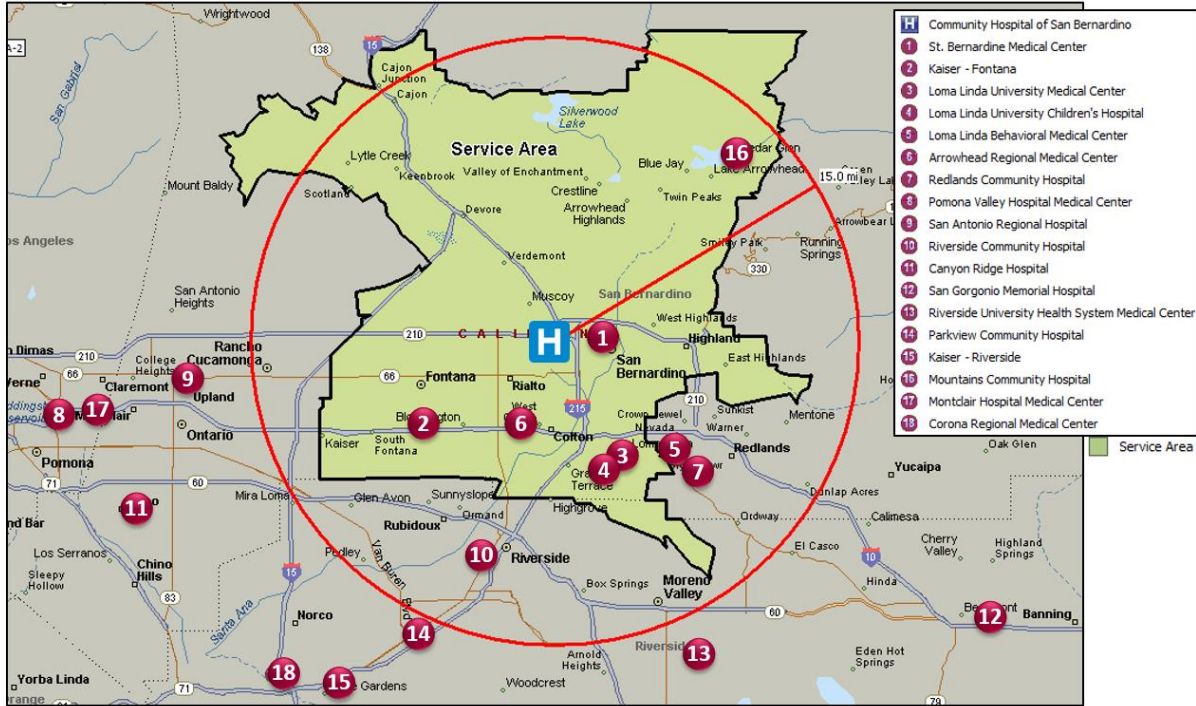
COMMUNITY HOSPITAL OF SAN BERNARDINO PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
92411	San Bernardino	1,433	12.3%	12.3%	3,690	38.8%
92407	San Bernardino	1,383	11.9%	24.2%	5,922	23.4%
92404	San Bernardino	1,270	10.9%	35.1%	8,393	15.1%
92410	San Bernardino	1,111	9.5%	44.6%	5,915	18.8%
92376	Rialto	804	6.9%	51.5%	8,160	9.9%
92405	San Bernardino	797	6.8%	58.3%	3,427	23.3%
92335	Fontana	537	4.6%	62.9%	8,245	6.5%
92346	Highland	393	3.4%	66.3%	5,127	7.7%
92336	Fontana	303	2.6%	68.9%	6,665	4.5%
92324	Colton	285	2.4%	71.4%	5,796	4.9%
92408	San Bernardino	182	1.6%	72.9%	1,596	11.4%
92377	Rialto	129	1.1%	74.0%	1,582	8.2%
92316	Bloomington	120	1.0%	75.1%	2,804	4.3%
92337	Fontana	83	0.7%	75.8%	2,320	3.6%
92401	San Bernardino	71	0.6%	76.4%	515	13.8%
92313	Grand Terrace	41	0.4%	76.7%	1,155	3.5%
92354	Loma Linda	40	0.3%	77.1%	2,368	1.7%
92325	Crestline	40	0.3%	77.4%	1,032	3.9%
92415	San Bernardino	30	0.3%	77.7%	154	19.5%
92369	Patton	28	0.2%	77.9%	290	9.7%
92402	San Bernardino	22	0.2%	78.1%	110	20.0%
92382	Running Springs	13	0.1%	78.2%	533	2.4%
92358	Lytle Creek	11	0.1%	78.3%	105	10.5%
92406	San Bernardino	8	0.1%	78.4%	69	11.6%
92391	Twin Peaks	7	0.1%	78.4%	211	3.3%
92352	Lake Arrowhead	6	0.1%	78.5%	447	1.3%
92317	Blue Jay	6	0.1%	78.5%	324	1.9%
92334	Fontana	5	0.0%	78.6%	96	5.2%
92427	San Bernardino	4	0.0%	78.6%	44	9.1%
92321	Cedar Glen	4	0.0%	78.7%	157	2.5%
92413	San Bernardino	4	0.0%	78.7%	44	9.1%
Total Percentage		9,170	78.7%	78.7%	77,296	11.9%
Other ZIPs		2,483	21.3%	100%		
Total Discharges		11,653	100%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Community Hospital of San Bernardino’s service area has approximately 877,600 residents. There are six other hospitals located within Community Hospital of San Bernardino’s service area. There are three other hospitals located within approximately 15 miles from Community Hospital of San Bernardino. Arrowhead Regional Medical Center is the inpatient market share leader (18.9%) in the service area.



Hospital Market Share

The following table shows inpatient market share by hospital for Community Hospital of San Bernardino’s service area.

COMMUNITY HOSPITAL OF SAN BERNARDINO MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Arrowhead Regional Medical Center	20.3%	18.2%	18.0%	18.9%	→
Kaiser Foundation Hospital - Fontana	14.7%	14.7%	15.0%	15.3%	↗
St. Bernadine Medical Center	15.6%	15.3%	14.7%	13.9%	↘
Community Hospital of San Bernardino	12.0%	12.6%	11.9%	11.9%	→
Loma Linda University Medical Center	13.9%	14.0%	9.8%	9.5%	→
Loma Linda University Children's Hospital	0.0%	0.9%	6.2%	5.9%	↘
Redlands Community Hospital	4.9%	5.2%	4.8%	5.0%	→
Pomona Valley Hospital Medical Center	2.3%	2.4%	2.8%	3.0%	↗
San Antonio Regional Hospital	2.2%	2.7%	3.0%	2.9%	→
Loma Linda University Behavioral Medicine Center	1.2%	1.4%	1.5%	1.5%	↗
Riverside Community Hospital	1.1%	1.1%	1.1%	1.2%	→
Canyon Ridge Hospital	1.4%	1.3%	1.2%	0.9%	↘
Ballard Rehabilitation Hospital	0.6%	0.6%	0.6%	0.6%	→
Parkview Community Hospital Medical Center	0.4%	0.4%	0.4%	0.4%	→
Riverside University Health System - Medical Center	0.3%	0.4%	0.3%	0.4%	→
Montclair Hospital Medical Center	0.5%	0.5%	0.4%	0.4%	→
Kaiser Foundation Hospital - Los Angeles	0.5%	0.5%	0.3%	0.3%	↘
Mountains Community Hospital	0.3%	0.4%	0.4%	0.3%	→
Kaiser Foundation Hospital - Riverside	0.3%	0.3%	0.3%	0.3%	→
City of Hope Helford Clinical Research Hospital	0.3%	0.2%	0.3%	0.3%	→
Aurora Charter Oak	0.3%	0.5%	0.4%	0.3%	→
Corona Regional Medical Center-Main	0.2%	0.2%	0.2%	0.2%	→
Cedars Sinai Medical Center	0.2%	0.2%	0.2%	0.2%	→
All Other	6.7%	5.9%	6.1%	6.4%	↗
Total Percentage	100%	100%	100%	100%	
Total Discharges	75,237	75,428	74,687	77,296	↗

Note: Excludes normal newborns

Source: OSHPD Discharge Database CY 2013 - CY 2016

- The number of discharges (77,296) in Community Hospital of San Bernardino’s service area grew by 3% since CY 2013; and
- Kaiser Foundation Hospital-Fontana had the second-largest market share (15.3%), followed by St. Bernadine Medical Center (13.9%); and
- Community Hospital of San Bernardino had 11.9% of the market share in CY 2016.

Market Share by Payer Type

The following table shows inpatient market share by hospital and payer type in Community Hospital of San Bernardino’s service area for CY 2016.

COMMUNITY HOSPITAL OF SAN BERNARDINO MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Arrowhead Regional Medical Center	Kaiser Foundation Hospital – Fontana	St. Bernadine Medical Center	Community Hospital of San Bernardino	Loma Linda University Medical Center	Loma Linda University Children’s Hospital	Redlands Community Hospital	Pomona Valley Hospital Medical Center	All Others	Total
Medi-Cal	38,794	30.9%	6.1%	13.1%	17.5%	6.5%	8.1%	2.8%	4.6%	10.3%	100%
Medicare	19,700	9.2%	19.2%	20.9%	9.1%	16.0%	0.1%	7.0%	0.9%	17.7%	100%
Private Coverage	16,067	2.5%	33.9%	8.8%	3.2%	7.7%	6.5%	8.3%	1.9%	27.3%	100%
Self-Pay	1,535	17.1%	15.1%	5.5%	4.7%	16.9%	9.6%	1.1%	3.2%	26.8%	100%
All Other	1,200	10.2%	2.0%	6.0%	1.8%	13.3%	17.6%	2.4%	0.3%	46.5%	100%
Total Percentage		18.9%	15.3%	13.9%	11.9%	9.5%	5.9%	5.0%	3.0%	16.6%	100%
Total Discharges	77,296	14,596	11,849	10,771	9,170	7,339	4,576	3,845	2,307	12,843	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area inpatient discharges are Medi-Cal with 38,794 inpatient discharges (50%), followed by Medicare with 19,700 inpatient discharges (25%), and Private Coverage with 16,067 inpatient discharges (21%);
- Arrowhead Regional Medical Center is the market share leader for Medi-Cal (30.9%) and Self-Pay (17.1%);
- St. Bernadine Medical Center is the market share leader for Medicare (20.9%);
- Kaiser Foundation Hospital – Fontana is the market share leader for Private Coverage (33.9%); and
- Community Hospital of San Bernardino is not a market share leader for any payer type.

Market Share by Service Line

The following table shows inpatient market share by hospital and service line in Community Hospital of San Bernardino’s service area for CY 2016.

