

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 the City and
County of San Francisco

Prepared for the Office of the California Attorney General

August 10, 2018

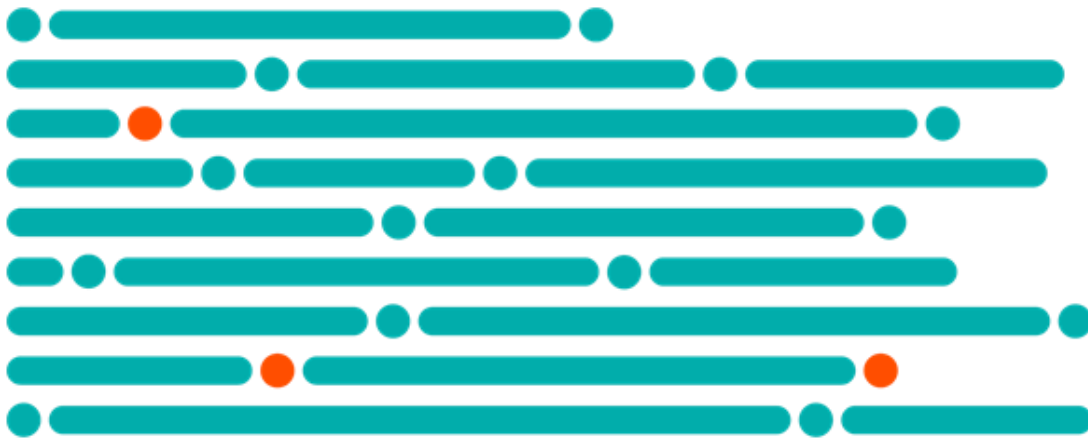


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Introduction & Purpose

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 in the City and County of San Francisco. Dignity Health owns and operates 31 general acute care hospitals in California, including two in the City and County of San Francisco: St. Mary's Medical Center and Saint Francis Memorial Hospital, both of which are located in the City and County of San Francisco.

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 Religious. Dignity Health⁴ owns and operates 31 general acute care hospitals in California⁵. 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 member⁶. 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 hospitals⁷.

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.

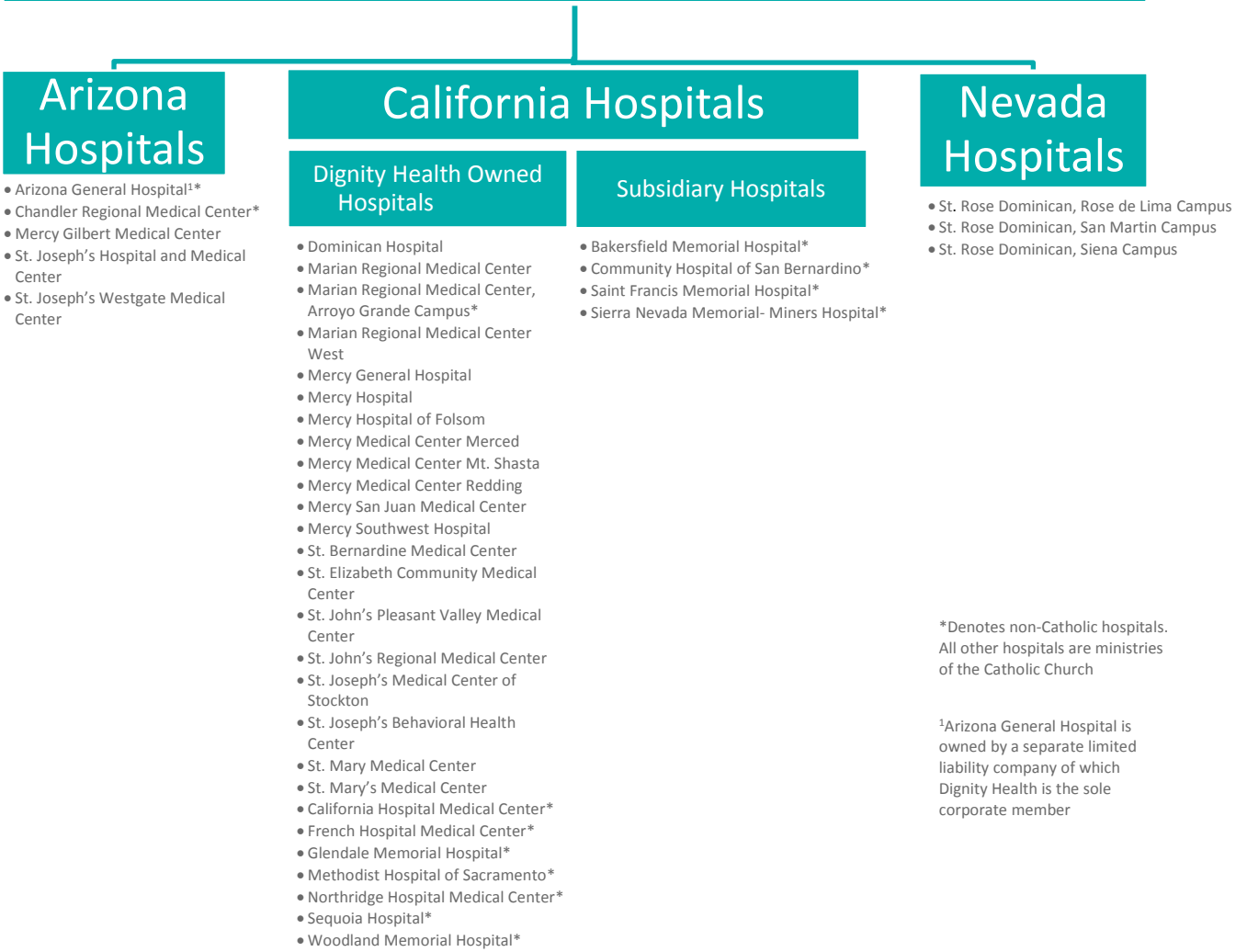
⁴ A group of Roman Catholic women who dedicate their lives to the Gospel of Jesus Christ and take vows of poverty, chastity, obedience and service. The six congregations are: Sisters of Mercy of the Americas, Sister of Charity of the Incarnate Word, Dominican Sisters of San Rafael, Sisters of St. Francis 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.

⁵ 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 campus 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).

⁶ The four facilities are Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial-Miners Hospital.

⁷ St. Joseph Medical Center of Stockton and St. Joseph 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 hospital⁸ 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.

⁸ 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 St. Mary's Medical Center and Saint Francis Memorial Hospital.

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 St. Mary's Medical Center and Saint Francis Memorial Hospital 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 Directives⁹ (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 lawyer¹⁰ 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 medicine¹². In September 2016, they formed a joint-venture named the Precision Medicine Alliance, LLC to create a large precision medicine program.

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

⁹ The Ethical and Religious Directives for Catholic Healthcare Services is a national code that guides Catholic healthcare providers on conformance with Christian theology.

¹⁰ A canon lawyer is a lawyer who is knowledgeable of the ordinances and regulations made by ecclesiastical authority.

¹² 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.

white paper¹³ 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;

¹³ 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 analysis¹⁴ from several Catholic theologians for the purposes of obtaining a *nihil obstat*¹⁵ 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;
- Provide a platform to accomplish other goals, objectives, and benefits for the communities served by the CHI and Dignity Health;

¹⁴ A formal report by a Catholic theologian on the appropriate application of Catholic moral teachings.

¹⁵A Roman Catholic Church certification by an official censor that something is not objectionable on doctrinal or moral grounds.

The *nil obstat*s 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 Date¹⁶ 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 Date¹⁷ 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 hospitals¹⁸ 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 Values¹⁹ or Designated Procedures²⁰ 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.

¹⁶ The 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.

¹⁷ As of 12:00:01 am on the day immediately after the "Closing Date".

¹⁸ Marian Regional Medical Center, Arroyo Grande Campus 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 Campus will not be transferred to IHO.

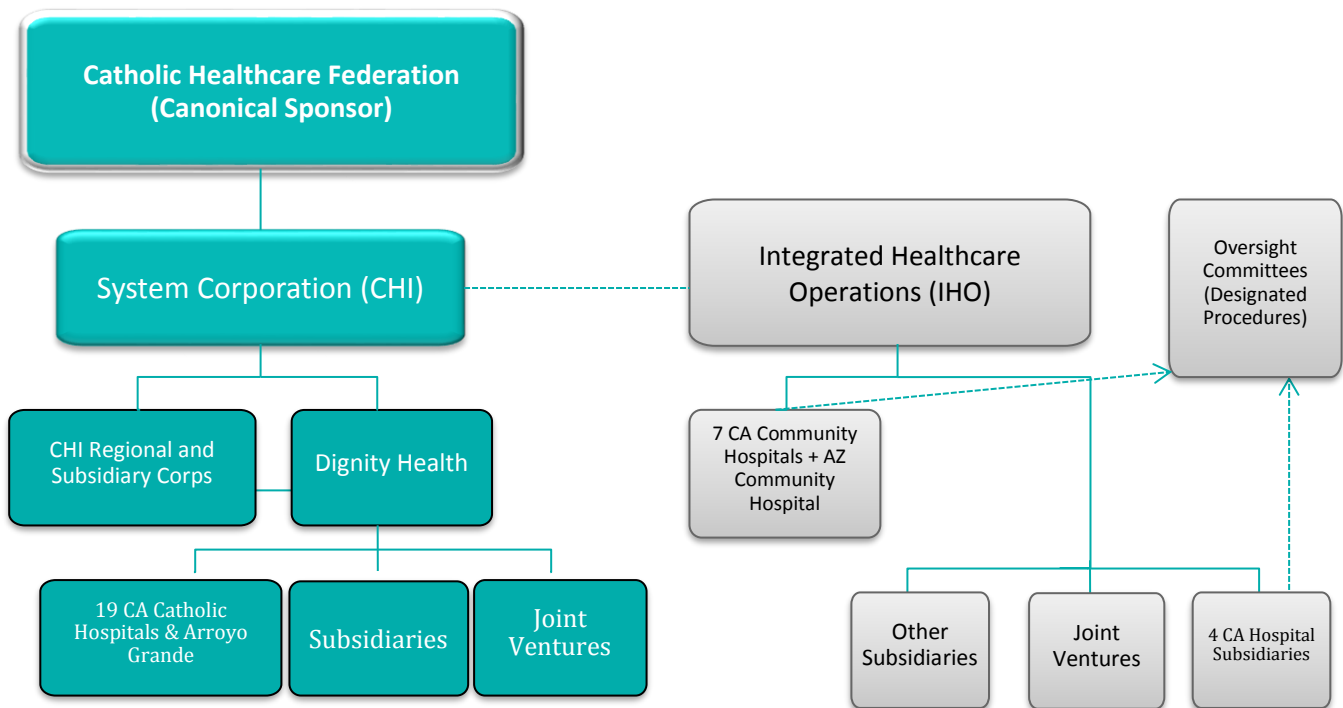
¹⁹ Dignity Health's Statement of Common Values prohibits direct abortions, in-vitro fertilizations, and provider or physician-assisted suicide or aid in dying. The most common medical procedure performed in hospitals that is prohibited by the ERDs is tubal ligation (a surgical procedure for female sterilization that involves severing and tying the fallopian tubes). Tubal ligations are not prohibited by Dignity Health's Statement of Common Values.

²⁰ Designated 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 Corporations²¹.

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 Corporations²². 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.