COMMUNITY HOSPITAL OF SAN BERNARDINO MARKET SHARE BY SERVICE LINE CY 2016												
Service Line	Total Discharges	Arrowhead Regional Medical Center	Kaiser Foundation Hospital – Fontana	St. Bernadine Medical Center	Community Hospital of San Bernardino	Loma Linda University Medical Center	Loma Linda University Children’s Hospital	Redlands Community Hospital	Pomona Valley Hospital Medical Center	All Others	Total	
General Medicine	21,504	18.0%	17.9%	16.6%	9.8%	12.2%	5.9%	4.4%	1.0%	14.2%	100%	
Obstetrics	13,592	17.7%	19.9%	10.6%	14.8%	0.5%	9.8%	7.2%	8.9%	10.7%	100%	
Behavioral Health	8,089	27.7%	0.8%	0.9%	30.4%	0.9%	0.2%	2.2%	0.0%	36.9%	100%	
Cardiac Services	7,217	17.4%	15.1%	25.9%	10.4%	14.5%	1.4%	2.6%	0.8%	12.0%	100%	
General Surgery	6,505	17.0%	16.5%	19.4%	7.8%	14.2%	3.2%	3.8%	1.0%	17.2%	100%	
Neonatology	5,362	22.9%	18.9%	6.1%	12.6%	0.0%	13.6%	6.4%	10.9%	8.7%	100%	
Orthopedics	3,480	14.1%	13.2%	13.4%	2.6%	18.0%	2.9%	15.0%	0.7%	20.0%	100%	
Neurology	3,335	18.6%	15.5%	17.2%	5.3%	14.4%	7.0%	2.6%	1.0%	18.2%	100%	
Oncology/Hematology	2,181	15.8%	16.0%	13.6%	5.4%	18.3%	9.1%	3.3%	0.8%	17.8%	100%	
Gynecology	1,038	20.0%	7.7%	12.5%	7.7%	23.0%	1.3%	6.4%	3.9%	17.4%	100%	
Other	919	24.8%	18.6%	11.2%	1.8%	18.0%	6.7%	2.5%	0.5%	15.8%	100%	
Vascular Services	883	18.5%	11.4%	25.6%	7.7%	10.4%	1.4%	4.3%	0.9%	19.8%	100%	
Urology	828	13.8%	17.8%	25.5%	3.9%	13.0%	3.9%	4.8%	1.0%	16.4%	100%	
Spine	795	9.8%	9.4%	11.8%	0.9%	16.9%	3.1%	14.5%	0.6%	33.0%	100%	
ENT	768	21.4%	10.7%	4.3%	8.1%	12.4%	25.4%	1.3%	2.1%	14.5%	100%	
Neurosurgery	450	12.9%	11.1%	12.4%	0.0%	27.8%	6.2%	1.6%	3.3%	24.7%	100%	
No-match-found	155	5.8%	8.4%	12.3%	9.7%	7.1%	5.8%	3.9%	1.3%	45.8%	100%	
Ophthalmology	114	23.7%	10.5%	1.8%	2.6%	32.5%	12.3%	0.0%	0.0%	16.7%	100%	
Total Percentage		18.9%	15.3%	13.9%	11.9%	9.5%	5.9%	5.0%	3.0%	16.6%	100%	
Total Discharges	77,296	14,596	11,849	10,771	9,170	7,339	4,576	3,845	2,307	12,843		

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Loma Linda University Medical Center is the service line leader in six of 18 service lines: orthopedics (18.0%), oncology/hematology (18.3%), gynecology (23.0%), spine (16.9%), neurosurgery (27.8%), and ophthalmology (32.5%);
- St. Bernadine Medical Center is the service line leader in four of 18 service lines cardiac services (25.9%), general surgery (19.4%), vascular services (25.6%), and urology (25.5%); and
- Community Hospital of San Bernardino is the service line leader in behavioral health (30.4%).

Market Share by ZIP Code

The following table shows hospital market share by ZIP Code in Community Hospital of San Bernardino’s service area for CY 2016.

COMMUNITY HOSPITAL OF SAN BERNARDINO MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Arrowhead Regional Medical Center	Kaiser Foundation Hospital – Fontana	St. Bernadine Medical Center	Community Hospital of San Bernardino	Loma Linda University Medical Center	Loma Linda University Children’s Hospital	Redlands Community Hospital	Pomona Valley Hospital Medical Center	All Others	Total
92404	San Bernardino	8,393	12.7%	7.6%	35.4%	15.1%	7.9%	5.4%	4.8%	0.8%	10.1%	100%
92335	Fontana	8,245	22.9%	27.6%	4.7%	6.5%	4.0%	4.5%	1.1%	8.9%	19.7%	100%
92376	Rialto	8,160	35.0%	17.1%	7.6%	9.9%	6.7%	4.7%	2.0%	3.2%	13.8%	100%
92336	Fontana	6,665	11.9%	28.1%	5.6%	4.5%	3.5%	3.4%	0.9%	7.3%	34.7%	100%
92407	San Bernardino	5,922	13.0%	12.4%	16.2%	23.4%	8.2%	6.1%	5.8%	1.0%	13.9%	100%
92410	San Bernardino	5,915	24.6%	6.3%	19.1%	18.8%	9.5%	8.2%	3.1%	1.4%	9.1%	100%
92324	Colton	5,796	31.4%	12.7%	5.2%	4.9%	14.5%	7.3%	8.3%	1.2%	14.4%	100%
92346	Highland	5,127	8.2%	11.6%	21.1%	7.7%	13.3%	6.0%	19.0%	0.7%	12.4%	100%
92411	San Bernardino	3,690	16.6%	7.0%	13.7%	38.8%	6.3%	5.6%	2.3%	0.7%	9.1%	100%
92405	San Bernardino	3,427	14.0%	9.2%	23.4%	23.3%	8.3%	6.5%	4.5%	0.7%	10.1%	100%
92316	Bloomington	2,804	32.0%	23.8%	5.1%	4.3%	6.0%	4.9%	2.2%	5.0%	16.7%	100%
92354	Loma Linda	2,368	3.7%	6.5%	3.1%	1.7%	42.6%	16.4%	11.6%	0.4%	14.0%	100%
92337	Fontana	2,320	12.8%	32.2%	3.8%	3.6%	4.7%	4.0%	1.0%	8.1%	29.9%	100%
92408	San Bernardino	1,596	16.1%	5.7%	14.7%	11.4%	21.2%	10.0%	8.1%	1.1%	11.7%	100%
92377	Rialto	1,582	13.6%	26.9%	11.3%	8.2%	7.9%	4.0%	2.7%	4.4%	21.1%	100%
92313	Grand Terrace	1,155	8.0%	16.3%	3.9%	3.5%	26.0%	7.8%	12.9%	0.9%	20.8%	100%
92325	Crestline	1,032	12.6%	8.5%	24.3%	3.9%	9.1%	6.0%	5.7%	0.9%	29.0%	100%
92382	Running Springs	533	6.4%	10.9%	13.1%	2.4%	18.4%	5.3%	12.8%	0.4%	30.4%	100%
92401	San Bernardino	515	24.1%	5.2%	21.9%	13.8%	10.5%	5.0%	1.6%	1.0%	16.9%	100%
92352	Lake Arrowhead	447	7.6%	8.1%	15.2%	1.3%	10.5%	4.0%	8.9%	0.2%	44.1%	100%
92317	Blue Jay	324	11.1%	9.0%	23.5%	1.9%	12.3%	7.1%	3.1%	0.0%	32.1%	100%
92369	Patton	290	23.4%	3.4%	54.1%	9.7%	1.7%	0.7%	0.7%	0.0%	6.2%	100%
92391	Twin Peaks	211	9.5%	9.0%	14.2%	3.3%	8.5%	5.7%	10.9%	0.0%	38.9%	100%
92321	Cedar Glen	157	8.3%	12.1%	14.0%	2.5%	11.5%	2.5%	2.5%	0.0%	46.5%	100%
92415	San Bernardino	154	39.0%	0.6%	4.5%	19.5%	8.4%	1.3%	3.2%	1.3%	22.1%	100%
92402	San Bernardino	110	20.9%	6.4%	15.5%	20.0%	11.8%	1.8%	0.9%	2.7%	20.0%	100%
92358	Lytle Creek	105	12.4%	36.2%	3.8%	10.5%	3.8%	0.0%	1.0%	1.0%	31.4%	100%
92334	Fontana	96	21.9%	22.9%	7.3%	5.2%	9.4%	4.2%	1.0%	3.1%	25.0%	100%
92406	San Bernardino	69	11.6%	10.1%	34.8%	11.6%	7.2%	8.7%	1.4%	0.0%	14.5%	100%
92427	San Bernardino	44	2.3%	20.5%	18.2%	9.1%	15.9%	9.1%	6.8%	2.3%	15.9%	100%
92413	San Bernardino	44	4.5%	15.9%	18.2%	9.1%	15.9%	2.3%	6.8%	0.0%	27.3%	100%
Total Percentage			18.9%	15.3%	13.9%	11.9%	9.5%	5.9%	5.0%	3.0%	16.6%	100%
Total Discharges		77,296	14,596	11,849	10,771	9,170	7,339	4,576	3,845	2,307	12,843	

Note: Excludes normal newborns
Source: CY 2016 OSHPD Patient Discharge Database

- Community Hospital of San Bernardino is the inpatient market share leader in two of the ZIP Codes within the City of San Bernardino;
- St. Bernadine Medical Center is the market share leader in 11 of the 31 ZIP Codes; and
- Arrowhead Regional Medical Center and Kaiser Foundation Hospital – Fontana are each market share leaders in seven of the 31 different ZIP Codes.

Profile of St. Bernardine Medical Center

Overview

St. Bernardine Medical Center is a general acute care hospital located at 2101 North Waterman Avenue in San Bernardino, California.

Today, St. Bernardine Medical Center offers a range of healthcare services including obstetrics, coronary care, and a STEMI Receiving Center. The Hospital has 13 surgical operating rooms and a basic emergency department with 24 emergency treatment stations. According to St. Bernardine Medical Center’s hospital license, it is licensed for 342 beds as shown below.

ST. BERNARDINE MEDICAL CENTER LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Perinatal	46
Neonatal Intensive Care	20
Intensive Care	27
Coronary Care	20
Unspecified General Acute Care	229
Total General Acute Care Beds	342
Total Licensed Beds	342

¹ 2018 Hospital License

Key Statistics

For FY 2017 St. Bernardine Medical Center reported 14,483 inpatient discharges, 63,315 patient days, and an average daily census of 173 patients (approximately 51% occupancy).

ST. BERNARDINE MEDICAL CENTER KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	15,011	13,918	14,483
Licensed Beds	342	342	342
Patient Days	70,770	67,801	63,315
Average Daily Census	194	186	173
Occupancy	56.7%	54.3%	50.7%
Average Length of Stay	4.7	4.9	4.4
Cardiac Catheterization Procedures	6,505	3,279	9,696
Emergency Service Visits	81,891	78,334	77,889
Total Live Births	1,985	1,636	1,304

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

¹ FY 2015 and FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 data is from unaudited.

- Since FY 2015, inpatient discharges decreased by 4% and patient days decreased by 11%;
- In FY 2017, 77,889 emergency service visits were reported, a 5% decrease from FY 2015; and
- St. Bernardine Medical Center reported a 34% decrease in live births.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 volume trends at St. Bernardine Medical Center.

ST. BERNARDINE MEDICAL CENTER SERVICE VOLUMES FY 2013 - FY 2017¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	47,065	49,353	49,706	48,549	46,256
Neonatal Intensive Care	4,035	4,079	3,431	3,373	2,866
Intensive Care	13,072	12,728	12,685	11,742	10,703
Obstetrics	5,042	5,311	4,948	4,137	3,490
Total	69,214	71,471	70,770	67,801	63,315
DISCHARGES					
Medical/Surgical ²	12,808	12,841	11,889	11,190	12,065
Neonatal Intensive Care	236	258	201	211	180
Intensive Care	909	571	634	744	802
Obstetrics	2,172	2,248	2,287	1,773	1,436
Total	16,125	15,918	15,011	13,918	14,483
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.7	3.8	4.2	4.3	3.8
Neonatal Intensive Care	17.1	15.8	17.1	16.0	15.9
Intensive Care	14.4	22.3	20.0	15.8	13.3
Obstetrics	2.3	2.4	2.2	2.3	2.4
Total	4.3	4.5	4.7	4.9	4.4
AVERAGE DAILY CENSUS					
Medical/Surgical ²	128.9	135.2	136.2	133.0	126.7
Neonatal Intensive Care	11.1	11.2	9.4	9.2	7.9
Intensive Care	35.8	34.9	34.8	32.2	29.3
Obstetrics	13.8	14.6	13.6	11.3	9.6
Total	190	196	194	186	173
OTHER SERVICES					
Inpatient Surgeries	5,255	4,989	4,678	4,556	4,373
Outpatient Surgeries	4,356	2,950	2,739	2,939	2,835
Emergency Service Visits	75,873	76,604	81,891	78,334	77,889
Total Live Births	2,052	2,114	1,985	1,636	1,304

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

² Includes Definitive Observation Beds

A review of St. Bernardine Medical Center’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- The average daily census decreased by 9% from 190 patients in FY 2013 to 173 patients in FY 2017;
- Neonatal intensive care discharges have decreased by 24%; and
- Intensive care discharges decreased by 18%.

Financial Profile

Over the last five fiscal years, St. Bernardine Medical Center has had a loss in net income ranging from \$10.8 million in FY 2013 to \$52.0 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue both increased by 5%. The Hospital's operating expenses increased by 18% from \$328.5 million in FY 2013 to \$386.2 million in FY 2017. Other operating revenue increased over the five-year period by 30% from \$2.2 million to \$2.8 million.

The Hospital's current ratio has increased over the last five years from 1.35 in FY 2013 to 1.47 in FY 2017. The California current ratio in FY 2016 was 1.56. In FY 2016, the Hospital's percentage of bad debt is 0.9%, higher than the state average (0.8%).

ST. BERNARDINE MEDICAL CENTER						
FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	69,214	71,471	70,770	67,801	63,315	-
Discharges	16,125	15,918	15,011	13,918	14,483	-
ALOS	4.3	4.5	4.7	4.9	4.4	-
Net Patient Revenue	\$314,675,347	\$309,500,631	\$376,935,182	\$350,405,442	\$331,099,454	-
Other Operating Revenue	\$2,163,973	\$2,135,483	\$4,554,819	\$5,031,258	\$2,803,778	-
Total Operating Revenue	\$316,839,320	\$311,636,114	\$381,490,001	\$355,436,700	\$333,903,232	-
Operating Expenses	\$328,529,706	\$329,119,410	\$383,402,514	\$404,247,784	\$386,202,417	-
Net from Operations	(\$11,690,386)	(\$17,483,296)	(\$1,912,513)	(\$48,811,084)	(\$52,299,185)	-
Net Non-Operating Revenues and Expenses	\$877,476	\$926,620	\$285,793	(\$471,468)	\$277,947	-
Net Income	(\$10,812,910)	(\$16,556,676)	(\$1,626,720)	(\$49,282,552)	(\$52,021,238)	-
						2016 California Average ²
Current Ratio	1.35	1.37	1.74	1.79	1.47	1.56
Days in A/R	60.9	64.9	55.0	56.8	51.4	57.1
Bad Debt Rate	1.6%	1.1%	0.6%	0.9%	0.8%	0.8%
Operating Margin	-3.69%	-5.61%	-0.50%	-13.73%	-15.66%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

² FY 2017 California data was not available when the data was collected to prepare this report.

Cost of Hospital Services

St. Bernardine Medical Center’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 43% of total costs were associated with Medi-Cal, followed by 41% Medicare, and 16 % with Third-Party.

ST. BERNARDINE MEDICAL CENTER OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$328,529,706	\$329,119,410	\$383,402,514	\$404,247,784	\$386,202,417
Cost of Services By Payer:					
Medicare	\$138,510,588	\$135,622,605	\$157,973,221	\$168,520,213	\$156,251,231
Medi-Cal	\$91,255,036	\$109,015,152	\$148,861,783	\$158,523,694	\$164,891,615
County Indigent	\$2,527,575	\$4,034,104	-	-	-
Third-Party	\$81,580,892	\$68,945,578	\$68,721,494	\$68,918,337	\$60,376,982
Other Indigent	\$7,913,505	\$5,695,393	\$4,341,218	\$2,366,134	\$2,188,565
All Other Payers	\$6,742,109	\$5,806,578	\$3,504,798	\$5,919,406	\$2,494,024

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

Charity Care

The following table shows a comparison of charity care and bad debt for St. Bernardine Medical Center to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 3.0% and greater than the four-year (FY 2013 – FY 2016) statewide average of 2.5%. 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.”

ST. BERNARDINE MEDICAL CENTER CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$1,417,514	\$320,382,471	\$1,534,485	\$338,322,364	\$1,575,287	\$365,501,463	\$1,696,237	\$396,427,743	\$1,721,426	-
Charity	\$52,448	\$6,563,487	\$45,085	\$5,113,965	\$28,692	\$3,441,227	\$17,024	\$3,457,868	\$9,362	-
Bad Debt	\$22,834	\$5,891,632	\$17,562	\$4,365,936	\$9,065	\$3,262,642	\$16,012	\$3,108,971	\$14,187	-
Total Charity & Bad Debt	\$75,282	\$12,455,119	\$62,647	\$9,479,902	\$37,756	\$6,703,869	\$33,036	\$6,566,839	\$23,549	-
Charity Care as a % of Gross Patient Revenue	3.7%	2.0%	2.9%	1.5%	1.8%	0.9%	1.0%	0.9%	0.5%	-
Bad Debt as a % of Gross Patient Revenue	1.6%	1.8%	1.1%	1.3%	0.6%	0.9%	0.9%	0.8%	0.8%	-
Total as a % of Gross Patient Revenue	5.3%	3.9%	4.1%	2.8%	2.4%	1.8%	1.9%	1.7%	1.4%	-
Uncompensated Care										
Cost to Charge Ratio	23.0%	24.5%	21.3%	23.6%	24.0%	24.1%	23.5%	23.8%	22.3%	-
Charity	\$12,076	\$1,608,711	\$9,607	\$1,207,919	\$6,900	\$828,647	\$4,007	\$822,627	\$2,085	-
Bad Debt	\$5,257	\$1,444,039	\$3,742	\$1,031,234	\$2,180	\$785,644	\$3,769	\$739,624	\$3,160	-
Total	\$17,333	\$3,052,750	\$13,349	\$2,239,153	\$9,080	\$1,614,292	\$7,775	\$1,562,251	\$5,245	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

² FY 2017 California data was not available when the data was collected to prepare this report.

The table below shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$12.1 million in FY 2013 to \$2.1 million in FY 2017. The average cost of charity care for the last five-year period was \$6.9 million, while the three-year average cost of charity care was \$4.3 million.

ST. BERNARDINE MEDICAL CENTER COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$9,361,915	22.3%	\$2,085,100
FY 2016	\$17,023,911	23.5%	\$4,006,649
FY 2015	\$28,691,516	24.0%	\$6,900,148
FY 2014	\$45,084,544	21.3%	\$9,607,078
FY 2013	\$52,448,003	23.0%	\$12,075,527
FY 2015 - FY 2017 Average			\$4,330,633
FY 2013 - FY 2017 Average			\$6,934,901

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ FY 2013 to FY 2016 data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

In the application to the California Attorney General, Dignity Health reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room costs.

ST. BERNARDINE MEDICAL CENTER COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$627,727	\$978,819	\$1,254,306	\$2,860,852
Visits/Discharges	32	636	2,723	
FY 2016:				
Cost of Charity	\$671,509	\$541,819	\$540,750	\$1,754,078
Visits/Discharges	38	430	1,336	
FY 2015:				
Cost of Charity	\$1,573,572	\$1,268,931	\$902,587	\$3,745,090
Visits/Discharges	105	2,332	1,869	
FY 2014:				
Cost of Charity	\$2,608,752	\$1,832,901	\$1,458,337	\$5,899,990
Visits/Discharges	194	3,665	2899	
FY 2013:				
Cost of Charity	\$4,191,577	\$2,028,838	\$1,319,646	\$7,540,061
Visits/Discharges	308	3,863	3,109	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussions with JD Healthcare, Inc. and Vizient, Inc., Dignity Health has acknowledged that an error was made in its calculation of charity care costs. Dignity Health has stated that it accepts the calculations provided by JD Healthcare, Inc. and Vizient, Inc. for the purposes of determining their charity care commitment.

Community Benefit Services

In the last five years, St. Bernardine Medical Center has consistently provided a significant contribution of community benefit services. As shown in the table below, the average annual cost of the community benefit services over the last three fiscal years has been \$3.7 million. The average annual cost of the community benefit services over the last fiscal five years has been \$3.1 million.

ST. BERNARDINE MEDICAL CENTER COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017							
Community Benefit Programs	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015 – FY 2017 Average	FY 2013 – FY 2017 Average
Benefits for Living in Poverty	\$3,263,222	\$2,289,135	\$3,090,752	\$2,410,911	\$1,994,044	\$2,498,569	\$2,609,613
Benefits for Broader Community	\$334,741	\$347,918	\$902,955	\$2,125,754	\$3,586,622	\$2,205,110	\$1,459,598
Totals	\$3,597,963	\$2,637,053	\$3,993,707	\$4,536,665	\$5,580,666	\$4,703,679	\$4,069,211
Medi-Cal Provider Fee CHFT Grant Expense	(\$1,470,949)	(\$534,811)	(\$1,642,220)	(\$764,924)	(\$648,840)	-	-
Adjusted Totals	\$2,127,014	\$2,102,242	\$2,351,487	\$3,771,741	\$4,931,826	\$3,685,018	\$3,056,862

Source: Dignity Health, St. Bernardine Medical Center Community Benefit Reports and Plans

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$2.6 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is approximately \$1.5 million per year; and
- Over the five-year period, the Hospital’s combined adjusted total cost of the community benefit services increased from approximately \$2.1 million per year in FY 2013 to \$4.9 million per year in FY 2017.

The following table lists the Hospital’s community benefit services over the past five fiscal years that cost over \$10,000 in FY 2017, followed by descriptions of these community benefit services.