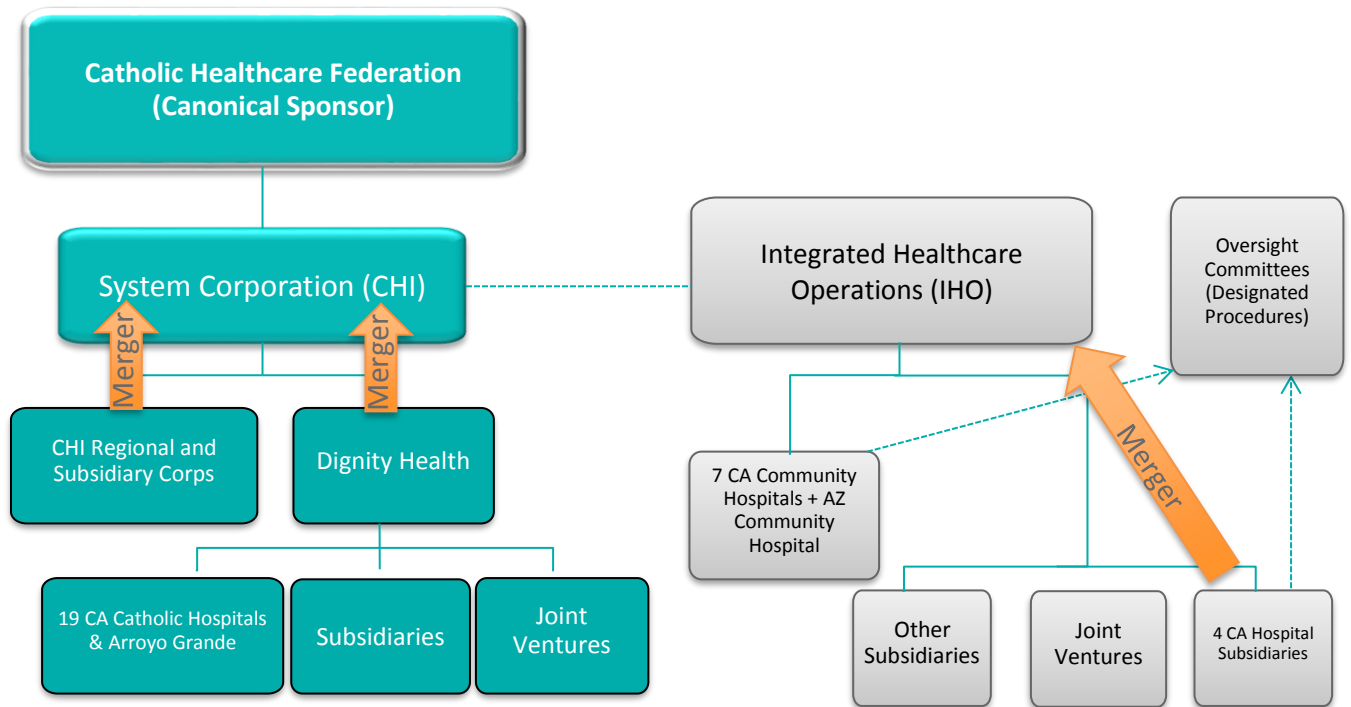


²¹ Both Dignity Health’s and IHO’s local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

²²The 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-Miners 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 Campus, 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 Campus 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);
 - 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 Medical Center of Stockton and St. Joseph 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 services²³; and
 - Additional specialty healthcare services at current licensure and designation with current types and/or levels of services.

²³ 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 St. Mary’s Medical Center and Saint Francis Memorial Hospital.

- 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.
 - 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.

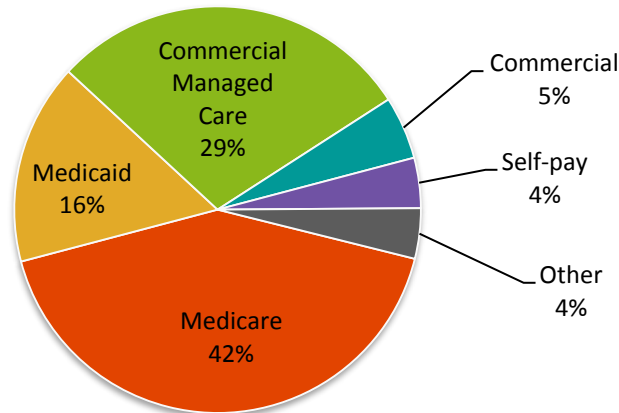
CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017			
<i>Fiscal Year ended June 30, 2017</i>	FY 2016	FY 2017	Change
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of stay, in days	4.8	4.7	-2.1%
Outpatient 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 2016²⁴				
	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.

²⁴ Fiscal 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 Campus	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	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 City and County of San Francisco’s Hospital Market Share

The City and County of San Francisco is comprised of over 884,000 residents and encompasses over 47 square miles. The map below depicts the two Dignity Health general-acute care facilities located in the City and County of San Francisco and their respective service areas.



There are a total of 24 general-acute care facilities within the City and County of San Francisco, two of which are Dignity Health hospitals. These two hospitals are St. Mary’s Medical Center and Saint Francis Memorial Hospital. The Hospitals have a combined 10.1% market share of inpatient discharges in the City and County of San Francisco. The following table shows the City and County of San Francisco’s inpatient market share for calendar year (CY) 2016, the most recent data available from OSHPD. A profile for each Dignity Health Hospital located in the City and County of San Francisco is described in the following sections.

CITY AND COUNTY OF SAN FRANCISCO MARKET SHARE BY HOSPITAL CY 2016		
Hospital	CY 2016	
	Discharges	Market Share
Chan/ Zuckerberg San Francisco General Hospital & Trauma Center	13,630	19.4%
California Pacific Med Ctr-Pacific Campus	13,489	19.2%
UCSF Medical Center	12,378	17.6%
Kaiser Foundation Hospital - San Francisco	7,602	10.8%
St. Francis Memorial Hospital	3,646	5.2%
California Pacific Medical Center - St. Luke's Campus	3,427	4.9%
St. Mary's Medical Center	3,330	4.7%
California Pacific Med Ctr-Davies Campus	2,388	3.4%
Chinese Hospital	1,312	1.9%
Kaiser Foundation Hospital - South San Francisco	1,058	1.5%
Jewish Home	1,055	1.5%
Seton Medical Center	904	1.3%
Laguna Honda Hospital and Rehabilitation Center	882	1.3%
Mills-Peninsula Medical Center	528	0.8%
Langley Porter Psychiatric Institute	445	0.6%
Stanford Health Care	348	0.5%
Kaiser Foundation Hospital - Oakland/Richmond	328	0.5%
Kaiser Foundation Hospital - Redwood City	299	0.4%
Fremont Hospital	183	0.3%
Santa Clara Valley Medical Center	135	0.2%
Lucile Salter Packard Children's Hospital	121	0.2%
Highland Hospital	120	0.2%
Kaiser Foundation Hospital - Santa Clara	119	0.2%
Marin General Hospital	118	0.2%
All other Dignity Health hospitals in California	138	0.2%
All Other	2,351	3.3%
Total Dignity Health Discharges	7,114	10.1%
Total Discharges	70,334	100%

Source: CY 2016 OSHPD Patient Discharge Database

Note: Excludes Normal Newborns

- Saint Francis Memorial Hospital has the largest market share (5.2%) of San Francisco County’s inpatient discharges among Dignity Health Hospitals;
- Chan Zuckerberg San Francisco General Hospital and Trauma Center is the inpatient leader in San Francisco with 19.4% market share; and
- “All Other Dignity Health Hospitals in California” includes residents of the City and County of San Francisco that received inpatient care at Dignity Health Hospitals located outside the City and County of San Francisco.

Profile of St. Mary’s Medical Center

Overview

St. Mary’s Medical Center is a general acute care hospital located at 450 Stanyan Street, San Francisco, California.

Today, St. Mary’s Medical Center offers a range of services including: emergency services, cardiac care, adolescent psychiatric care, and cancer care. The Hospital has 12 surgical operating rooms and a “basic” emergency department²⁵ with 17 emergency treatment stations. According to St. Mary’s Medical Center’s current hospital license, it is licensed for 275 beds, with 94 of the 275 beds in suspense as shown below.

ST. MARY’S MEDICAL CENTER LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Intensive Care	37 ²
Rehabilitation	36 ³
Unspecified General Acute Care	167 ⁴
Total General Acute Care Beds	240
Acute Psychiatric (D/P)	35
Total Licensed Beds	275

¹ 2018 Hospital License

² 18 Intensive care beds are in suspense

³ 12 Rehabilitation beds are in suspense

⁴ 64 Unspecified General Acute Care beds are in suspense

In February 2016, Vibra Healthcare, LLC. (d/b/a “Kentfield Hospital”) assumed occupancy of the entirety of the sixth floor, or approximately 26,500 square feet of St. Mary’s Medical Center. Under the terms of a 10-year lease agreement, Kentfield Hospital operates a long-term acute care hospital under separate licensure for 40 beds. Kentfield Hospital provides certain inpatient acute care services, focused on pulmonary and brain injury-related diagnoses.

In April 2018, Crestwood Behavioral Health, Inc. assumed occupancy of the entirety of the fifth floor, or approximately 26,500 square feet of St. Mary’s Medical Center. Under the terms of a 10-year lease agreement, Crestwood operates a sub-acute mental health rehabilitation center under separate licensure called “The San Francisco Healing Center”.

²⁵ 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

St. Mary’s Medical Center reported 4,960 inpatient discharges, 26,425 patient days, and an average daily census of 72 patients (approximately 18% occupancy) for FY 2017.

ST. MARY'S MEDICAL CENTER KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	5,248	5,162	4,960
Licensed Beds	315	283	399
Patient Days	30,575	28,109	26,425
Average Daily Census	84	77	72
Occupancy	26.6%	27.2%	18.1%
Average Length of Stay	5.8	5.4	5.3
Cardiac Catheterization Procedures	1,912	1,678	1,828
Emergency Service Visits	19,068	20,611	20,984

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges have decreased by 6% while patient days decreased by 14%;
- In FY 2017, 20,984 emergency service visits were reported, a 10% increase from FY 2015;
- In FY 2017, 1,828 cardiac catheterization procedures were reported; and
- The Hospital does not offer labor and delivery services.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends at St. Mary’s Medical Center.

ST. MARY'S MEDICAL CENTER SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	17,914	16,207	17,699	16,958	16,576
Intensive Care	2,951	2,617	2,846	2,842	2,670
Physical Rehabilitation Care	4,673	4,906	4,882	4,964	4,100
Skilled Nursing	6,383	3,873	2,006	-	-
Psychiatric Acute - Adolescent and Child	2,983	3,284	3,142	3,345	3,079
Total	34,904	30,887	30,575	28,109	26,425
DISCHARGES					
Medical/Surgical ²	4,559	4,048	3,709	3,807	3,738
Intensive Care	150	133	135	137	144
Physical Rehabilitation Care	401	366	365	359	302
Skilled Nursing	582	369	159	-	-
Psychiatric Acute - Adolescent and Child	745	869	880	859	776
Total	6,437	5,785	5,248	5,162	4,960
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.9	4.0	4.8	4.5	4.4
Intensive Care	19.7	19.7	21.1	20.7	18.5
Physical Rehabilitation Care	11.7	13.4	13.4	13.8	13.6
Skilled Nursing	11.0	10.5	12.6	-	-
Psychiatric Acute - Adolescent and Child	4.0	3.8	3.6	3.9	4.0
Total	5.4	5.3	5.8	5.4	5.3
AVERAGE DAILY CENSUS					
Medical/Surgical ²	49.1	44.4	48.5	46.5	45.4
Intensive Care	8.1	7.2	7.8	7.8	7.3
Physical Rehabilitation Care	12.8	13.4	13.4	13.6	11.2
Skilled Nursing	17.5	10.6	5.5	-	-
Psychiatric Acute - Adolescent and Child	8.2	9.0	8.6	9.2	8.4
Total	96	85	84	77	72
OTHER SERVICES					
Inpatient Surgeries	1,823	1,745	1,624	1,576	1,498
Outpatient Surgeries	6,376	3,474	7,149	5,694	4,681
Emergency Service Visits	17,630	17,029	19,068	20,611	20,984

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. Mary’s Medical Center’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- Total patient days have decreased by 24% and decreased the last three years by 14%;
- Inpatient discharges have decreased by 23%;
- The average daily census decreased by 24% from 96 patients in FY 2013 to 72 patients in FY 2017; and
- Emergency service visits have increased by 19% to 20,984 visits in FY 2017;

- Adolescent and child psychiatric patient days and discharges increased 3% and 4% respectively; and
- Skilled Nursing was discontinued in FY 2015.

Financial Profile

Over the last five fiscal years, St. Mary’s Medical Center’s net income declined from a gain of \$1.4 million in FY 2013 to a loss of \$29.9 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue increased by 0.1% while total operating revenue decreased by 1%. Over the same period, the Hospital’s operating expenses increased by 10% from \$224.5 million in FY 2013 to \$247.7 million in FY 2017. Other operating revenue²⁶ decreased significantly over the five-year period by 37% from \$7.3 million in FY 2013 to \$4.6 million in FY 2017.

The Hospital’s current ratio²⁷ has decreased over the last five years from 0.98 in FY 2013 to 0.88 in FY 2017. The California current ratio in FY 2016 was 1.56. For FY 2016, St. Mary’s Medical Center’s percentage of bad debt is equal to that of the statewide bad debt average of 0.8%.