ST. BERNARDINE MEDICAL CENTER COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Services over \$10,000 in cost in FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Community Health Navigator	\$43,878	\$58,796	\$81,229	\$85,611	\$83,710
Family Focus Center - Programs	\$276,359	\$335,628	\$362,934	\$393,798	\$413,624
Transportation	\$399,407	\$402,802	\$267,771	\$292,924	\$196,903
Dignity Health Community Grants	\$158,967	\$159,738	\$156,324	\$156,705	\$107,571
In-Kind Support - Community Organizations and Vulnerable Populations	\$33,092	\$40,280	\$22,561	\$41,009	\$78,146
Donation - In-Kind: Lestonnac Free Clinic	-	-	-	\$125,049	\$213,314
Community Benefit Operations	\$216,666	\$225,329	\$237,786	\$285,378	\$296,634
Baby & Family Center	\$33,749	\$34,510	\$25,533	\$26,369	\$34,917
Chronic Disease Self-Management Program - Diabetes	\$77,865	\$48,419	\$49,900	\$48,954	\$41,648
Heart Care Center	-	\$14,895	\$15,050	\$11,252	\$20,899
Support Groups	\$6,995	\$12,306	\$10,359	\$12,509	\$13,587
Cardiac Symposium	-	\$20,275	-	\$12,394	\$22,325
Diabetes Symposium	\$29,194	\$19,525	\$18,469	\$22,175	\$23,649
Resident Training Program	-	-	\$514,711	\$1,783,342	\$3,237,623
Stepping Stones Program	\$196,862	\$97,087	\$113,972	\$147,840	\$127,328

Source: Dignity Health

- **Community Health Navigator:** Provides uninsured patients with community resources at sites offering specialty care. The navigator collaborates with local nonprofits and clinics to ensure connections for patients served;
- **Family Focus Center – Programs:** An after school program for at – risk youth who face challenges as they enter adulthood. Educational program designed for male adolescents age 12 to 18 years cover topics such as anger management, self-esteem, positive relationships, and goal setting;
- **Transportation:** Transportation expenses for patients who cannot afford it upon discharge from the Hospital. This includes bus passes and taxi vouchers, as well as costly non-emergent ambulance transports. Monthly bus passes are also provided for parents of infants in Neonatal Intensive Care Unit so they can travel back and forth from the Hospital;
- **Dignity Health Community Grants:** The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the communities we serve. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations, and to help reduce disparities;
- **In – Kind Support – Community Organizations and Vulnerable Populations:** In-kind meeting space provided for outside nonprofit organizations and support groups. Also includes clothing purchases for indigent patients, such as cloths and gas money;

- Donation – In – Kind: Lestonnac Free Clinic: Primary care clinic screening for the poor;
- Community Benefits Operations: Staff costs for managing/overseeing community benefit programs that are not already included in other categories. Includes education and travel associated with community benefit planning, strategy, and training;
- Baby & Family Center: Offers classes for families with children (e.g., parenting, car seat safety, parent-child activities, nutrition, exercise) and mechanisms established to assess and link individuals with appropriate resources;
- Chronic Disease Self – Management Program – Self-management education programs for those diagnosed with diabetes and other chronic conditions;
- Heart Care Center: Provides free services to referred patients from St. Bernardine Medical Center, as well as drop-ins from the community. The bi-lingual staff provides the following services: heart and vascular screenings, daily/weekly phone calls to monitor medication, vital signs, diet, and exercise for 30 days;
- Support Groups: Groups include breast cancer, bereavement, and bariatric patients;
- Cardiac Symposium: An annual symposium to bring the latest cardiovascular disease information to community physicians and other health professionals, as well as community members;
- Diabetes Symposium: An annual diabetes symposium to bring the latest information to primary care physicians, allied health professionals, medical assistants, nurses, dietitians, and diabetes educators;
- Resident Training Program: Resident training program with University of California Riverside; and
- Stepping Stones Program: Youth volunteer program designed for teens and young adults to gain valuable hospital workplace experience.

Reproductive Health

For CY 2016, St. Bernardine Medical Center reported 53 inpatient discharges related to reproductive health services²⁸. The following table lists inpatient reproductive health services by diagnostic related group (DRG) for CY 2016.

ST. BERNARDINE MEDICAL CENTER CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
778-Threatened Abortion	26
777-Ectopic Pregnancy	8
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	7
767-Vaginal Delivery W Sterilization &/Or D&C ¹	6
779-Abortion W/O D&C ¹	6
Total Discharges:	53

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

- Out of the five diagnostic related groups, 778-Threatened Abortion has the highest number of reproductive service inpatient discharges.

According to Dignity Health representatives, the following table indicates whether the Hospital performs the listed women’s reproductive health services.

ST. BERNARDINE MEDICAL CENTER REPRODUCTIVE SERVICES	
Procedure	Currently Performed? (Y/N)
Caesarean delivery with sterilization	No
Terminate pregnancy when:	No
A. Placenta previa	No
B. Premature rupture of membranes	No
C. Second trimester bleeding with previable fetus	No
Placement of an IUD at time of other gynecological surgery	No
Postpartum placement of IUD	No
Gender affirming surgery	No
Emergency contraception as emergency room or inpatient service	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	No

Source: Dignity Health

²⁸ St. Bernardine Medical Center is a Catholic hospital and is subject to the Catholic ERDs that prohibit direct abortions. Although the Catholic ERDs prohibit direct abortions, these procedures are performed at the Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

Analysis of St. Bernardine Medical Center

Service Area Definition

St. Bernardine Medical Center’s service area is comprised of 35 ZIP Codes from which 80% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital’s inpatient discharges originated from the top five ZIP Codes, four of which are in the City of San Bernardino and one in the City of Highland. Furthermore, 65.8% of the inpatient discharges originated from the top ten ZIP Codes. In CY 2016, the Hospital’s market share in the service area was 12.6%.

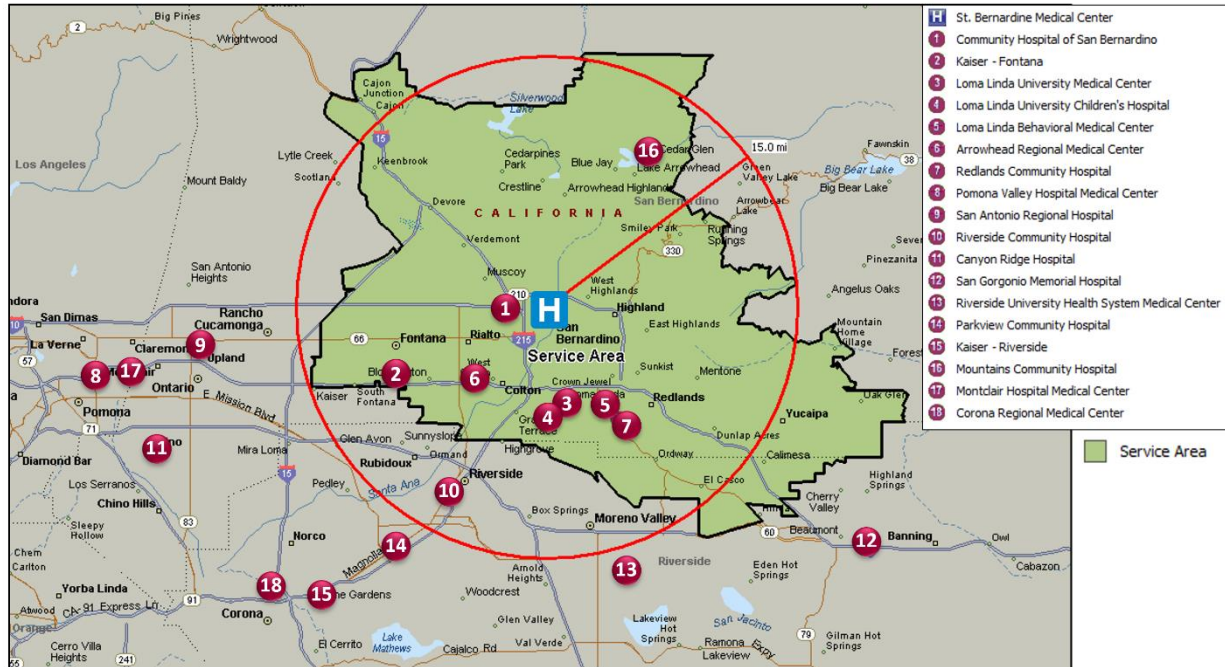
ST. BERNARDINE MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
92404	San Bernardino	2,975	21.4%	21.4%	8,393	35.4%
92410	San Bernardino	1,131	8.1%	29.5%	5,915	19.1%
92346	Highland	1,082	7.8%	37.3%	5,127	21.1%
92407	San Bernardino	959	6.9%	44.2%	5,922	16.2%
92405	San Bernardino	803	5.8%	50.0%	3,427	23.4%
92376	Rialto	624	4.5%	54.5%	8,160	7.6%
92411	San Bernardino	505	3.6%	58.1%	3,690	13.7%
92335	Fontana	390	2.8%	60.9%	8,245	4.7%
92336	Fontana	374	2.7%	63.6%	6,665	5.6%
92324	Colton	304	2.2%	65.8%	5,796	5.2%
92325	Crestline	251	1.8%	67.6%	1,032	24.3%
92408	San Bernardino	235	1.7%	69.3%	1,596	14.7%
92377	Rialto	178	1.3%	70.6%	1,582	11.3%
92369	Patton	157	1.1%	71.7%	290	54.1%
92399	Yucaipa	148	1.1%	72.8%	5,034	2.9%
92316	Bloomington	143	1.0%	73.8%	2,804	5.1%
92374	Redlands	122	0.9%	74.7%	3,475	3.5%
92401	San Bernardino	113	0.8%	75.5%	515	21.9%
92373	Redlands	101	0.7%	76.2%	3,250	3.1%
92317	Blue Jay	76	0.5%	76.8%	324	23.5%
92354	Loma Linda	74	0.5%	77.3%	2,368	3.1%
92382	Running Springs	70	0.5%	77.8%	533	13.1%
92352	Lake Arrowhead	68	0.5%	78.3%	447	15.2%
92313	Grand Terrace	45	0.3%	78.6%	1,155	3.9%
92359	Mentone	43	0.3%	78.9%	786	5.5%
92391	Twin Peaks	30	0.2%	79.2%	211	14.2%
92320	Calimesa	29	0.2%	79.4%	958	3.0%
92406	San Bernardino	24	0.2%	79.5%	69	34.8%
92321	Cedar Glen	22	0.2%	79.7%	157	14.0%
92402	San Bernardino	17	0.1%	79.8%	110	15.5%
92322	Cedarpines Park	13	0.1%	79.9%	58	22.4%
92378	Rimforest	11	0.1%	80.0%	54	20.4%
92427	San Bernardino	8	0.1%	80.0%	44	18.2%
92413	San Bernardino	8	0.1%	80.1%	44	18.2%
92385	Skyforest	6	0.0%	80.1%	31	19.4%
Total Percentage		11,139	80.1%	80.1%	88,267	12.6%
Other ZIPs		2,759	19.9%	100%		
Total Discharges		13,898	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

St. Bernardine Medical Center’s service area has approximately 916,200 residents. There are eight other hospitals located within St. Bernardine Medical Center’s service area, and one other hospital located within 15 miles from St. Bernardine Medical Center. Arrowhead Regional Medical Center is the inpatient market share leader (16.8%) in the service area.



Hospital Market Share

The following table shows inpatient market share by hospital for St. Bernardine Medical Center’s service area.

ST. BERNARDINE MEDICAL CENTER MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Arrowhead Regional Medical Center	18.0%	16.2%	15.9%	16.8%	↘
Kaiser Foundation Hospital - Fontana	13.4%	13.5%	13.7%	14.2%	↗
St. Bernardine Medical Center	14.1%	13.8%	13.3%	12.6%	↘
Loma Linda University Medical Center	15.0%	14.9%	10.8%	10.7%	→
Community Hospital of San Bernardino	10.5%	11.1%	10.5%	10.4%	→
Redlands Community Hospital	11.1%	11.6%	10.7%	10.4%	↘
Loma Linda University Children's Hospital	0.0%	0.9%	6.4%	6.1%	→
Pomona Valley Hospital Medical Center	1.8%	1.9%	2.2%	2.4%	↗
San Antonio Regional Hospital	2.3%	2.2%	2.4%	2.3%	→
Loma Linda University Behavioral Medicine Center	1.5%	1.6%	1.8%	1.9%	↗
Riverside Community Hospital	1.0%	1.0%	1.0%	1.2%	↗
Canyon Ridge Hospital	1.2%	1.2%	1.0%	0.9%	↘
Ballard Rehabilitation Hospital	0.6%	0.5%	0.5%	0.5%	→
San Geronio Memorial Hospital	0.4%	0.4%	0.5%	0.5%	→
Riverside University Health System - Medical Center	0.4%	0.4%	0.4%	0.4%	→
Parkview Community Hospital Medical Center	0.4%	0.4%	0.4%	0.4%	→
Kaiser Foundation Hospital - Riverside	0.4%	0.3%	0.4%	0.3%	→
Mountains Community Hospital	0.3%	0.3%	0.4%	0.3%	→
Kaiser Foundation Hospital - Los Angeles	0.5%	0.5%	0.3%	0.3%	→
Montclair Hospital Medical Center	0.4%	0.4%	0.3%	0.3%	→
City of Hope Helford Clinical Research Hospital	0.3%	0.2%	0.3%	0.3%	→
Aurora Charter Oak	0.3%	0.5%	0.4%	0.2%	↘
Kindred Hospital - Rancho	0.3%	0.3%	0.3%	0.2%	→
Corona Regional Medical Center-Main	0.1%	0.2%	0.2%	0.2%	→
Cedars Sinai Medical Center	0.2%	0.2%	0.2%	0.2%	→
Desert Regional Medical Center	0.1%	0.2%	0.2%	0.2%	→
All Other	5.4%	5.3%	5.4%	5.7%	↗
Total Percentage	100%	100%	100%	100%	
Total Discharges	86,192	86,419	85,599	88,267	↗

Source: OSHPD Discharge Database CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges in St. Bernardine Medical Center’s service area increased by 2.4%; and
- From CY 2013 to CY 2016, St. Bernardine Medical Center’s market share decreased by 2%.

Market Share by Payer Type

The following table shows inpatient market share by hospital and payer type in St. Bernardine Medical Center’s service area for CY 2016.

ST. BERNARDINE MEDICAL CENTER HOSPITAL MARKET SHARE BY PAYER CY 2016											
Payer Type	Total Discharges	Arrowhead Regional Medical Center	Kaiser Foundation Hospital – Fontana	St. Bernardine Medical Center	Loma Linda University Medical Center	Community Hospital of San Bernardino	Redlands Community Hospital	Loma Linda University Children's Hospital	Pomona Valley Hospital Medical Center	All Others	Total
Medi-Cal	41,331	29.4%	5.5%	12.5%	7.1%	16.4%	5.9%	8.5%	4.1%	10.6%	100%
Medicare	24,452	7.5%	17.0%	17.5%	17.3%	7.4%	16.2%	0.1%	0.6%	16.4%	100%
Private Coverage	19,368	2.1%	30.1%	7.7%	9.1%	2.6%	13.8%	7.6%	1.4%	25.6%	100%
Self-Pay	1,713	15.6%	13.5%	5.1%	17.6%	4.3%	2.3%	10.3%	2.7%	28.5%	100%
All Other	1,403	8.1%	1.8%	6.3%	13.9%	1.5%	3.3%	16.9%	0.1%	48.0%	100%
Total Percentage		16.8%	14.2%	12.6%	10.7%	10.4%	10.4%	6.1%	2.4%	16.4%	100%
Total Discharges	88,267	14,800	12,534	11,139	9,435	9,168	9,153	5,406	2,142	14,490	

Note: Excludes normal newborns
Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories type for inpatient discharges are Medi-Cal with 41,331 inpatient discharges (47%), followed by Medicare with 24,452 inpatient discharges (28%), and Private Coverage with 19,368 inpatient discharges (22%);
- St. Bernardine Medical Center is the market leader for Medicare (18%);
- Loma Linda University Children's Hospital is inpatient market leader for Self-Pay (18%);
- Arrowhead Regional Medical Center is the inpatient market share leader for Medi-Cal (29%); and
- Kaiser Foundation Hospital - Fontana is the inpatient market share leader Private Coverage (29%).

Market Share by Service Line

The following table shows inpatient market share by hospital and service line in St. Bernardine’s service area for CY 2016.

ST. BERNARDINE MEDICAL CENTER HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Arrowhead Regional Medical Center	Kaiser Foundation Hospital - Fontana	St. Bernardine Medical Center	Loma Linda University Medical Center	Community Hospital of San Bernardino	Redlands Community Hospital	Loma Linda University Children's Hospital	Pomona Valley Hospital Medical Center	All Others	Total
General Medicine	24,980	15.5%	16.2%	14.6%	13.2%	8.5%	11.4%	5.9%	0.7%	13.9%	100%
Obstetrics	14,804	16.4%	19.0%	9.9%	0.5%	13.5%	12.3%	10.7%	7.7%	10.0%	100%
Behavioral Health	9,238	25.1%	0.7%	0.8%	1.1%	26.7%	5.5%	0.2%	0.0%	39.9%	100%
Cardiac Services	8,285	15.3%	14.2%	24.0%	17.2%	9.0%	6.6%	1.4%	0.6%	11.8%	100%
General Surgery	7,371	14.9%	15.2%	18.0%	16.2%	6.9%	8.1%	3.6%	0.7%	16.4%	100%
Neonatology	5,811	21.3%	18.6%	5.6%	0.0%	11.5%	10.7%	14.8%	9.5%	8.0%	100%
Orthopedics	4,433	11.4%	11.5%	11.4%	18.1%	2.0%	24.5%	2.7%	0.5%	18.0%	100%
Neurology	3,830	16.3%	14.0%	15.2%	15.5%	4.6%	8.4%	7.5%	0.8%	17.6%	100%
Oncology/Hematology	2,448	14.6%	14.9%	12.6%	19.9%	4.9%	6.1%	9.7%	0.6%	16.6%	100%
Gynecology	1,176	18.1%	7.0%	11.4%	26.5%	6.8%	10.4%	1.4%	3.1%	15.2%	100%
Other	1,080	22.0%	18.1%	10.0%	19.3%	1.7%	6.3%	5.7%	0.4%	16.6%	100%
Spine	1,021	8.1%	8.3%	10.9%	19.6%	0.7%	19.2%	2.7%	0.6%	29.9%	100%
Vascular Services	1,001	17.3%	10.8%	23.2%	13.1%	6.9%	8.0%	1.4%	0.7%	18.7%	100%
Urology	972	12.0%	16.9%	21.7%	15.3%	3.3%	12.4%	3.3%	0.8%	14.2%	100%
ENT	874	19.8%	10.5%	4.0%	14.4%	7.3%	3.1%	25.7%	1.8%	13.3%	100%
Neurosurgery	536	10.8%	9.7%	10.6%	30.8%	0.0%	3.7%	7.1%	2.6%	24.6%	100%
No-match-found	170	5.3%	8.8%	10.0%	7.6%	8.8%	10.0%	5.3%	0.6%	43.5%	100%
Ophthalmology	136	20.6%	11.0%	1.5%	33.1%	2.2%	2.9%	13.2%	0.0%	15.4%	100%
Total Percentage		16.8%	14.2%	12.6%	10.6%	10.4%	10.4%	6.1%	2.4%	16.4%	100%
Total Discharges	88,267	14,800	12,534	11,139	9,435	9,168	9,153	5,406	2,142	14,490	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- St. Bernardine Medical Center is a service line leader in four of 18 service lines: cardiac services (24.0%), general surgery (18.0%), vascular services (23.0%), and ENT (21.7%);
- Arrowhead Regional Medical Center is a service line leader in two of 18 service lines significant market share in neonatology (21.3%), neurosurgery (16.3%), and behavioral health (28.8%); and
- Kaiser Foundation Hospital - Fontana is a service line leader in two of the 18 service lines: general medicine (16.2%), and obstetrics (19.0%).

Market Share by ZIP Code

The following table shows hospital market share by ZIP Code in St. Bernardine Medical Center’s service area for CY 2016.