ST. MARY'S MEDICAL CENTER FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	34,904	30,887	30,575	28,109	26,425	-
Discharges	6,437	5,785	5,248	5,162	4,960	-
ALOS	5.4	5.3	5.8	5.4	5.3	-
Net Patient Revenue	\$210,885,407	\$203,053,309	\$220,684,055	\$220,489,969	\$211,158,628	-
Other Operating Revenue	\$7,261,871	\$5,317,211	\$4,943,108	\$5,433,910	\$4,597,225	-
Total Operating Revenue	\$218,147,278	\$208,370,520	\$225,627,163	\$225,923,879	\$215,755,853	-
Operating Expenses	\$224,548,843	\$224,892,438	\$253,576,230	\$256,257,618	\$247,726,306	-
Net from Operations	(\$6,401,565)	(\$16,521,918)	(\$27,949,067)	(\$30,333,739)	(\$31,970,453)	-
Net Non-Operating Revenues and Expenses	\$7,752,808	\$5,557,105	\$982,077	\$2,045,509	\$2,102,100	-
Net Income	\$1,351,243	(\$10,964,813)	(\$26,966,990)	(\$28,288,230)	(\$29,868,353)	-
						2016 California Average ²
Current Ratio	0.98	1.42	0.91	0.87	0.88	1.56
Days in A/R	60.8	62.8	57.8	55.9	57.6	57.1
Bad Debt Rate	1.7%	1.0%	0.8%	1.4%	0.8%	0.8%
Operating Margin	-2.93%	-7.93%	-12.39%	-13.43%	-14.82%	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

²⁶ 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.

²⁷ The current ratio compares a company’s total 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

St. Mary’s Medical Center’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 58% of total costs were associated with Medicare patients, 27% with Third-Party, and 12% with Medi-Cal.

ST. MARY’S MEDICAL CENTER OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$224,548,843	\$224,892,438	\$253,576,230	\$256,257,618	\$247,726,306
Cost of Services By Payer:					
Medicare	\$123,644,109	\$123,926,293	\$139,488,904	\$145,772,449	\$144,066,576
Medi-Cal	\$16,407,703	\$16,203,736	\$29,140,411	\$26,212,710	\$30,240,244
County Indigent	-	-	-	-	-
Third-Party	\$70,905,117	\$71,692,631	\$77,725,095	\$78,325,363	\$65,951,931
Other Indigent	\$6,662,257	\$6,666,673	\$2,386,115	\$1,438,372	\$1,471,322
All Other Payers	\$6,929,657	\$6,403,105	\$4,835,704	\$4,508,723	\$5,996,232

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. Mary’s 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 2.9% for St. Mary’s Medical Center, greater than the four-year 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. MARY’S 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	\$862,297	\$320,382,471	\$857,799	\$338,322,364	\$878,089	\$365,501,463	\$903,518	\$396,427,743	\$908,354	-
Charity	\$26,583	\$6,563,487	\$26,841	\$5,113,965	\$9,897	\$3,441,227	\$6,082	\$3,457,868	\$5,759	-
Bad Debt	\$14,724	\$5,891,632	\$8,353	\$4,365,936	\$7,025	\$3,262,642	\$12,587	\$3,108,971	\$6,996	-
Total Charity & Bad Debt	\$41,307	\$12,455,119	\$35,195	\$9,479,902	\$16,922	\$6,703,869	\$18,668	\$6,566,839	\$12,754	-
Charity Care as a % of Gross Patient Revenue	3.1%	2.0%	3.1%	1.5%	1.1%	0.9%	0.7%	0.9%	0.6%	-
Bad Debt as a % of Gross Patient Revenue	1.7%	1.8%	1.0%	1.3%	0.8%	0.9%	1.4%	0.8%	0.8%	-
Total as a % of Gross Patient Revenue	4.8%	3.9%	4.1%	2.8%	1.9%	1.8%	2.1%	1.7%	1.4%	-
Uncompensated Care										
Cost to Charge Ratio ¹	25.2%	24.5%	25.6%	23.6%	28.3%	24.1%	27.8%	23.8%	26.8%	-
Charity	\$6,699	\$1,608,711	\$6,871	\$1,207,919	\$2,802	\$828,647	\$1,688	\$822,627	\$1,541	-
Bad Debt	\$3,710	\$1,444,039	\$2,138	\$1,031,234	\$1,989	\$785,644	\$3,494	\$739,624	\$1,872	-
Total	\$10,409	\$3,052,750	\$9,009	\$2,239,153	\$4,791	\$1,614,292	\$5,182	\$1,562,251	\$3,414	-

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 following table shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$6.7 million in FY 2013 to \$1.5 million in FY 2017. The average cost of charity care for the last five-year period was \$3.9 million, while the three-year average cost of charity care was \$2 million.

ST. MARY'S 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	\$5,758,575	26.8%	\$1,541,335
FY 2016	\$6,081,751	27.8%	\$1,688,342
FY 2015	\$9,897,066	28.3%	\$2,802,379
FY 2014	\$26,841,362	25.6%	\$6,870,720
FY 2013	\$26,583,492	25.2%	\$6,698,671
FY 2015 - FY 2017 Average			\$2,010,685
FY 2013 - FY 2017 Average			\$3,920,289

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 in the table below.

ST. MARY'S MEDICAL CENTER COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$68,061	\$849,920	\$198,423	\$1,116,404
Visits/Discharges	4	1,343	313	
FY 2016:				
Cost of Charity	\$42,007	\$919,007	\$188,011	\$1,149,025
Visits/Discharges	2	1,434	294	
FY 2015:				
Cost of Charity	\$333,327	\$1,076,303	\$210,635	\$1,620,265
Visits/Discharges	21	2,129	436	
FY 2014:				
Cost of Charity	\$871,774	\$1,080,276	\$178,946	\$2,130,996
Visits/Discharges	97	3,726	655	
FY 2013:				
Cost of Charity	\$526,323	\$997,110	\$171,417	\$1,694,850
Visits/Discharges	87	5,174	850	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussion 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 they will comply with the charity care cost amounts determined in the manner described above.

Community Benefit Services

In the last five years, St. Mary’s Medical Center has provided a significant contribution for community benefit services. As shown in the table below, the average annual cost of community benefit services over the last three years and five years has been \$9.9 million.

ST. MARY’S 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	\$1,496,643	\$1,101,828	\$1,065,088	\$1,332,172	\$1,267,992	\$1,221,751	\$1,252,745
Benefits for Broader Community	\$7,940,119	\$9,042,178	\$8,648,038	\$8,005,584	\$9,413,754	\$8,689,125	\$8,609,935
Totals	\$9,436,762	\$10,144,006	\$9,713,126	\$9,337,756	\$10,681,746	\$9,910,876	\$9,862,679

Source: Dignity Health, St. Mary’s Medical Center Community Benefit Reports and Plans

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$1.3 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is approximately \$8.6 million per year; and
- Over the five-year period, the Hospital’s total cost of community benefit services increased from \$9.4 million per year in FY 2013 to \$10.7 million per year in FY 2017.

The Hospital’s community benefit services over the past five fiscal years included the following programs with costs over \$10,000 in FY 2017:

ST. MARY’S 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
DeSoto Taxi Voucher Service	\$29,175	\$35,852	\$32,828	\$41,342	\$39,502
HIV-AIDS Drug Assistance Program Enrollment	-	-	\$26,266	\$69,519	\$65,245
SMMC Transportation Service	\$112,571	\$120,931	\$129,706	\$179,173	\$257,978
Van & Ambulance Service	\$23,083	\$19,591	\$6,290	\$33,888	\$11,271
Uncompensated Specialized HIV Testing ¹	\$13,568	\$9,198	\$12,748	\$6,090	\$4,350
Drugs Provided to Non-Insured People	\$46,221	\$17,458	\$7,723	\$1,763	\$14,775
Senior Meals	\$151,055	\$134,734	\$145,876	\$209,704	\$279,869
Sharing the Joy	\$10,152	\$10,153	\$10,474	\$10,689	\$10,387
SMMC/Dignity Health Community Grants Program	\$111,390	\$120,248	\$111,090	\$108,750	\$125,357
Community Benefit Services (Assigned Staff)	\$354,778	\$420,681	\$462,725	\$314,927	\$396,154
Fundraising Expenses for Charity Care	\$110,283	\$40,371	\$53,236	\$7,238	\$19,266
San Francisco Health Improvement Partnership	-	-	\$11,025	\$59,901	\$11,278
Breast Cancer Second Opinion Panel	\$103,850	\$125,991	\$136,518	\$138,770	\$138,084
Breast Cancer Support Group	\$36,384	\$44,930	\$46,937	\$29,953	\$45,256
Dietitian Internship	\$27,018	\$6,459	\$53	\$49,385	\$155,439
Graduate Medical Education	\$5,637,243	\$5,909,168	\$6,179,082	\$6,381,175	\$7,671,645
Millieu Internship for Marriage Family Therapy Students	\$132,228	\$133,634	\$54,376	\$76,080	\$108,339
Nursing Innovation Program	\$569,087	\$1,100,876	\$464,226	\$322,557	\$262,914
Nursing MSN and Doctoral students	\$39,815	-	\$25,899	\$65,213	\$41,418
Nursing Senior Students Preceptorship	\$492,021	\$546,301	\$596,289	\$438,473	\$327,838
Occupational Therapy Intern: Inpatient	\$3,167	\$123,615	\$92,630	\$120,172	\$182,898
Phlebotomist Intern	\$92,686	\$17,654	\$32,232	\$36,056	\$43,310
Physical Therapy Intern	\$39,061	\$27,6835	\$289,193	\$236,166	\$378,773
Space Donations to Community Groups	\$18,251	\$18,076	\$20,239	\$15,396	\$16,940

Source: Dignity Health

¹ Program commitment under \$10,000 in cost in FY 2017

- DeSoto Taxi Voucher Service: Taxi vouchers provided to low-income patients and families to assist with transportation to home or to a shelter;
- HIV-AIDS Drug Assistance Program Enrollment: Free enrollment into the State AIDS Drug Assistance Program for HIV/AIDS patients from the community;
- SMMC Transportation Service: Van service for low-income patients and families to assist with transportation to home or to a shelter;
- Van & Ambulance Service: Transportation by van or ambulance paid by hospital for low-income patients and families to assist with transportation to home or to a shelter;
- Uncompensated Specialized HIV Testing: Payment by the Hospital for uncompensated specialized HIV testing done by Virologic for SMP Clinic patients. Results of this test enhances the selection of HIV Antiviral drugs for the specific patient;
- Drugs Provided to Non-Insured People: Drugs provided to non-insured patients at the Sr. Mary Philippa Health Center and to other clinic patients who are prescribed drugs not covered by their insurance;
- Senior Meals: Provides low cost, nutritious meals to seniors 5 days a week;
- Sharing the Joy: Food vouchers provided to low-income clinic patients during the holidays;
- SMMC/Dignity Health Community Grants Program: Funding from the hospital awarded to non-profit organizations working to improve the health and well-being of vulnerable and underserved populations and reduce disparities in the community;
- Community Benefit Services (Assigned Staff): Includes costs associated with assigned staff not allocated to specific programs, as well as other costs associated with community benefit strategy and operations;
- Fundraising Expenses for Charity Care: Fundraising expenses to raise monies to support charity care;
- San Francisco Health Improvement Partnership: Costs related to conducting a community health needs assessment, creating an implementation strategy, and preparing community benefit reports as well as interagency follow-up and planning for city-wide initiatives;

- Breast Cancer Second Opinion Panel: Provides free expert opinions to women diagnosed with breast cancer every Monday;
- Breast Cancer Support Group: Support groups led by clinical psychologists to address social, psychological, or emotional issues related to specific diagnoses or occurrences for patients, families and the community;
- Dietitian Internship: Dietitian internship under the preceptorship of St. Mary's Medical Center's dietitians;
- Graduate Medical Education: Resident physicians including internal medicine, orthopedics and podiatry receive post graduate training in inpatient and outpatient setting at St. Mary's Medical Center;
- Milieu Internship for Marriage Family Therapy Students: Master's level psychotherapists volunteer to provide group therapy and milieu therapy to adolescents;
- Nursing Innovation Program: Sophomore & Junior Students are assigned to clinical rotations. Students are paired with registered nurses, who serve as preceptors for the duration of the rotations;
- Nursing MSN and Doctoral students: Doctoral, Master's and Nurse Practitioner students participate in supervised hours with an advanced practice nurse;
- Nursing Senior Students Preceptorship: Senior nursing students are assigned a final clinical rotation where they are paired with a staff nurse preceptor throughout the duration of the coursework;
- Occupational Therapy Intern: Inpatient: Supervision, instruction, and practical experience for occupational therapy interns or students;
- Phlebotomist Intern: Phlebotomy students who have completed classroom education are required to obtain practical experience at St. Mary's Medical Center through the Clinical Laboratory Department;
- Physical Therapy Intern: Supervision, instruction, and practical experience for physical therapy interns or students; and

- Space Donations to Community Groups: Space donations for the Community for support groups and other community groups.

Reproductive Health

St. Mary’s Medical Center does not offer obstetric services. For CY 2016, St. Mary’s Medical Center reported two inpatient discharges related to reproductive health services²⁸. The following table lists reproductive services by diagnostic related group discharges (DRG) for CY 2016.

ST. MARY’S MEDICAL CENTER CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
777-Ectopic Pregnancy	2
767-Vaginal Delivery W Sterilization &/Or D&C ¹	-
778-Threatened Abortion	-
770-Abortion W D&C ¹ , Aspiration Curettage or Hysterotomy	-
779-Abortion W/O D&C ¹	-
Total Discharges:	2

Source: CY 2016 OSHPD Patient Discharge Database

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

ST MARY’S 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. Mary’s Medical Center is a Catholic hospital and is subject to the ERDs.