ST. BERNARDINE MEDICAL CENTER HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Arrowhead Regional Medical Center	Kaiser Foundation Hospital - Fontana	St. Bernardine Medical Center	Loma Linda University Medical Center	Community Hospital of San Bernardino	Redlands Community Hospital	Loma Linda University Children's Hospital	Pomona Valley Hospital Medical Center	All Others	Total
92404	San Bernardino	8,393	12.7%	7.6%	35.4%	7.9%	15.1%	4.8%	5.4%	0.8%	10.1%	100%
92335	Fontana	8,245	22.9%	27.6%	4.7%	4.0%	6.5%	1.1%	4.5%	8.9%	19.7%	100%
92376	Rialto	8,160	35.0%	17.1%	7.6%	6.7%	9.9%	2.0%	4.7%	3.2%	13.8%	100%
92336	Fontana	6,665	11.9%	28.1%	5.6%	3.5%	4.5%	0.9%	3.4%	7.3%	34.7%	100%
92407	San Bernardino	5,922	13.0%	12.4%	16.2%	8.2%	23.4%	5.8%	6.1%	1.0%	13.9%	100%
92410	San Bernardino	5,915	24.6%	6.3%	19.1%	9.5%	18.8%	3.1%	8.2%	1.4%	9.1%	100%
92324	Colton	5,796	31.4%	12.7%	5.2%	14.5%	4.9%	8.3%	7.3%	1.2%	14.4%	100%
92346	Highland	5,127	8.2%	11.6%	21.1%	13.3%	7.7%	19.0%	6.0%	0.7%	12.4%	100%
92399	Yucaipa	5,034	4.5%	12.3%	2.9%	15.6%	0.7%	40.0%	5.5%	0.3%	18.2%	100%
92411	San Bernardino	3,690	16.6%	7.0%	13.7%	6.3%	38.8%	2.3%	5.6%	0.7%	9.1%	100%
92374	Redlands	3,475	5.3%	10.9%	3.5%	17.2%	1.2%	39.3%	7.7%	0.2%	14.7%	100%
92405	San Bernardino	3,427	14.0%	9.2%	23.4%	8.3%	23.3%	4.5%	6.5%	0.7%	10.1%	100%
92373	Redlands	3,250	3.9%	8.8%	3.1%	17.7%	0.7%	41.0%	8.5%	0.1%	16.1%	100%
92316	Bloomington	2,804	32.0%	23.8%	5.1%	6.0%	4.3%	2.2%	4.9%	5.0%	16.7%	100%
92354	Loma Linda	2,368	3.7%	6.5%	3.1%	42.6%	1.7%	11.6%	16.4%	0.4%	14.0%	100%
92408	San Bernardino	1,596	16.1%	5.7%	14.7%	21.2%	11.4%	8.1%	10.0%	1.1%	11.7%	100%
92377	Rialto	1,582	13.6%	26.9%	11.3%	7.9%	8.2%	2.7%	4.0%	4.4%	21.1%	100%
92313	Grand Terrace	1,155	8.0%	16.3%	3.9%	26.0%	3.5%	12.9%	7.8%	0.9%	20.8%	100%
92325	Crestline	1,032	12.6%	8.5%	24.3%	9.1%	3.9%	5.7%	6.0%	0.9%	29.0%	100%
92320	Calimesa	958	1.5%	10.2%	3.0%	14.3%	0.1%	31.9%	4.7%	0.4%	33.8%	100%
92359	Mentone	786	3.9%	11.7%	5.5%	15.6%	2.2%	39.1%	6.6%	0.3%	15.1%	100%
92382	Running Springs	533	6.4%	10.9%	13.1%	18.4%	2.4%	12.8%	5.3%	0.4%	30.4%	100%
92401	San Bernardino	515	24.1%	5.2%	21.9%	10.5%	13.8%	1.6%	5.0%	1.0%	16.9%	100%
92352	Lake Arrowhead	447	7.6%	8.1%	15.2%	10.5%	1.3%	8.9%	4.0%	0.2%	44.1%	100%
92317	Blue Jay	324	11.1%	9.0%	23.5%	12.3%	1.9%	3.1%	7.1%	0.0%	32.1%	100%
92369	Patton	290	23.4%	3.4%	54.1%	1.7%	9.7%	0.7%	0.7%	0.0%	6.2%	100%
92391	Twin Peaks	211	9.5%	9.0%	14.2%	8.5%	3.3%	10.9%	5.7%	0.0%	38.9%	100%
92321	Cedar Glen	157	8.3%	12.1%	14.0%	11.5%	2.5%	2.5%	2.5%	0.0%	46.5%	100%
92402	San Bernardino	110	20.9%	6.4%	15.5%	11.8%	20.0%	0.9%	1.8%	2.7%	20.0%	100%
92406	San Bernardino	69	11.6%	10.1%	34.8%	7.2%	11.6%	1.4%	8.7%	0.0%	14.5%	100%
92322	Cedarpines Park	58	8.6%	3.4%	22.4%	13.8%	3.4%	10.3%	3.4%	1.7%	32.8%	100%
92378	Rimforest	54	5.6%	20.4%	20.4%	7.4%	1.9%	9.3%	16.7%	0.0%	18.5%	100%
92427	San Bernardino	44	2.3%	20.5%	18.2%	15.9%	9.1%	6.8%	9.1%	2.3%	15.9%	100%
92413	San Bernardino	44	4.5%	15.9%	18.2%	15.9%	9.1%	6.8%	2.3%	0.0%	27.3%	100%
92385	Skyforest	31	12.9%	16.1%	19.4%	6.5%	12.9%	3.2%	0.0%	0.0%	29.0%	100%
Total Percentage			16.8%	14.2%	12.6%	10.7%	10.4%	10.4%	6.1%	2.4%	16.4%	100%
Total Discharges		88,267	14,800	12,534	11,139	9,435	9,168	9,153	5,406	2,142	14,491	

Note: Excludes normal newborns
Source: CY 2016 OSHPD Patient Discharge Database

- St. Bernardine Medical Center is the inpatient market share leader in 14 of the 35 ZIP Codes; and
- Arrowhead Regional Medical Center is the inpatient market share leader in six of the 35 ZIP Codes located within the Cities of San Bernardino, Rialto, Colton, and Bloomington.

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

In the Ministry Alignment Agreement, Dignity Health and CHI have made commitments to maintain all Dignity Health owned hospitals, IHO owned hospitals, and IHO subsidiary hospitals with their current levels of healthcare services and programs. An analysis of these commitments is provided in the following sections.

Continuation as General Acute Care Hospitals

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining Community Hospital of San Bernardino and St. Bernardine Medical Center as licensed acute care hospitals for five years after the Effective Date. Each Hospital provides a significant amount of healthcare services to the communities served as shown by their inpatient volume and market share.

Community Hospital of San Bernardino

In FY 2017, the hospitals located within Community Hospital of San Bernardino’s service area had a combined total of 2,684 licensed beds with an aggregate average occupancy rate of 50%. In FY 2017, Community Hospital of San Bernardino operated at an occupancy rate of 60%. Furthermore, of the hospitals located within its service area, Community Hospital of San Bernardino had 16% of the total inpatient discharges, representing 12% of the patient days.

SERVICE AREA HOSPITAL DATA								
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital	
Community Hospital of San Bernardino	San Bernardino	347	11,158	76,235	209	60%	-	
St. Bernardine Medical Center	San Bernardino	342	14,483	63,315	173	51%	3.3	
Kaiser Foundation Hospitals - Fontana	Fontana	626	30,587	120,957	331	53%	15.0	
Loma Linda University Medical Center	Loma Linda	533	10,997	64,833	178	33%	9.2	
Loma Linda University Children's Hospital	Loma Linda	343	7,003	38,742	106	31%	9.8	
Arrowhead Regional Medical Center	Colton	456	21,430	113,723	312	68%	6.0	
Mountains Community Hospital	Lake Arrowhead	37	329	8,082	22	60%	27.6	
Total		2,684	95,987	485,887	1,331	50%		

Source: OSHPD Discharge Reports, Google Maps
¹FY2017 OSHPD Discharges not reported. Audited FY 2016 is shown

Since Community Hospital of San Bernardino has a significant average daily census, offers unique services including psychiatric and sub-acute care, and has the third-largest market share of inpatient discharges within the service area, it is a very important provider of healthcare services to the community.

St. Bernardine Medical Center

In FY 2017, the hospitals located within St. Bernardine Medical Center’s service area had a combined total of 3,002 licensed beds with an aggregate average occupancy rate of 50%. In FY 2017, St. Bernardine Medical Center had 342 licensed beds that operated at an occupancy rate of 51%. In CY 2016, Arrowhead Regional Medical Center was the market share leader with 17% of the service area inpatient discharges. Furthermore, of the hospitals located within its service area, St. Bernardine Medical Center had 13% of the total inpatient discharges, representing 12% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
St. Bernardine Medical Center	San Bernardino	342	14,483	63,315	173	51%	-
Community Hospital Of San Bernardino	San Bernardino	347	11,158	76,235	209	60%	3.3
Kaiser Foundation Hospitals - Fontana ¹	Fontana	626	30,587	120,957	331	53%	15.1
Loma Linda University Medical Center	Loma Linda	533	10,997	64,833	178	33%	7.0
Loma Linda University Children's Hospital	Loma Linda	343	7,003	38,742	106	31%	10.0
Arrowhead Regional Medical Center	Colton	456	21,430	113,723	312	68%	12.8
Loma Linda University Behavioral Medicine Center	Redlands	89	2,424	13,755	38	42%	10.1
Redlands Community Hospital	Redlands	229	11,824	46,739	128	56%	13.2
Mountains Community Hospital	Lake Arrowhead	37	329	8,082	22	60%	23.8
Total		3,002	110,235	546,381	1,497	50%	

Source: OSHPD Discharge Reports, Google Maps
¹FY 2017 OSHPD Discharges not reported. Audited FY 2016 is shown

While St. Bernardine Medical Center is an important provider of healthcare services with an average daily census of 173 patients, four hospitals within the service area have a higher average daily census and available capacity.

Emergency Services

Community Hospital of San Bernardino and St. Bernardine Medical Center are important providers of emergency services to the residents of their respective surrounding communities. In FY 2017, Community Hospital of San Bernardino (County LPS Designated 24-Hour Facility) reported 61,159 visits to its 18 emergency treatment stations, operating at 161% capacity²⁹. During that same time period, St. Bernardine Medical Center (STEMI Receiving Center) reported 68,620 visits to its 24 emergency treatment stations, operating at 143% capacity.

As a result of the Affordable Care Act (ACA) and California’s participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. This influx of newly insured individuals, combined with the growing shortage of primary care physicians, is expected to increase emergency department utilization. Keeping Community Hospital of San Bernardino’s and St. Bernardine Medical Center’s emergency departments open is important for providing area residents access to emergency services.

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining the emergency services at all Dignity Health owned hospitals, IHO owned hospitals, and IHO

²⁹ Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station, per year, to estimate the capacity.

subsidiary hospitals at current types and levels of services and current designations for five years after the Effective Date of the Ministry Alignment Agreement as shown below:

The five-year commitments Community Hospital of San Bernardino's existing emergency services include:

- 18 Treatment Stations; and
- County LPS Designated 24-Hour Facility.

The five-year commitments to St. Bernardine Medical Center's existing emergency services include:

- 28 Treatment Stations³⁰;
- Paramedic Base Station³¹; and
- STEMI Receiving Center.

As a result of healthcare reform, aging demographics, and the growing shortage of primary care physicians, emergency service utilization is expected to continue to increase within each Hospital's primary service area. Keeping Community Hospital of San Bernardino and St. Bernardine Medical Center's emergency departments open with at least their current number of emergency department stations and current designations is important to providing emergency services within each Hospital's service area. Maintaining Community Hospital of San Bernardino's County Lanterman-Petris-Short Designation 24-Hour Facility designation is critical to providing behavioral health services within its service area.

Reproductive Health Services

Community Hospital of San Bernardino and St. Bernardine Medical Center are both important providers of reproductive healthcare services to women. Between FY 2015 and FY 2017, Community Hospital of San Bernardino averaged 2,008 live births, while St. Bernardine Medical Center averaged 1,642 live births per year.

Community Hospital of San Bernardino is a non-Catholic hospital and is not subject to the ERDs. Under the Ministry Alignment Agreement, all Dignity Health non-Catholic hospitals are not subject to the ERDs. Dignity Health's non-Catholic hospitals will transition to IHO on the Effective Date. All IHO hospitals will adopt Dignity Health's Statement of Common Values that prohibits direct abortion, in-vitro fertilization, and physician-assisted suicide. Because these hospitals are subject to Dignity Health's Statement of Common Values and not to the ERDs, no reductions in the availability or accessibility of reproductive healthcare services are expected at Community Hospital of San Bernardino as a result of this transaction.

³⁰Dignity Health committed to maintain all current emergency services. St. Bernardine Medical Center has 24 treatment stations; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health erroneously states that the Hospital has 28 treatment stations.

³¹Dignity Health committed to maintain all current emergency services. St. Bernardine Medical Center is not a designated Paramedic Base Station; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health erroneously states that the Hospital is designated as a Paramedic Base Station.

St. Bernardine Medical Center is a Catholic hospital and currently subject to the ERDs, and will continue to be subject to the ERDs after the Effective Date.