Analysis of St. Mary’s Medical Center’s Service Area

Service Area Definition

St. Mary’s Medical Center’s service area is comprised of 25 ZIP Codes from which 66% of its discharges originated in CY 2016. Approximately 50% of the Hospital’s discharges originated from the top 11 ZIP Codes, all of which are in the City and County of San Francisco. In CY 2016, St. Mary’s Medical Center’s market share in the service area was 4.8%.

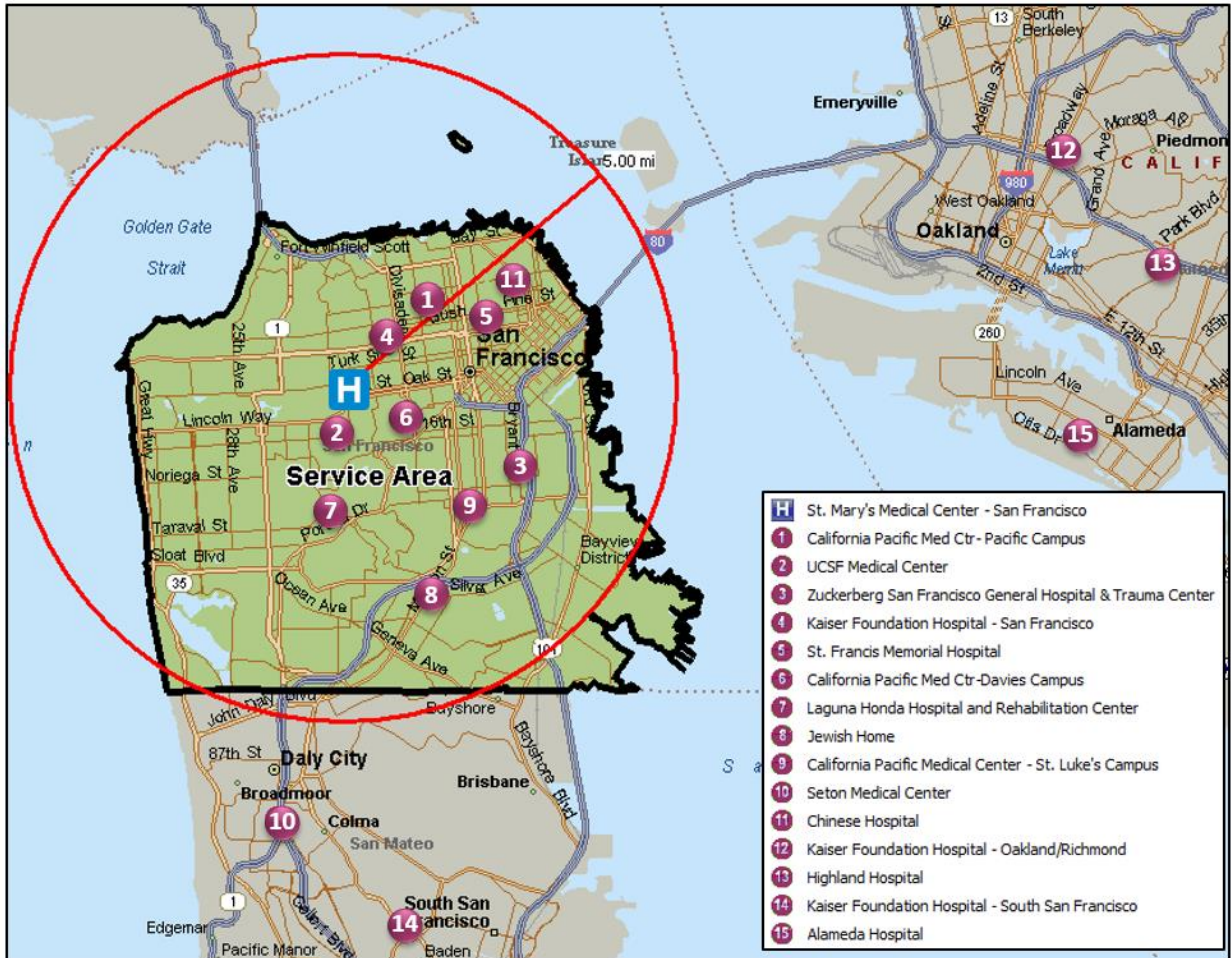
ST. MARY’S MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94121	San Francisco	346	6.9%	6.9%	2,794	12.4%
94122	San Francisco	333	6.6%	13.5%	3,741	8.9%
94116	San Francisco	327	6.5%	19.9%	3,932	8.3%
94118	San Francisco	279	5.5%	25.5%	2,536	11.0%
94112	San Francisco	256	5.1%	30.6%	6,936	3.7%
94117	San Francisco	245	4.9%	35.4%	2,403	10.2%
94102	San Francisco	169	3.4%	38.8%	5,099	3.3%
94109	San Francisco	166	3.3%	42.1%	4,690	3.5%
94115	San Francisco	162	3.2%	45.3%	3,293	4.9%
94132	San Francisco	135	2.7%	47.9%	1,792	7.5%
94127	San Francisco	121	2.4%	50.3%	1,413	8.6%
94103	San Francisco	102	2.0%	52.4%	4,171	2.4%
94131	San Francisco	101	2.0%	54.4%	1,986	5.1%
94134	San Francisco	99	2.0%	56.3%	3,785	2.6%
94114	San Francisco	80	1.6%	57.9%	2,050	3.9%
94124	San Francisco	77	1.5%	59.4%	4,326	1.8%
94133	San Francisco	71	1.4%	60.9%	2,147	3.3%
94110	San Francisco	70	1.4%	62.2%	5,775	1.2%
94123	San Francisco	56	1.1%	63.4%	1,519	3.7%
94107	San Francisco	47	0.9%	64.3%	2,040	2.3%
94108	San Francisco	31	0.6%	64.9%	1,081	2.9%
94111	San Francisco	15	0.3%	65.2%	397	3.8%
94158	San Francisco	11	0.2%	65.4%	502	2.2%
94105	San Francisco	7	0.1%	65.6%	578	1.2%
94129	San Francisco	6	0.1%	65.7%	151	4.0%
Subtotal		3,312	65.7%	65.7%	69,137	4.8%
Other ZIPs		1,731	34.3%	100%		
Total Discharges		5,043	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

St. Mary's Medical Center's service area has approximately 867,000 residents. There are ten other hospitals located within St. Mary's Medical Center's service area. There are two other hospitals located within approximately 15 miles from St. Mary's Medical Center. Zuckerberg San Francisco General Hospital and Trauma Center is the inpatient market share leader in the service area.



Hospital Market Share

The table below provides the market share of inpatient discharges by individual hospital within St. Mary’s Medical Center’s service area from CY 2013 to CY 2016.

ST. MARY'S MEDICAL CENTER MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Zuckerberg San Francisco General Hospital & Trauma Center	21.0%	21.5%	20.1%	19.5%	↘
California Pacific Med Ctr-Pacific Campus	20.3%	19.8%	19.6%	19.3%	↘
UCSF Medical Center	14.4%	15.0%	16.4%	17.4%	↗
Kaiser Foundation Hospital - San Francisco	10.8%	11.0%	10.8%	10.9%	→
St. Francis Memorial Hospital	5.2%	5.0%	5.1%	5.2%	→
California Pacific Medical Center - St. Luke's Campus	4.7%	4.9%	5.2%	4.9%	→
St. Mary's Medical Center	5.8%	4.7%	4.6%	4.8%	→
California Pacific Med Ctr-Davies Campus	3.1%	3.3%	3.3%	3.4%	↗
Chinese Hospital	2.6%	2.4%	2.3%	1.9%	↘
Jewish Home	1.2%	1.5%	1.6%	1.5%	↗
Kaiser Foundation Hospital - South San Francisco	1.3%	1.5%	1.5%	1.5%	→
Seton Medical Center	1.7%	1.5%	1.4%	1.3%	↘
Laguna Honda Hospital and Rehabilitation Center	1.4%	1.4%	1.4%	1.3%	→
Mills-Peninsula Medical Center	0.7%	0.7%	0.7%	0.7%	→
Langley Porter Psychiatric Institute	0.6%	0.6%	0.5%	0.6%	→
Stanford Health Care	0.5%	0.5%	0.5%	0.5%	→
Kaiser Foundation Hospital - Oakland/Richmond	0.3%	0.2%	0.4%	0.5%	→
Kaiser Foundation Hospital - Redwood City	0.4%	0.4%	0.5%	0.4%	→
Fremont Hospital	0.1%	0.1%	0.2%	0.3%	↗
Lucile Salter Packard Children's Hosp. at Stanford	0.2%	0.2%	0.2%	0.2%	→
All other	3.7%	3.8%	3.8%	4.0%	↗
Total Percentage	100%	100%	100%	100%	
Total Discharges	70,592	70,068	69,587	69,137	↘

Source: OSHPD Discharge Database, CY 2013 - CY 2016
 Note: Excludes normal newborns

- The number of discharges (69,137) in St. Mary’s Medical Center’s service area decreased by 2% between CY 2013 and CY 2016;
- From CY 2013 In CY 2016, Zuckerberg San Francisco General and Trauma Center ranked first in terms of overall market share for its service area based on inpatient discharges (19.5% in CY 2016); and
- California Pacific Medical Center – Pacific Campus had the second-next largest market share (19.3%), followed by UCSF Medical Center (17.4%).

Market Share by Payer Type

The following table illustrates the service area’s hospital inpatient market share by payer type as reported by OSHPD for CY 2016.

ST. MARY'S MEDICAL CENTER HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Zuckerberg San Francisco General Hospital & Trauma Center	California Pacific Med Ctr-Pacific Campus	UCSF Medical Center	Kaiser Foundation Hospital - San Francisco	St. Francis Memorial Hospital	California Pacific Medical Center - St. Luke's	St. Mary's Medical Center	California Pacific Med Ctr-Davies Campus	All Others	Total
Medicare	25,293	13.3%	17.2%	15.3%	10.9%	6.1%	5.3%	8.1%	4.4%	19.4%	100.0%
Private Coverage	22,636	3.8%	28.9%	21.1%	19.3%	2.5%	3.6%	3.2%	3.3%	14.2%	100.0%
Medi-Cal	18,674	45.4%	11.4%	16.2%	1.7%	6.0%	6.2%	2.5%	2.4%	8.2%	100.0%
All Other	1,417	39.5%	10.4%	0.8%	1.8%	21.5%	1.9%	4.0%	1.1%	19.1%	100.0%
Self-Pay	1,117	18.4%	17.1%	29.5%	4.9%	6.3%	4.2%	1.3%	2.8%	15.6%	100.0%
Total Percentage		19.5%	19.3%	17.4%	10.9%	5.2%	4.9%	4.8%	3.4%	14.6%	100.0%
Total Discharges	69,137	13,480	13,368	12,008	7,546	3,596	3,381	3,312	2,357	10,089	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer category of service area inpatient discharges is Medicare with 25,293 discharges (37%), followed by Private Coverage with 22,636 discharges (33%), and Medi-Cal with 18,674 discharges (27%);
- Zuckerberg San Francisco General Hospital & Trauma Center is the market share leader for Medi-Cal (45%);
- California Pacific Medical Campus Pacific Campus is the market share leader for Private Coverage (29%) and Medicare (17%); and
- St. Mary’s Medical Center is not a market share leader for any payer types.

Market Share by Service Line

The following table provides the service area’s inpatient market share for CY 2016.

ST. MARY’S MEDICAL CENTER HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Zuckerberg San Francisco General Hospital & Trauma Center	California Pacific Med Ctr-Pacific Campus	UCSF Medical Center	Kaiser Foundation Hospital - San Francisco	St. Francis Memorial Hospital	California Pacific Medical Center - St. Luke’s Campus	St. Mary’s Medical Center	California Pacific Med Ctr-Davies Campus	All Others	Total
General Medicine	21,667	20.0%	15.1%	16.0%	9.2%	7.2%	6.2%	6.2%	4.8%	15.3%	100%
Obstetrics	9,393	12.8%	35.3%	23.1%	18.2%	0.0%	6.3%	0.0%	0.0%	4.2%	100%
Cardiac Services	6,176	18.3%	19.7%	15.7%	12.2%	4.9%	5.3%	7.3%	2.2%	14.4%	100%
General Surgery	5,375	22.7%	18.3%	17.1%	12.5%	4.1%	4.5%	5.2%	3.7%	11.8%	100%
Orthopedics	5,261	17.5%	17.5%	11.5%	11.5%	7.0%	4.1%	8.8%	4.6%	17.6%	100%
Neonatology	4,640	15.6%	25.5%	29.8%	19.9%	0.0%	5.3%	0.0%	0.0%	4.0%	100%
Behavioral Health	4,445	29.3%	11.8%	4.1%	1.1%	12.6%	1.0%	2.5%	0.8%	36.7%	100%
Neurology	3,738	15.2%	13.8%	15.1%	7.5%	6.9%	3.2%	6.9%	10.0%	21.6%	100%
Oncology/Hematology	2,309	16.6%	20.7%	24.6%	5.5%	3.8%	3.1%	6.0%	2.8%	16.8%	100%
Other	1,364	45.7%	10.2%	8.3%	5.4%	5.8%	2.1%	3.7%	2.8%	15.9%	100%
Spine	998	18.2%	12.0%	21.6%	1.6%	4.0%	1.3%	8.0%	7.0%	26.2%	100%
ENT	805	30.4%	17.5%	24.8%	6.0%	2.7%	3.0%	1.4%	3.7%	10.4%	100%
Vascular Services	789	19.0%	20.2%	20.4%	13.8%	2.8%	6.1%	7.0%	1.9%	8.9%	100%
Urology	672	16.4%	17.3%	24.3%	11.8%	6.5%	4.5%	3.7%	3.9%	11.8%	100%
Neurosurgery	631	28.1%	8.6%	29.2%	0.8%	1.4%	0.3%	1.3%	13.0%	17.4%	100%
Gynecology	619	22.3%	31.3%	15.5%	11.0%	1.1%	4.4%	4.0%	0.8%	9.5%	100%
Ophthalmology	110	41.8%	24.5%	10.9%	6.4%	0.0%	1.8%	1.8%	5.5%	7.3%	100%
No-match-found	99	9.1%	4.0%	37.4%	11.1%	4.0%	11.1%	5.1%	6.1%	12.1%	100%
Total Percentage		19.5%	19.3%	17.4%	10.9%	5.2%	4.9%	4.8%	3.4%	14.6%	100%
Total Discharges	69,137	13,480	13,368	12,008	7,546	3,596	3,381	3,312	2,357	10,089	

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

- Zuckerberg San Francisco General Hospital & Trauma Center is the service line leader in eight of 18 service lines ranging from 15% in neurology to 42% in ophthalmology;
- University of California San Francisco Medical Center is the service area market share leader in seven of 18 service lines ranging from 20% in vascular services to 30% in neonatology; and
- St. Mary’s Medical Center is not the market share leader for any service line.

Market Share by ZIP Code

The following table illustrates the service area’s hospital market share by ZIP Code for CY 2016.

ST. MARY'S MEDICAL CENTER HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Zuckerberg San Francisco General Hospital & Trauma Center	California Pacific Med Ctr-Pacific Campus	UCSF Medical Center	Kaiser Foundation Hospital - San Francisco	St. Francis Memorial Hospital	California Pacific Medical Center - St. Luke's Campus	St. Mary's Medical Center	California Pacific Med Ctr-Davies Campus	All Others	Total
94112	San Francisco	6,936	22.1%	13.6%	14.8%	11.2%	1.9%	9.3%	3.7%	2.3%	21.1%	100.0%
94110	San Francisco	5,775	31.9%	10.6%	15.4%	10.6%	1.7%	13.2%	1.2%	3.6%	11.7%	100.0%
94102	San Francisco	5,099	34.4%	11.7%	12.5%	6.3%	16.1%	3.1%	3.3%	3.7%	8.8%	100.0%
94109	San Francisco	4,690	13.5%	29.5%	14.3%	9.0%	15.7%	2.0%	3.5%	3.3%	9.2%	100.0%
94124	San Francisco	4,326	37.4%	11.1%	14.7%	9.1%	2.4%	10.5%	1.8%	2.3%	10.7%	100.0%
94103	San Francisco	4,171	42.9%	9.1%	13.4%	5.4%	9.2%	5.0%	2.4%	3.9%	8.7%	100.0%
94116	San Francisco	3,932	10.1%	14.5%	21.0%	11.7%	1.3%	0.8%	8.3%	2.3%	30.1%	100.0%
94134	San Francisco	3,785	26.7%	15.0%	13.0%	10.5%	2.5%	7.9%	2.6%	2.8%	19.0%	100.0%
94122	San Francisco	3,741	7.1%	18.2%	27.6%	18.3%	2.1%	1.3%	8.9%	2.4%	14.0%	100.0%
94115	San Francisco	3,293	11.3%	35.6%	17.5%	9.7%	3.2%	2.3%	4.9%	4.2%	11.3%	100.0%
94121	San Francisco	2,794	6.5%	28.7%	14.9%	18.8%	1.9%	0.9%	12.4%	2.8%	13.1%	100.0%
94118	San Francisco	2,536	7.1%	34.9%	16.3%	14.7%	2.2%	1.7%	11.0%	2.7%	9.5%	100.0%
94117	San Francisco	2,403	12.7%	18.2%	25.4%	14.3%	2.4%	2.0%	10.2%	4.2%	10.5%	100.0%
94133	San Francisco	2,147	9.1%	31.3%	11.6%	7.6%	11.2%	1.8%	3.3%	3.4%	20.6%	100.0%
94114	San Francisco	2,050	9.1%	20.4%	22.3%	13.9%	1.8%	5.1%	3.9%	12.1%	11.4%	100.0%
94107	San Francisco	2,040	20.6%	18.0%	24.3%	9.0%	5.7%	4.3%	2.3%	2.8%	13.0%	100.0%
94131	San Francisco	1,986	7.2%	20.2%	23.6%	15.1%	2.5%	5.2%	5.1%	5.0%	16.1%	100.0%
94132	San Francisco	1,792	11.4%	15.6%	22.7%	11.9%	1.6%	2.6%	7.5%	2.2%	24.4%	100.0%
94123	San Francisco	1,519	3.8%	49.0%	15.1%	9.8%	3.0%	1.4%	3.7%	3.0%	11.3%	100.0%
94127	San Francisco	1,413	7.0%	19.8%	25.1%	13.4%	1.3%	1.8%	8.6%	5.0%	18.1%	100.0%
94108	San Francisco	1,081	9.2%	29.2%	8.3%	5.9%	15.4%	1.4%	2.9%	3.6%	24.1%	100.0%
94105	San Francisco	578	16.6%	19.9%	28.5%	7.4%	9.7%	2.1%	1.2%	3.1%	11.4%	100.0%
94158	San Francisco	502	10.4%	12.9%	46.0%	6.8%	5.2%	4.0%	2.2%	1.4%	11.2%	100.0%
94111	San Francisco	397	10.6%	33.2%	13.6%	7.8%	11.3%	1.3%	3.8%	3.0%	15.4%	100.0%
94129	San Francisco	151	5.3%	39.1%	17.9%	17.9%	2.0%	1.3%	4.0%	0.7%	11.9%	100.0%
Total Percentage			19.5%	19.3%	17.4%	10.9%	5.2%	4.9%	4.8%	3.4%	14.6%	100.0%
Total Discharges		69,137	13,480	13,368	12,008	7,545	3,596	3,381	3,312	2,357	10,090	

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

- St. Mary’s Medical Center is not the inpatient market share leader in any of the ZIP Codes within the City and County of San Francisco;
- UCSF Medical Center is the market share leader in 10 of the 25 ZIP Codes, all of which are within the City and County of San Francisco; and
- California Pacific Medical Center Pacific Campus is also a market share leader in nine of the 25 different ZIP Codes within the City and County of San Francisco.

Profile of Saint Francis Memorial Hospital

Overview

Saint Francis Memorial Hospital is a general acute care hospital located at 900 Hyde Street in San Francisco, California. Five physicians founded the Hospital in 1905.

Today, Saint Francis Memorial Hospital offers a range of healthcare services including a burn unit and is certified as a Primary Stroke Center. The Hospital also has two off-site locations: AT&T Ballpark Health Center in San Francisco and the Center for Sports Medicine in Walnut Creek. Saint Francis Memorial Hospital has ten surgical operating rooms and a basic emergency department with 20 emergency treatment stations. According to Saint Francis Memorial Hospital’s hospital license, it is licensed for 288 beds as shown below.

SAINT FRANCIS MEMORIAL HOSPITAL LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Rehabilitation	20
Burn	10
Intensive Care	10
Coronary Care	8
Unspecified General Acute Care	205
Total General Acute Care Beds	253
Acute Psychiatric (D/P) ²⁹	35
Total Licensed Beds	288

¹ 2018 Hospital License

²⁹ The Hospital is a Lanterman-Petris-Short Act designated 24-hour facility to receive 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.

Key Statistics

For FY 2017 Saint Francis Memorial Hospital reported 5,813 inpatient discharges, 32,906 patient days, and an average daily census of 90 patients (approximately 31% occupancy).

SAINT FRANCIS MEMORIAL HOSPITAL KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	5,896	6,008	5,813
Licensed Beds	288	288	288
Patient Days	35,841	34,282	32,906
Average Daily Census	98	94	90
Occupancy	34.1%	32.6%	31.3%
Average Length of Stay	6.1	5.7	5.7
Emergency Service Visits	33,792	36,863	36,128

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges and patient days decreased by 1% and 8% respectively;
- In FY 2017, 36,128 emergency service visits were reported, a 7% increase from FY 2015; and
- Saint Francis Memorial Hospital does not offer obstetric services.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 volume trends at Saint Francis Memorial Hospital.

SAINT FRANCIS MEMORIAL HOSPITAL SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	16,612	16,293	15,743	15,805	14,964
Burn Care	2,848	2,959	2,894	3,112	3,440
Intensive Care	4,548	4,552	4,541	2,595	2,231
Physical Rehabilitation Care	5,015	5,350	5,181	5,449	4,465
Psychiatric Acute - Adult	6,327	6,616	7,482	7,321	7,806
Total	35,350	35,770	35,841	34,282	32,906
DISCHARGES					
Medical/Surgical ²	4,179	3,989	3,244	4,216	4,095
Burn Care	139	120	208	131	191
Intensive Care	274	301	936	196	231
Physical Rehabilitation Care	438	441	381	373	311
Psychiatric Acute - Adult	1,180	1,181	1,127	1,092	985
Total	6,210	6,032	5,896	6,008	5,813
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	4.0	4.1	4.9	3.7	3.7
Burn Care	20.5	24.7	13.9	23.8	18.0
Intensive Care	16.6	15.1	4.9	13.2	9.7
Physical Rehabilitation Care	11.4	12.1	13.6	14.6	14.4
Psychiatric Acute - Adult	5.4	5.6	6.6	6.7	7.9
Total	5.7	5.9	6.1	5.7	5.7
AVERAGE DAILY CENSUS					
Medical/Surgical ²	45.5	44.6	43.1	43.3	41.0
Burn Care	7.8	8.1	7.9	8.5	9.4
Intensive Care	12.5	12.5	12.4	7.1	6.1
Physical Rehabilitation Care	13.7	14.7	14.2	14.9	12.2
Psychiatric Acute - Adult	17.3	18.1	20.5	20.1	21.4
Total	97	98	98	94	90
OTHER SERVICES					
Inpatient Surgeries	1,652	1,622	1,648	1,701	1,648
Outpatient Surgeries	1,802	1,636	1,558	1,758	1,842
Emergency Service Visits	32,612	31,812	33,792	36,863	36,128

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 Saint Francis Memorial Hospital’s historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- Total patient days have decreased by approximately 7% and decreased the last three years by 8%;
- Inpatient discharges have decreased by 6%;
- The average daily census decreased by 7% from 97 patients in FY 2013 to 90 patients in FY 2017; and
- Burn care discharges and patient days have increased by 37% and 20% respectively;

- Acute psychiatric patient days have increased by 23% and discharges have decreased by 17%;
- Physical rehabilitation care patient days and discharges have decreased by 11% and 29% respectively;
- Emergency service visits have increased by 11% to nearly 36,128 visits in FY 2017.

Financial Profile

Over the last five fiscal years, Saint Francis Memorial Hospital’s net income has declined from \$11.5 million in FY 2013 to a loss of \$36.2 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue both decreased by 5%. The Hospital’s operating expenses increased by approximately 15% from \$212.5 million in FY 2013 to \$243.9 million in FY 2017. Other operating revenue decreased over the five-year period by 24% from \$3.6 million to \$2.8 million.

The Hospital’s current ratio has decreased over the last five years from 1.49 in FY 2013 to 0.69 in FY 2017. The California current ratio in FY 2016 was 1.56. In FY 2016, the Hospital’s percentage of bad debt is 1.3%, higher than the state bad debt average of 0.8%.