Under the ERDs, some women’s reproductive health services, including direct abortions and tubal ligations, are prohibited. Although the ERDs prohibit tubal ligations and direct abortions, these procedures are performed at St. Bernardine Medical Center when the pathology is determined to present a medical need and/or a clear and present danger to the patient. St. Bernardine Medical Center is an important provider of a range of women’s reproductive services and provides these services to a large underserved population that has lower rates of prenatal care, resulting in an increased number of high-risk births. This can increase instances of stillborn delivery, miscarriage, and fetal abnormalities.

No future reductions in the availability or accessibility of reproductive health services are expected at St. Bernardine Medical Center as a result of the Ministry Alignment Agreement.

The following table shows recorded inpatient reproductive service procedures in CY 2016 at Community Hospital of San Bernardino and St. Bernardine Medical Center.

CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP		
	Community Hospital of San Bernardino	St. Bernardine Medical Center
778-Threatened Abortion	37	26
777-Ectopic Pregnancy	23	8
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	12	7
767-Vaginal Delivery W Sterilization &/Or D&C ¹	43	6
779-Abortion W/O D&C ¹	13	6
Total Discharges:	128	53

Source: CY 2016 OSHPD Patient Discharge Database
¹D&C is an abbreviation for Dilation and Curettage

Effects on the Level & Type of Charity Care Historically Provided

Dignity Health committed to providing an annual amount of charity care based on the three most recent fiscal years as shown in the following table. As noted previously, Dignity Health has acknowledged that an error was made in its calculation of its charity care costs. Dignity Health has stated that it accepts the calculations provided by JD Healthcare, Inc. and Vizient Inc. for the purposes of determining their charity care commitment.

CHARITY CARE COSTS				
	Dignity Health ¹		OSHPD Reported ²	
	FY 2015 – FY 2017 Average	FY 2013 – FY 2017 Average	FY 2015 – FY 2017 Average	FY 2013 – FY 2017 Average
Community Hospital of San Bernardino	\$2,119,887	\$3,574,131	\$6,286,480	\$8,320,520
St. Bernardine Medical Center	\$2,786,673	\$4,360,014	\$4,330,633	\$6,934,901

¹ Dignity Health charity care commitment as calculated by Dignity Health FY 2015 - FY 2017

² Charity care as reported in OSHPD Disclosure Reports FY 2013 - FY 2017.

Effects on Services to Medi-Cal, Medicare & Other Classes of Patients

Community Hospital of San Bernardino and St. Bernardine Medical Center participate in the Medicare and Medi-Cal programs, contract with Medi-Cal Managed Care plans, and provide services to other indigent, county indigent, and private pay patients.

As a result of the expansion of Medi-Cal and the ACA, fewer low-income individuals and families are uninsured. Additionally, in San Bernardino County, qualified low-income patients are able to access the County-owned clinics and hospitals. As a result, the number of county indigent and other indigent patients have decreased. While these patients can still access the emergency departments of Dignity Health hospitals, the number of patients served has decreased.

Commercially insured patients receive care at Dignity Health hospitals under negotiated contracts and are unlikely to be affected as result of the Dignity Health and CHI transaction.

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Over 12 million Medi-Cal Managed Care beneficiaries in all 58 counties in California receive their healthcare through six models of managed care, including: County Organized Health Systems, the Two-Plan Model, Geographic Managed Care, the Regional Model, the Imperial Model, and the San Benito Model.

San Bernardino County has a Two-Plan Model that offers a local initiative plan and a commercial plan. The local initiative and commercial plan contract with the Medi-Cal Managed Care program. The percentage of San Bernardino County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the ACA and California initiatives to expand managed care. In San Bernardino County, the local initiative plan is provided by Inland

Empire Health Plan, while the commercial plan is provided by Molina Healthcare. Currently, Dignity Health is contracted with both Inland Empire Health Plan and Molina Healthcare to provide healthcare services for Medi-Cal Managed Care patients.

In the Ministry Alignment Agreement Dignity Health and CHI commit to continued participation in the Medi-Cal Managed Care and Medicare program for a period of five years after the Effective Date. The table shows current Medi-Cal Managed Care contracts that exist at Community Hospital of San Bernardino and St. Bernardine Medical Center.

DIGNITY HEALTH SAN BERNARDINO COUNTY MEDI-CAL CONTRACTS	
Dignity Health Hospital	Health Plan
Community Hospital of San Bernardino	<ul style="list-style-type: none"> • Inland Empire Health Plan (IEHP) • Molina Healthcare
St. Bernardine Medical Center	<ul style="list-style-type: none"> • Inland Empire Health Plan (IEHP)

Source: Dignity Health

As Dignity Health committed to continued participation in the Medicare, Medi-Cal, and Medi-Cal Managed Care programs in the Ministry Alignment Agreement, no reductions in the availability or accessibility of non-emergency healthcare services are anticipated for beneficiaries of Medicare, Medi-Cal, and Medi-Cal Managed Care programs for at least five years after the Effective Date.

Effects on Community Benefit Programs

Community Hospital of San Bernardino and St. Bernardine Medical Center support a significant number of ongoing community benefit programs that serve the residents of the surrounding communities. In the Ministry Alignment Agreement, Dignity Health and CHI have made commitments to maintain expenditures for community benefit services based on an average of the expenditures for the years FY 2015 – FY 2017. The following table shows the annual average for both the three and five fiscal years at Community Hospital of San Bernardino and St. Bernardine Medical Center.

SAN BERNARDINO COUNTY COMMUNITY BENEFIT		
	FY 2015 - FY 2017*	FY 2013 – FY 2017*
Community Hospital of San Bernardino	\$1,597,316	\$1,757,671
St. Bernardine Medical Center	\$3,685,018	\$3,056,862

*Less Medi-Cal Provider Fees and other non-community benefit costs as detailed in the profile sections.

While both Hospitals offer various community benefit programs, the Ministry Alignment Agreement includes commitments to maintain many of the current community benefit programs. The following table shows the service and program commitments made by Dignity Health and CHI.

COMMITTED COMMUNITY BENEFIT SERVICES AND PROGRAMS	
Hospital Name	Community Benefit Service and Program Name
Community Hospital of San Bernardino	<ul style="list-style-type: none"> • Community Health Navigator • Health Education Center • Dignity Health Community Grants Program • Diabetes and Chronic Disease Self-Management Programs • Stepping Stones Program
St. Bernardine Medical Center	<ul style="list-style-type: none"> • Community Health Navigator • Family Focus Center - Programs • Transportation • Dignity Health Community Grants • Stepping Stones Program

Effects on Hospital Licensed Services

Community Hospital of San Bernardino and St. Bernardine Medical Center are important providers of inpatient services to the residents of their respective communities. Dignity Health and CHI committed to maintaining all licensed services at current types and levels of services and current designations for five years after the Effective Date of the Ministry Alignment Agreement as follows:

Licensed Service Commitments for Community Hospital of San Bernardino:

- Pediatric services, including a minimum of 27 licensed pediatric beds;
- Obstetrics services, including a minimum of 24 licensed perinatal beds;
- Intensive care services, including a minimum of 11 intensive care beds;
- Coronary care, including a minimum of 10 licensed coronary care beds;
- Intensive Care Newborn Nursery services, including a minimum of 9 licensed Neonatal Intensive Care Unit beds;
- Psychiatric services, including a minimum of 74 licensed distinct part acute psychiatric beds and behavioral health partial hospitalization unit/services; and
- Skilled nursing services, including a minimum of 88 licensed distinct part skill nursing beds.

Licensed Service Commitments for St. Bernardine Medical Center:

- Obstetrics services, including a minimum of 46 licensed perinatal beds;
- Critical care services, including a minimum of 27 licensed intensive care beds;
- Coronary care including a minimum of 20 licensed coronary care; and

- Intensive Care Newborn Nursery services, including a minimum of 20 licensed Neonatal Intensive Care Unit beds.

Since Dignity Health and CHI make extensive five-year commitments to licensed inpatient services, no reductions in the availability or accessibility of healthcare services are expected for Community Hospital of San Bernardino and St. Bernardine Medical Center for at least five years as a result of the Ministry Alignment Agreement.

Effects on Programs and Services

Community Hospital of San Bernardino and St. Bernardino Medical Center are important providers of inpatient and outpatient programs and services to the residents of their respective surrounding communities. Dignity Health and CHI committed to maintaining additional licensed programs and services at current types and levels and current designations for five years after the Effective Date of the Ministry Alignment Agreement as follows:

Programs and Services Commitments for Community Hospital of San Bernardino:

- Cardiovascular services, including cardiac catheterization laboratory services and general cardiology services;
- Oncology services, including inpatient medical and surgical oncology services;
- General surgery services;
- Nuclear medicine services;
- Audiology services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Occupational therapy services;
- Physical therapy services;
- Podiatry services;
- Respiratory care services;
- Social services; and
- Speech pathology services.

Programs and Services Commitments for St. Bernardine Medical Center:

- Cardiovascular services, including cardiovascular surgery, interventional radiology, electrophysiology and general cardiology services;
- Oncology services, including inpatient medical and surgical oncology services;
- Orthopedic surgery services, including total joint replacements;
- General surgery services;
- Nuclear medicine services;
- Outpatient Services – Surgery, Rehabilitation and Physical Therapy;

- Outpatient Services – Urgent Care Clinic (Highland);
- Outpatient Services – Urgent Care Clinic (Fontana);
- Outpatient Services – Multispecialty Clinic³²;
- Imaging and radiology services (inpatient and outpatient);
- Occupational therapy services;
- Laboratory services;
- Physical therapy services;
- Respiratory care services; and
- Social services.

Since Dignity Health and CHI have committed to maintaining these additional licensed services and programs for five years after the Effective Date at Community Hospital of San Bernardino and St. Bernardine Medical Center, no negative impacts on the accessibility and availability of healthcare services are expected for at least five years as a result of the Ministry Alignment Agreement.

Effects on Staffing & Employee Rights

Dignity Health states that the proposed transaction will not change the status of any of Dignity Health’s non-executive employees.

Dignity Health and CHI in the Ministry Alignment Agreement also agree to maintain the respective terms of the collective bargaining agreements that are in effect as of the Effective Date as shown below.

Union Contracts Community Hospital of San Bernardino:

- California Nurses Association (CNA); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

Union Contracts for St. Bernardine Medical Center:

- California Nurses Association (CNA);
- Service Employees International Union Local 1107 (SEIU L1107); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

It is anticipated that no reductions in the number of non-executive employees are expected at Community Hospital of San Bernardino and St. Bernardine Medical Center as a result of the Ministry Alignment Agreement.

³²St. Bernardine Medical Center is in the process of converting the Congestive Heart Failure Clinic listed on its general acute care hospital license issued by California Department of Public Health (CDPH) to a Multi-Specialty Clinic. As a result, the Multi-Specialty Clinic is listed as a part of St. Bernardine Medical Center’s services for purposes of this Attachment D to Exhibit L.

Effects on Medical Staff

Dignity Health and CHI have committed to maintaining privileges for the current medical staff members of each Dignity Health California Hospital who are in good standing as of the Effective Date of the Ministry Alignment Agreement. Since Dignity Health committed to maintain the medical staffs' privileges, no reductions in the medical staff at Community Hospital of San Bernardino and St. Bernardine Medical Center are expected as a result of the Ministry Alignment Agreement.