SAINT FRANCIS MEMORIAL HOSPITAL FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	35,350	35,770	35,841	34,282	32,906	-
Discharges	6,210	6,032	5,896	6,008	5,813	-
ALOS	5.7	5.9	6.1	5.7	5.7	-
Net Patient Revenue	\$206,126,585	\$196,659,479	\$221,989,006	\$217,861,786	\$196,481,492	-
Other Operating Revenue	\$3,641,757	\$3,189,866	\$2,771,321	\$3,141,690	\$2,783,612	-
Total Operating Revenue	\$209,768,342	\$199,849,345	\$224,760,327	\$221,003,476	\$199,265,104	-
Operating Expenses	\$212,527,976	\$214,769,116	\$242,742,423	\$250,546,483	\$243,853,545	-
Net from Operations	(\$2,759,634)	(\$14,919,771)	(\$17,982,096)	(\$29,543,007)	(\$44,588,441)	-
Net Non-Operating Revenues and Expenses	\$14,272,953	\$18,735,278	\$726,914	(\$924,194)	\$8,369,106	-
Net Income	\$11,513,319	\$3,815,507	(\$17,255,182)	(\$30,467,201)	(\$36,219,335)	-
						2016 California Average ²
Current Ratio	1.49	1.40	1.09	0.88	0.69	1.56
Days in A/R	69.8	80.4	60.0	64.8	62.4	57.1
Bad Debt Rate	2.5%	2.5%	2.2%	2.2%	1.3%	0.8%
Operating Margin	-1.32%	-7.47%	-8.00%	-13.37%	-22.38%	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.

Cost of Hospital Services

Saint Francis Memorial Hospital’s operating cost of services includes both inpatient and outpatient care. In FY 2017, approximately 38% of total costs were associated with Medicare, 27% with Medi-Cal, and 27% with Third-Party.

SAINT FRANCIS MEMORIAL HOSPITAL OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$212,527,976	\$214,769,116	\$242,742,423	\$250,546,483	\$243,853,545
Cost of Services By Payer:					
Medicare	\$84,146,817	\$84,156,359	\$95,267,212	\$98,449,332	\$91,361,153
Medi-Cal	\$30,238,547	\$36,504,720	\$55,257,313	\$63,899,537	\$65,779,294
County Indigent	-	-	-	-	-
Third-Party	\$68,026,677	\$65,151,396	\$67,791,859	\$67,105,643	\$65,762,616
Other Indigent	\$10,403,483	\$9,927,656	\$4,758,312	\$3,917,086	\$3,492,133
All Other Payers	\$19,712,451	\$19,028,986	\$19,667,727	\$17,174,885	\$17,458,350

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 Saint Francis Memorial Hospital 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 5.3% and greater than the four-year 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.”

SAINT FRANCIS MEMORIAL HOSPITAL 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	\$842,957	\$320,382,471	\$877,214	\$338,322,364	\$880,860	\$365,501,463	\$903,805	\$396,427,743	\$907,000	-
Charity	\$44,524	\$6,563,487	\$41,126	\$5,113,965	\$19,538	\$3,441,227	\$18,069	\$3,457,868	\$14,099	-
Bad Debt	\$21,436	\$5,891,632	\$21,794	\$4,365,936	\$19,750	\$3,262,642	\$19,969	\$3,108,971	\$11,974	-
Total Charity & Bad Debt	\$65,960	\$12,455,119	\$62,920	\$9,479,902	\$39,289	\$6,703,869	\$38,037	\$6,566,839	\$26,073	-
Charity Care as a % of Gross Patient Revenue	5.3%	2.0%	4.7%	1.5%	2.2%	0.9%	2.0%	0.9%	1.6%	-
Bad Debt as a % of Gross Patient Revenue	2.5%	1.8%	2.5%	1.3%	2.2%	0.9%	2.2%	0.8%	1.3%	-
Total as a % of Gross Patient Revenue	7.8%	3.9%	7.2%	2.8%	4.5%	1.8%	4.2%	1.7%	2.9%	-
Uncompensated Care										
Cost to Charge Ratio¹	24.8%	24.5%	24.1%	23.6%	27.2%	24.1%	27.4%	23.8%	26.6%	-
Charity	\$11,033	\$1,608,711	\$9,919	\$1,207,919	\$5,323	\$828,647	\$4,946	\$822,627	\$3,747	-
Bad Debt	\$5,312	\$1,444,039	\$5,257	\$1,031,234	\$5,381	\$785,644	\$5,466	\$739,624	\$3,182	-
Total	\$16,345	\$3,052,750	\$15,176	\$2,239,153	\$10,703	\$1,614,292	\$10,412	\$1,562,251	\$6,930	-

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 \$11 million in FY 2013 to \$3.7 million in FY 2017. The average cost of charity care for the last five-year period was \$7.0 million, while for the three-year average cost of charity care was \$4.7 million.

SAINT FRANCIS MEMORIAL HOSPITAL 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	\$14,099,350	26.6%	\$3,747,442
FY 2016	\$18,068,586	27.4%	\$4,946,039
FY 2015	\$19,538,225	27.2%	\$5,322,764
FY 2014	\$41,125,696	24.1%	\$9,919,291
FY 2013	\$44,524,232	24.8%	\$11,033,177
FY 2015 - FY 2017 Average			\$4,672,082
FY 2013 - FY 2017 Average			\$6,993,743

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.

SAINT FRANCIS MEMORIAL HOSPITAL COST OF CHARITY CARE BY SERVICE FY 2013 – FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$513,973	\$1,758,611	\$783,218	\$3,055,802
Visits/Discharges	21	2,028	1,139	
FY 2016:				
Cost of Charity	\$903,676	\$2,104,335	\$974,910	\$3,982,921
Visits/Discharges	40	2,612	1,519	
FY 2015:				
Cost of Charity	\$1,659,301	\$2,022,579	\$1,033,834	\$4,715,714
Visits/Discharges	79	3,331	1,808	
FY 2014:				
Cost of Charity	\$2,148,567	\$1,621,380	\$572,766	\$4,342,713
Visits/Discharges	157	4,641	2,152	
FY 2013:				
Cost of Charity	\$1,993,091	\$1,732,558	\$612,559	\$4,338,208
Visits/Discharges	190	6,179	2,669	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussion 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 they will comply with the charity care cost amounts determined in the manner described above.

Community Benefit Services

In the last five years, Saint Francis Memorial Hospital has consistently provided community benefit services. As shown in the table below, the average annual cost of community benefit services over the last three years has been \$1,226,153. The average annual cost of community benefit services over the last five years has been \$1,579,371.

SAINT FRANCIS MEMORIAL HOSPITAL 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	\$2,090,401	\$1,667,551	\$1,200,718	\$885,099	\$698,520	\$928,112	\$1,308,458
Benefits for Broader Community	\$193,004	\$267,437	\$442,475	\$203,563	\$248,085	\$298,041	\$270,913
Totals	\$2,283,405	\$1,934,988	\$1,643,193	\$1,088,662	\$946,605	\$1,226,153	\$1,579,371
Non-Community Benefit Program							
Medi-Cal Provider Fee CHFT Grant Expense	(\$224,665)	(\$110,773)	(\$200,824)	\$4,404	(\$48,438)	-	-
Adjusted Totals	\$2,058,740	\$1,824,215	\$1,442,369	\$1,093,066	\$898,167	\$ 1,144,534	\$ 1,461,431

Source: Dignity Health, Saint Francis Memorial Hospital Community Benefit Reports and Plans

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$1.3 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is approximately \$271,000 per year; and
- Over the five-year period, the Hospital’s adjusted total cost of community benefit services decreased from approximately \$2.0 million per year in FY 2013 to \$898,000 per year in FY 2017.

Saint Francis Memorial Hospital community benefit services over the past five fiscal years included the following programs with costs over \$10,000 in FY 2017:

SAINT FRANCIS MEMORIAL HOSPITAL 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
Patient Navigator: Primary Care (formerly ED Transitions Program)	-	\$12,000	-	-	\$110,000
Tenderloin Health Services (formerly Glide Health Clinic) ²	\$650,117	\$700,813	\$314,264	\$224,919	-
Hospitalist Program	\$260,971	\$256,035	\$226,234	\$202,839	\$295,323
Rally Family Visitation Program	\$395,876	\$136,196	\$159,259	\$142,875	\$240,019
Reimbursement to Physicians for Indigent Care ¹	\$53,338	\$128,462	\$33,569	\$8,890	\$6,425
Community Grants Program	\$150,000	\$111,082	\$103,337	\$103,322	\$116,611
CHFT Hospital Grant Program	\$224,665	\$110,773	\$200,824	-	\$48,438
Community Benefit Operations: Assigned Staff (formerly Community Outreach and Planning)	\$132,177	\$160,180	\$133,426	\$171,566	\$96,415

Clinical Pastoral Education Program	\$110,266	\$119,549	\$126,575	\$130,963	\$121,522
GME Medical Education	(\$15,851)	(\$17,156)	\$20,232	(\$77,559)	\$18,541
Meeting Rooms/Space Donation to Community Groups	\$58,470	\$64,742	\$69,291	\$76,398	\$94,074

Source: Dignity Health

¹ Program commitment under \$10,000 in cost in FY 2017

² Program commitment with no cost in FY 2017

- Patient Navigator: Primary Care: A partnership with HealthRIGHT360's Tenderloin Health Services to provide patient navigator services. The Patient Navigator works with hospital case management, financial counseling departments, and community-based clinics to assist patients with transitioning to appropriate medical homes, including primary and/or specialty care appointments;
- Tenderloin Health Services: The Hospital provides supplies to support community-based clinic operations at HealthRIGHT360's Tenderloin Health Services;
- Hospitalist Program: The Hospital reimburses hospitalists for services provided to underinsured and uninsured patients;
- Rally Family Visitation Program: A program that allows children to visit their court-ordered, non-custodial parent when there is a conflict, including domestic violence between divorced or separated parents. The program serves predominantly low-income families;
- Community Grants Program: Funding from the Hospital awarded to nonprofit organizations working to improve the health and well-being of vulnerable and underserved populations and reduce disparities in the community;
- Community Benefit Operations: Assigned Staff (formerly Community Outreach and Planning): Include costs associated with assigned staff not allocated to specific programs, as well as other costs associated with community benefit strategy and operations;
- Clinical Pastoral Education Program: One-year program that provides Clinical Pastoral Education students with a collaborative, interfaith, and clinical learning environment to develop their skills in pastoral reflection, formation, competence, and specialization;
- GME Medical Education: Provides a clinical setting for Physician/Medical Students training and internships;
- Meeting Rooms/Space Donation to Community Groups: Free and low-cost meeting space to community-based organizations; and
- Reimbursement to physicians for indigent care: Reimbursement to specialty care physicians for providing charity care to indigent patients.

Reproductive Health

Saint Francis Memorial Hospital did not provide obstetric services or any of the following reproductive services for CY 2016³⁰.

SAINT FRANCIS MEMORIAL HOSPITAL CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C ¹	-
778-Threatened Abortion	-
777-Ectopic Pregnancy	-
770-Abortion W D&C ¹ , Aspiration Curettage or Hysterotomy	-
779-Abortion W/O D&C ¹	-
Total Discharges:	0

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

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

SAINT FRANCIS MEMORIAL HOSPITAL 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	Yes
Postpartum placement of IUD	No
Gender affirming surgery	Yes, (Transgender surgery)
Emergency contraception as emergency room or inpatient service	No
Ectopic pregnancy treatment with methotrexate (medication in lieu of surgery)	No

Source: Dignity Health

³⁰ Saint Francis Memorial Hospital is not a Catholic hospital and is not subject to the ERDs.

Analysis of Saint Francis Memorial Hospital

Service Area Definition

Saint Francis Memorial Hospital’s service area is comprised of 28 ZIP Codes from which 62% of its discharges originated in CY 2016. Approximately 50% of the Hospital’s discharges originated from the top eleven ZIP Codes, all of which are in the City and County of San Francisco. In CY 2016, the Hospital’s market share in the service area was 5.2%.

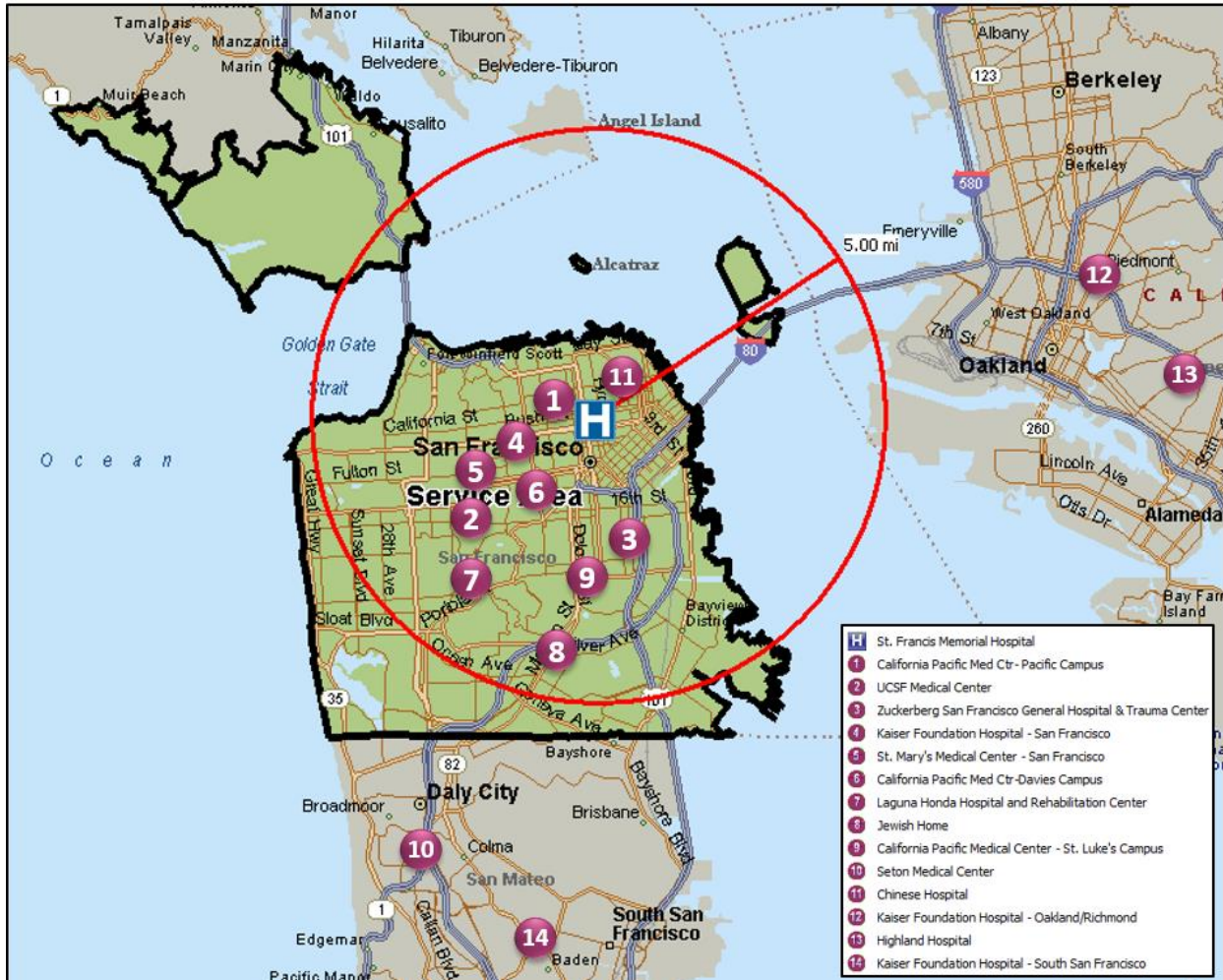
SAINT FRANCIS MEMORIAL HOSPITAL PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94102	San Francisco	819	13.9%	13.9%	5,099	16.1%
94109	San Francisco	737	12.5%	26.4%	4,690	15.7%
94103	San Francisco	385	6.5%	33.0%	4,171	9.2%
94133	San Francisco	240	4.1%	37.1%	2,147	11.2%
94108	San Francisco	167	2.8%	39.9%	1,081	15.4%
94112	San Francisco	129	2.2%	42.1%	6,936	1.9%
94107	San Francisco	116	2.0%	44.1%	2,040	5.7%
94115	San Francisco	104	1.8%	45.8%	3,293	3.2%
94124	San Francisco	102	1.7%	47.6%	4,326	2.4%
94110	San Francisco	98	1.7%	49.2%	5,775	1.7%
94134	San Francisco	93	1.6%	50.8%	3,785	2.5%
94122	San Francisco	79	1.3%	52.2%	3,741	2.1%
94117	San Francisco	58	1.0%	53.1%	2,403	2.4%
94105	San Francisco	56	1.0%	54.1%	578	9.7%
94118	San Francisco	55	0.9%	55.0%	2,536	2.2%
94121	San Francisco	54	0.9%	55.9%	2,794	1.9%
94116	San Francisco	53	0.9%	56.8%	3,932	1.3%
94131	San Francisco	49	0.8%	57.7%	1,986	2.5%
94111	San Francisco	45	0.8%	58.4%	397	11.3%
94123	San Francisco	45	0.8%	59.2%	1,519	3.0%
94114	San Francisco	37	0.6%	59.8%	2,050	1.8%
94965	Sausalito	30	0.5%	60.4%	885	3.4%
94132	San Francisco	28	0.5%	60.8%	1,792	1.6%
94158	San Francisco	26	0.4%	61.3%	502	5.2%
94127	San Francisco	18	0.3%	61.6%	1,413	1.3%
94130	San Francisco	13	0.2%	61.8%	202	6.4%
94142	San Francisco	10	0.2%	62.0%	150	6.7%
94104	San Francisco	8	0.1%	62.1%	104	7.7%
Subtotal		3,654	62.1%	62.1%	70,327	5.2%
Other ZIPs		2,230	37.9%	100%		
Total		5,884	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Saint Francis Memorial Hospital’s service area has approximately 849,000 residents. There are ten other hospitals located within Saint Francis Memorial Hospital’s service area. Two other hospitals, Seton Medical Center and Kaiser Foundation Hospital South San Francisco, are located within approximately 15 miles from Saint Francis Memorial Hospital.



Hospital Market Share

The table below provides the market share of inpatient discharges by individual hospital within Saint Francis Memorial Hospital’s service area from CY 2013 to CY 2016.

SAINT FRANCIS MEMORIAL HOSPITAL MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Zuckerberg San Francisco General Hospital & Trauma Center	20.8%	21.3%	19.9%	19.3%	↘
California Pacific Med Ctr-Pacific Campus	20.1%	19.6%	19.4%	19.2%	↘
UCSF Medical Center	14.4%	15.0%	16.3%	17.3%	↗
Kaiser Foundation Hospital - San Francisco	10.7%	10.9%	10.8%	10.8%	→
Saint Francis Memorial Hospital	5.2%	5.0%	5.1%	5.2%	→
California Pacific Medical Center - St. Luke's Campus	4.7%	4.9%	5.1%	4.9%	→
St. Mary's Medical Center	5.7%	4.7%	4.5%	4.7%	→
California Pacific Med Ctr-Davies Campus	3.1%	3.3%	3.2%	3.4%	→
Chinese Hospital	2.5%	2.4%	2.3%	1.9%	↘
Jewish Home	1.2%	1.4%	1.6%	1.5%	↗
Kaiser Foundation Hospital - South San Francisco	1.3%	1.4%	1.5%	1.5%	→
Seton Medical Center	1.6%	1.5%	1.3%	1.3%	↘
Laguna Honda Hospital and Rehabilitation Center	1.3%	1.4%	1.4%	1.3%	→
Mills-Peninsula Medical Center	0.7%	0.7%	0.7%	0.7%	→
Marin General Hospital	0.7%	0.7%	0.7%	0.7%	→
Langley Porter Psychiatric Institute	0.6%	0.6%	0.5%	0.6%	→
Stanford Health Care	0.5%	0.5%	0.5%	0.5%	→
Kaiser Foundation Hospital - Oakland/Richmond	0.4%	0.2%	0.5%	0.5%	↗
Kaiser Foundation Hospital - Redwood City	0.4%	0.4%	0.5%	0.4%	→
Fremont Hospital	0.1%	0.1%	0.2%	0.3%	↗
Kaiser Foundation Hospital - San Rafael	0.2%	0.2%	0.2%	0.2%	→
Lucile Salter Packard Children's Hosp. at Stanford	0.2%	0.2%	0.2%	0.2%	→
All Other	3.6%	3.7%	3.6%	3.9%	→
Total Percentage	100%	100%	100%	100%	
Total Discharges	71,736	71,236	70,764	70,327	↘

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges in Saint Francis Memorial Hospital’s service area has decreased by 2%;
- From CY 2013 to CY 2016, Saint Francis Memorial Hospital ranked fifth in terms of overall market share for its service area based on inpatient discharges (5.2% in CY 2016); and
- In CY 2016, Zuckerberg San Francisco General Hospital & Trauma Center was the market share leader (19.3%), followed by California Pacific Med Center - Pacific Campus.

Market Share by Payer Type

The following table illustrates the service area’s hospital inpatient market share by payer type as reported by OSHPD for CY 2016.

SAINT FRANCIS MEMORIAL HOSPITAL HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Zuckerberg San Francisco General Hospital & Trauma Center	California Pacific Med Ctr- Pacific Campus	UCSF Medical Center	Kaiser Foundation Hospital – San Francisco	Saint Francis Memorial Hospital	California Pacific Medical Center - St. Luke's Campus	St. Mary's Medical Center	California Pacific Med Ctr- Davies Campus	All Others	Total
Medicare	25,786	13.1%	17.1%	15.1%	10.8%	6.1%	5.2%	8.0%	4.4%	20.2%	100.0%
Private Coverage	22,966	3.8%	28.6%	21.0%	19.2%	2.5%	3.6%	3.2%	3.3%	14.8%	100.0%
Medi-Cal	18,987	45.1%	11.3%	16.2%	1.7%	5.9%	6.1%	2.4%	2.4%	8.8%	100.0%
All Other	1,448	39.2%	10.3%	0.8%	1.7%	21.5%	1.9%	4.0%	1.1%	19.5%	100.0%
Self-Pay	1,140	18.0%	17.0%	29.0%	4.9%	6.7%	4.3%	1.2%	2.8%	16.1%	100.0%
Total Percentage		19.3%	19.2%	17.3%	10.8%	5.2%	4.9%	4.7%	3.4%	15.3%	100.0%
Total Discharges	70,327	13,581	13,478	12,137	7,604	3,654	3,413	3,322	2,387	10,751	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer type for inpatient discharges is Medicare with 25,786 discharges (37%), followed by Private Coverage with 22,966 inpatient discharges (33%), and Medi-Cal with 18,987 inpatient discharges (27%);
- Saint Francis Memorial Hospital is not a market leader for any payer;
- Zuckerberg San Francisco General Hospital & Trauma Center is the inpatient market share leader for Medi-Cal (45%); and
- California Pacific Medical Center- Pacific Campus is the inpatient market share leader for Medicare (17%) and Private Coverage (29%).

Market Share by Service Line

The following table provides the service area’s inpatient market share for CY 2016.

SAINT FRANCIS MEMORIAL HOSPITAL HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Zuckerberg San Francisco General Hospital & Trauma Center	California Pacific Med Ctr- Pacific Campus	UCSF Medical Center	Kaiser Foundation Hospital – San Francisco	Saint Francis Memorial Hospital	California Pacific Medical Center - St. Luke’s Campus	St. Mary’s Medical Center	California Pacific Med Ctr- Davies Campus	All Others	Total
General Medicine	22,001	19.8%	15.0%	15.9%	9.2%	7.2%	6.2%	6.1%	4.7%	16.0%	100%
Obstetrics	9,520	12.7%	35.1%	22.9%	18.2%	0.0%	6.2%	0.0%	0.0%	4.8%	100%
Cardiac Services	6,285	18.2%	19.4%	15.7%	12.1%	4.8%	5.3%	7.2%	2.2%	15.2%	100%
General Surgery	5,469	22.4%	18.2%	17.1%	12.3%	4.1%	4.5%	5.2%	3.7%	12.5%	100%
Orthopedics	5,384	17.2%	17.4%	11.3%	11.4%	7.1%	4.0%	8.6%	4.6%	18.5%	100%
Neonatology	4,683	15.6%	25.3%	29.7%	19.7%	0.0%	5.3%	0.0%	0.0%	4.4%	100%
Behavioral Health	4,555	28.8%	11.8%	4.1%	1.1%	12.5%	1.0%	2.4%	0.8%	37.5%	100%
Neurology	3,806	15.2%	13.7%	15.0%	7.3%	6.9%	3.2%	6.8%	10.0%	21.8%	100%
Oncology/Hematology (Medical)	2,355	16.6%	20.6%	24.5%	5.5%	3.7%	3.1%	5.9%	2.7%	17.5%	100%
Other	1,393	44.9%	9.9%	8.3%	5.3%	6.0%	2.1%	3.7%	2.8%	17.1%	100%
Spine	1,034	17.8%	11.7%	21.4%	1.5%	3.8%	1.3%	7.9%	6.8%	27.9%	100%
ENT	820	30.2%	17.3%	24.9%	5.9%	2.7%	2.9%	1.3%	3.7%	11.1%	100%
Vascular Services	796	18.7%	20.2%	20.5%	14.1%	2.8%	6.0%	6.9%	1.9%	8.9%	100%
Urology	693	15.9%	17.2%	24.0%	11.7%	6.5%	4.3%	3.6%	3.9%	13.0%	100%
Neurosurgery	640	28.1%	8.4%	28.9%	0.8%	1.4%	0.3%	1.3%	13.1%	17.7%	100%
Gynecology	632	22.5%	31.0%	15.3%	11.2%	1.3%	4.4%	3.8%	0.8%	9.7%	100%
Ophthalmology	112	41.1%	24.1%	10.7%	6.3%	0.0%	1.8%	1.8%	6.3%	8.0%	100%
No-match-found	103	8.7%	3.9%	36.9%	10.7%	3.9%	10.7%	4.9%	5.8%	14.6%	100%
Total Percentage		19.3%	19.2%	17.3%	10.8%	5.2%	4.9%	4.7%	3.4%	15.3%	100%
Total Discharges	70,327	13,581	13,478	12,137	7,604	3,654	3,413	3,322	2,387	10,751	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Saint Francis Memorial Hospital is not a leader in any service line, nor does it have significant market share in any service lines;
- Zuckerberg San Francisco General Hospital & Trauma Center has significant market share in general medicine (19.8%), general surgery (22.4%), behavioral health (28.8%), neurology (15.2%), ENT (30.2%) and ophthalmology (41.1%); and
- California Pacific Medical Center- Pacific Campus is the service area inpatient service line leader in four of 18 service lines: obstetrics (35.1%), cardiac services (19.4%), orthopedics (17.4%) and gynecology (31%).