Effects on City and County Contracts

Community Hospital of San Bernardino and St. Bernardine Medical Center have a number of contracts with San Bernardino County to provide and support specific services. According to the Ministry Alignment Agreement, these contracts will be maintained for a period of five years after the Effective Date, unless the contract is terminated for cause or expires in accordance with its current terms.

Alternatives

If the proposed Ministry Alignment Agreement is not approved, Dignity Health is expected to continue to operate as it has in the past. It may look for future partnerships; however, none are evident at this time.

Conclusions and Recommendations

Based on Dignity Health's and CHI's commitments contained in the Ministry Alignment Agreement, the proposed transaction is likely to preserve the accessibility and availability of healthcare services to the communities served for at least five years. If the transaction is not approved, Dignity Health will not have the obligation to maintain these commitments.

Potential Conditions for California Attorney General Approval of the Ministry Alignment Agreement

If the California Attorney General approves the proposed transaction, JD Healthcare, Inc. and Vizient, Inc. recommend the following conditions be required to minimize any potential negative healthcare impact that might result from the transaction:

Community Hospital of San Bernardino

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall continue to operate as a general acute care hospital;
2. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. 18 Treatment Stations; and
 - b. County Lanterman-Petris-Short Designated 24-Hour Facility.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Pediatric services, including a minimum of 27 licensed pediatric beds;
 - b. Obstetrics services, including a minimum of 24 licensed perinatal beds;
 - c. Critical care services, including a minimum of 11 intensive care beds and a minimum of 10 licensed coronary care beds; and
 - d. Intensive Care Newborn Nursery services, including a minimum of 9 licensed Neonatal Intensive Care Unit beds.

4. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain the following service at current licensure, types, and/or levels of services:
 - a. Psychiatric services, including a minimum of 74 licensed distinct part acute psychiatric beds and behavioral health partial hospitalization unit/services; and
 - b. Sub-Acute Care services, including a minimum of 88 licensed distinct part skilled nursing beds.

5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain the following services as committed to in Attachment D, in Exhibit L of the Ministry Alignment Agreement:
 - a. Cardiovascular services, including cardiac catheterization laboratory services and general cardiology services;
 - b. Oncology services, including inpatient medical and surgical oncology services;
 - c. General surgery services;
 - d. Nuclear medicine services;
 - e. Audiology services;
 - f. Imaging and radiology services (inpatient and outpatient);
 - g. Laboratory services;
 - h. Occupational therapy services;
 - i. Physical therapy services;
 - j. Podiatry services;
 - k. Respiratory care services;
 - l. Social services; and
 - m. Speech pathology services.

6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain currently provided women’s healthcare services, as well as mammography services, currently located at 1800 North Western Avenue, Suite 102 in San Bernardino, California 92411;

7. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law, and Community Hospital of San Bernardino shall provide an annual amount of charity care equal to or greater than \$8,320,520 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. An example would be to require a commitment based on a three-year rolling average of the most recent available data. For FY 2018, Community Hospital of San Bernardino’s

required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$6,286,480. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Community Hospital of San Bernardino Center in connection with the operations and provision of services at Community Hospital of San Bernardino. 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 from the U.S. Bureau of Labor Statistics;

8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall continue to expend no less than \$1,757,671 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the U.S. Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from the Closing Date:
 - a. Community Health Navigator;
 - b. Health Education Center;
 - c. Dignity Health Community Grants Program; and
 - d. Diabetes and Chronic Disease Self-Management Program; and
 - e. Stepping Stones Program.
9. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;
10. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall be certified to participate in the Medi-Cal program, providing the same type, and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries;
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contracts:
 - a. Commercial Plan: Molina Healthcare, or its successor; and
 - b. Local Initiative Plan: Inland Empire Health Plan, or its successor.

12. For at least five years from the Closing Date of the Ministry Alignment Agreement, Community Hospital of San Bernardino shall maintain its current city/county contracts for the programs listed below:
 - a. Transfer Agreement;
 - b. Fee for Service Agreement;
 - c. Memorandum of Understanding – HPP Equipment;
 - d. Outstationed Eligibility Worker;
 - e. Medically Indigent Adult Medical Care; and
 - f. Neighborhood Policing Program Services Agreement.

13. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Community Hospital of San Bernardino until January 1, 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act (Health & Safety Code, § 129675-130070); and

14. Community Hospital of San Bernardino shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

St. Bernardine Medical Center:

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement St. Bernardine Medical Center shall continue to operate as a general acute care hospital;

2. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. 24 Treatment Stations; and
 - b. STEMI Receiving Center.

3. For at least five years from closing, St. Bernardine Medical Center shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Obstetrics services, including a minimum of 46 licensed perinatal beds;
 - b. Critical care services, including a minimum of 27 licensed intensive care beds;
 - c. Coronary care, including a minimum of 20 licensed coronary care; and
 - d. Intensive Care Newborn Nursery services, including a minimum of 20 licensed Neonatal Intensive Care Unit beds.

4. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain the following services as committed to in Attachment D in Exhibit L, of the Ministry Alignment Agreement:
 - a. Cardiovascular services, including cardiovascular surgery, interventional radiology, electrophysiology and general cardiology services;
 - b. Oncology services, including inpatient medical and surgical oncology services;
 - c. Orthopedic surgery services, including total joint replacements;
 - d. General surgery services;
 - e. Nuclear medicine services;
 - f. Outpatient Services – Surgery, Rehabilitation and Physical Therapy;
 - g. Outpatient Services – Urgent Care Clinic (Highland);
 - h. Outpatient Services – Urgent Care Clinic (Fontana);
 - i. Outpatient Services – Multispecialty Clinic ;
 - j. Imaging and radiology services (inpatient and outpatient);
 - k. Occupational therapy services;
 - l. Laboratory services;
 - m. Physical therapy services;
 - n. Respiratory care services; and
 - o. Social services.

5. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain currently provided women’s healthcare services, as well as the Center for Imaging at St. Bernadine Medical Center located at 401 East Highland Avenue, Suite 100 in San Bernardino, California 92404;

6. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law, and St. Bernardine Medical Center shall provide an annual amount of charity care equal to or greater than \$6,934,901 (the “Minimum Charity Care Amount”). Alternatively, because of the impact of Medi-Cal expansion and the ACA, the California Attorney General could consider adjusting the required commitment to charity care based on available data from time periods after implementation of the ACA. An example would be to require a commitment based on a three-year rolling average of the most recent available data. For FY 2018, St. Bernardine Medical Center’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$4,330,633. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by St. Bernardine Medical Center in connection with the operations and provision of services at St. Bernardine Medical Center. 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 from the U.S. Bureau of Labor Statistics;

7. For at least five years from the Closing Date of the Ministry Alignment Agreement St. Bernardine Medical Center shall continue to expend no less than \$3,056,862 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the U.S. Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from Closing Date;
 - a. Community Health Navigator;
 - b. Family Focus Center – Programs;
 - c. Transportation;
 - d. Dignity Health Community Grants; and
 - e. Stepping Stones Program.

8. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;

9. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall be certified to participate in the Medi-Cal program, providing the same type, and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries;

10. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contracts:
 - a. Local Initiative Plan: Inland Empire Health Plan, or its successor.

11. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Bernardine Medical Center shall maintain its current city/county contract for the program listed below:
 - a. Transfer Agreement;
 - b. Resident Rotation Agreement;
 - c. Affiliation Agreement (Neurosurgery Resident Program);

- d. Outstationed Eligibility Worker;
 - e. STEMI Receiving Center Designation;
 - f. Neurovascular Stroke Receiving Center Designation;
 - g. Medically Indigent Adult Medical Care; and
 - h. Neighborhood Policing Programs Services Agreement.
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Bernardine Medical Center until January 1, 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act (Health & Safety Code, § 129675-130070); and
13. St. Bernardine Medical Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual or transgender individuals.

Appendix

Community Hospital of San Bernardino License

License: 240000198
 Effective: 11/01/2017
 Expires: 10/31/2018
 Licensed Capacity: 347

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

San Bernardino Community Hospital

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

COMMUNITY HOSPITAL OF SAN BERNARDINO
 1805 Medical Center Dr
 San Bernardino, CA 92411-1217

<p>Bed Classifications/Services</p> <ul style="list-style-type: none"> 185 General Acute Care 27 Pediatric 24 Perinatal 11 Intensive Care 10 Coronary Care 9 Intensive Care Newborn Nursery 104 Unspecified General Acute Care 74 Acute Psychiatric (D/P) 88 Skilled Nursing (D/P) 	<p>Other Approved Services</p> <ul style="list-style-type: none"> Acute Dialysis Audiology Basic Emergency Medical Cardiac Catheterization Laboratory Services Dental Services Nuclear Medicine Occupational Therapy Physical Therapy Podiatry Service Respiratory Care Services Social Services Speech Pathology
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This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
 Approved outpatient Clinical Services. Outpatient Services: Partial Hospitalization Program
 Approved Acute Dialysis Service - effective June 9, 2015.

Karen L. Smith, MD, MPH

Director and State Public Health Officer

Stephanie Devlin, Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Bernardino District Office, 464 W. Fourth Street, Suite 529, San Bernardino, CA 92401, (909)383-4777

POST IN A PROMINENT PLACE

St. Bernardine Medical Center License

License: 240000206
 Effective: 01/01/2018
 Expires: 12/31/2018
 Licensed Capacity: 342

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

Dignity Health

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

St. Bernardine Medical Center

2101 N Waterman Ave
 San Bernardino, CA 92404-4836

Bed Classifications/Services

- 342 General Acute Care
- 46 Perinatal
- 27 Intensive Care
- 20 Coronary Care
- 20 Intensive Care Newborn Nursery
- 229 Unspecified General Acute Care

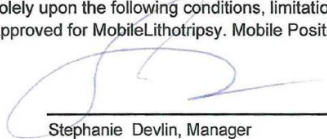
Other Approved Services

- Basic Emergency Medical
- Cardiovascular Surgery
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - Congestive Heart Failure Clinic - Outpatient Clinic at 401 East 21st St, Suite A, San Bernardino
- Outpatient Services - Surgery, Rehabilitation, PT at 401 E. HIGHLAND AVE., SAN BERNARDINO
- Outpatient Services - Urgent Care at 27925 Highland Ave, Highland
- Outpatient Services - Urgent Care Clinic or After Hour Clinic - Outpatient Clinic at Urgent Care Center - CHW Medical Plaza, 17051 Sierra Lakes Parkway, Suite 102, Fontana
- Outpatient Services - Wound Care at WOUND CARE SERVICES, 1890 N. Waterman, San Bernardino
- Physical Therapy
- Radiological Services
- Respiratory Care Services
- Social Services

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
 Two Perinatal beds designated for LDRP. Approved for MobileLithotripsy. Mobile Positron Emission System

Karen L. Smith, MD, MPH

Director and State Public Health Officer



Stephanie Devlin, Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Bernardino District Office, 464 W. Fourth Street, Suite 529, San Bernardino, CA 92401, (909)383-4777

POST IN A PROMINENT PLACE