Market Share by ZIP Code

The following table illustrates the service area’s hospital market share by ZIP Code for CY 2016.

SAINT FRANCIS MEMORIAL HOSPITAL HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Zuckerberg San Francisco General Hospital & Trauma Center	California Pacific Med Ctr-Pacific Campus	UCSF Medical Center	Kaiser Foundation Hospital - San Francisco	Saint Francis Memorial Hospital	California Pacific Medical Center - St. Luke's Campus	St. Mary's Medical Center	California Pacific Med Ctr-Davies Campus	All Others	Total
94112	San Francisco	6,936	22.1%	13.6%	14.8%	11.2%	1.9%	9.3%	3.7%	2.3%	21.1%	100.0%
94110	San Francisco	5,775	31.9%	10.6%	15.4%	10.6%	1.7%	13.2%	1.2%	3.6%	11.7%	100.0%
94102	San Francisco	5,099	34.4%	11.7%	12.5%	6.3%	16.1%	3.1%	3.3%	3.7%	8.8%	100.0%
94109	San Francisco	4,690	13.5%	29.5%	14.3%	9.0%	15.7%	2.0%	3.5%	3.3%	9.1%	100.0%
94124	San Francisco	4,326	37.4%	11.1%	14.7%	9.1%	2.4%	10.5%	1.8%	2.3%	10.7%	100.0%
94103	San Francisco	4,171	42.9%	9.1%	13.4%	5.4%	9.2%	5.0%	2.4%	3.9%	8.7%	100.0%
94116	San Francisco	3,932	10.1%	14.5%	21.0%	11.7%	1.3%	0.8%	8.3%	2.3%	30.1%	100.0%
94134	San Francisco	3,785	26.7%	15.0%	13.0%	10.5%	2.5%	7.9%	2.6%	2.8%	19.0%	100.0%
94122	San Francisco	3,741	7.1%	18.2%	27.6%	18.3%	2.1%	1.3%	8.9%	2.4%	14.0%	100.0%
94115	San Francisco	3,293	11.3%	35.6%	17.5%	9.7%	3.2%	2.3%	4.9%	4.2%	11.3%	100.0%
94121	San Francisco	2,794	6.5%	28.7%	14.9%	18.8%	1.9%	0.9%	12.4%	2.8%	13.1%	100.0%
94118	San Francisco	2,536	7.1%	34.9%	16.3%	14.7%	2.2%	1.7%	11.0%	2.7%	9.6%	100.0%
94117	San Francisco	2,403	12.7%	18.2%	25.4%	14.3%	2.4%	2.0%	10.2%	4.2%	10.5%	100.0%
94133	San Francisco	2,147	9.1%	31.3%	11.6%	7.6%	11.2%	1.8%	3.3%	3.4%	20.6%	100.0%
94114	San Francisco	2,050	9.1%	20.4%	22.3%	13.9%	1.8%	5.1%	3.9%	12.1%	11.4%	100.0%
94107	San Francisco	2,040	20.6%	18.0%	24.3%	9.0%	5.7%	4.3%	2.3%	2.8%	13.0%	100.0%
94131	San Francisco	1,986	7.2%	20.2%	23.6%	15.1%	2.5%	5.2%	5.1%	5.0%	16.1%	100.0%
94132	San Francisco	1,792	11.4%	15.6%	22.7%	11.9%	1.6%	2.6%	7.5%	2.2%	24.4%	100.0%
94123	San Francisco	1,519	3.8%	49.0%	15.1%	9.8%	3.0%	1.4%	3.7%	3.0%	11.3%	100.0%
94127	San Francisco	1,413	7.0%	19.8%	25.1%	13.4%	1.3%	1.8%	8.6%	5.0%	18.1%	100.0%
94108	San Francisco	1,081	9.2%	29.2%	8.3%	5.9%	15.4%	1.4%	2.9%	3.6%	24.1%	100.0%
94965	Sausalito	885	0.3%	10.4%	9.0%	7.3%	3.4%	0.0%	0.8%	1.5%	67.2%	100.0%
94105	San Francisco	578	16.6%	19.9%	28.5%	7.4%	9.7%	2.1%	1.2%	3.1%	11.4%	100.0%
94158	San Francisco	502	10.4%	12.9%	46.0%	6.8%	5.2%	4.0%	2.2%	1.4%	11.2%	100.0%
94111	San Francisco	397	10.6%	33.2%	13.6%	7.8%	11.3%	1.3%	3.8%	3.0%	15.4%	100.0%
94130	San Francisco	202	39.6%	12.4%	16.3%	5.0%	6.4%	4.5%	2.0%	4.5%	9.4%	100.0%
94142	San Francisco	150	10.0%	21.3%	17.3%	2.7%	6.7%	14.7%	2.0%	4.7%	20.7%	100.0%
94104	San Francisco	104	10.6%	19.2%	16.3%	5.8%	7.7%	2.9%	1.9%	1.9%	33.7%	100.0%
Total Percentage			19.3%	19.2%	17.3%	10.8%	5.2%	4.9%	4.7%	3.4%	15.3%	100.0%
Total Discharges		70,327	13,581	13,478	12,137	7,604	3,654	3,413	3,321	2,387	10,752	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Saint Francis Memorial Hospital is not the inpatient market share leader in any ZIP Codes within the City and County of San Francisco;
- California Pacific Medical Center- Pacific Campus is the inpatient market share leader in 11 of the 28 ZIP Codes located within the City and County of San Francisco; and
- Zuckerberg San Francisco General Hospital & Trauma Center is the inpatient market share leader in seven of the 28 ZIP Codes, all of which are within the City and County of San Francisco.

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 health 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 St. Mary’s Medical Center and Saint Francis Memorial Hospital as licensed acute care hospitals for five years after the Effective Date. Each hospital provides a significant amount of healthcare to the communities served as shown by their market share and emergency and inpatient volumes.

St. Mary’s Medical Center

In FY 2017, the hospitals located within St. Mary’s Medical Center’s service area had a combined total of 4,276 licensed beds with an aggregate average occupancy rate of approximately 66%. In FY 2017, St. Mary’s Medical Center operated at an occupancy rate of 26%. In CY 2016, Zuckerberg San Francisco General Hospital and Trauma Center was the market share leader with 14% of the service area inpatient discharges. Furthermore, of the hospitals located within its service area, St. Mary’s Medical Center had 5% of the total inpatient discharges, representing 3% of the patient days. The table below shows the hospitals located within the Hospital’s service area.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
St. Mary’s Medical Center	San Francisco	275	4,960	26,425	72	26%	-
California Pacific Medical Center	San Francisco	831	23,696	133,658	366	44.1%	1.7
UCSF Medical Center	San Francisco	782	34,898	221,411	607	77.6%	1.2
Zuckerberg San Francisco General	San Francisco	397	14,559	118,039	323	81.5%	2.9
Kaiser Foundation Hospitals - San Francisco ¹	San Francisco	239	11,668	52,188	143	59.8%	1.2
Saint Francis Memorial Hospital	San Francisco	288	5,813	32,906	90	31.3%	2.3
Laguna Honda Hospital	San Francisco	780	1,395	277,283	760	97.4%	1.8
Jewish Home	San Francisco	391	1,652	128,448	352	90.0%	3.4
California Pacific Medical Center - St. Luke’s Campus	San Francisco	228	3,667	30,551	84	36.7%	2.6
Chinese Hospital ¹	San Francisco	65	1,382	6,388	18	26.9%	2.9
Total		4,276	103,690	1,027,297	2,815	66%	

Source: OSHPD Disclosure Report, Google Maps

¹ FY2017 OSHPD Discharges not reported. Audited FY 2016 is shown

While St. Mary’s Medical Center is an important provider of healthcare services with an average daily census of 72 patients, all service area hospitals, except Chinese Hospital, have a higher average daily census.

Saint Francis Memorial Hospital

In FY 2017, the hospitals located within Saint Francis Memorial Hospital’s service area had a combined total of 4,400 licensed beds with an aggregate average occupancy rate of approximately 64%. In FY 2017, Saint Francis Memorial Hospital had 288 licensed beds that operated at an occupancy rate of 31%. In CY 2016, Zuckerberg San Francisco General Hospital was the market share leader with 19% of the service area inpatient discharges. Saint Francis Memorial Hospital had 6% of the service area inpatient discharges. Furthermore, of the hospitals located within its service area, Saint Francis Memorial Hospital had 6% of the total inpatient discharges, representing 3% of the patient days. The table below shows the hospitals located within the Hospital’s service area.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Saint Francis Memorial Hospital	San Francisco	288	5,813	32,906	90	31%	-
California Pacific Medical Center	San Francisco	831	23,696	133,658	366	44%	1.2
UCSF Medical Center	San Francisco	782	34,898	221,411	607	78%	1.6
Zuckerberg San Francisco General	San Francisco	397	14,559	118,039	323	81%	2.3
Kaiser Foundation Hospitals - San Francisco ¹	San Francisco	239	11,668	52,188	143	60%	2.3
St. Mary's Medical Center	San Francisco	399	4,960	26,425	72	18%	2.4
Laguna Honda Hospital	San Francisco	780	1,395	277,283	760	97%	3.7
Jewish Home	San Francisco	391	1,652	128,448	352	90%	4.4
California Pacific Medical Center - St. Luke's Campus	San Francisco	228	3,667	30,551	84	37%	3.3
Chinese Hospital ¹	San Francisco	65	1,382	6,388	18	27%	0.9
Total		4,400	103,690	1,027,297	2,815	64%	

Source: OSHPD Disclosure Report, Google Maps

¹FY 2017 OSHPD Discharges not reported. Audited FY 2016 is shown

While Saint Francis Memorial Hospital is an important provider of healthcare services with an average daily census of 90 patients, most have a higher average daily census and available capacity.

Emergency Services

St. Mary’s Medical Center and Saint Francis Memorial Hospital are important providers of emergency services to the residents of their respective surrounding communities. In FY 2017, St. Mary’s Medical Center reported 20,984 visits to its 17 emergency treatment stations, operating at 62% capacity³¹. During that same time period, Saint Francis Memorial Hospital reported 36,128 to its 20 emergency treatment stations, operating at 90% capacity.

As a result of the 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 St. Mary’s Medical Center’s and Saint Francis Memorial

³¹ 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.

Hospital'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 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 to St. Mary's Medical Center's existing emergency services include:

- 17 Treatment Stations; and
- County Lanterman-Petris-Short Designated 24-Hour Facility.

The five-year commitments to Saint Francis Memorial Hospital's existing emergency services include:

- 20 Treatment Stations;
- Certified Primary Stroke Center; and
- County Lanterman-Petris-Short Designated 24-Hour Facility.

As a result of healthcare reform, aging demographics, and the growing shortage of primary care physicians, emergency department utilization is expected to continue to increase within each hospital's primary service area. Maintaining St. Mary's Medical Center's and Saint Francis Memorial Hospital'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.

Reproductive Health Services

St. Mary's Medical Center is a Catholic hospital, does not offer obstetrics services, and did not report live births for FY 2017. Under the Ministry Alignment Agreement, the Hospital 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. Since St. Mary's Medical Center does not offer reproductive health services including obstetrics, no changes in reproductive health services are expected as a result of the Ministry Alignment Agreement.

Saint Francis Memorial Hospital 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 and will transition to IHO³² 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. Since Saint Francis Memorial Hospital does not offer reproductive

³² Except for Marian Regional Medical Center, Arroyo Grande Campus

health services including obstetrics, no changes in reproductive health services are expected as a result of the Ministry Alignment Agreement.

Effects on the Level & Type of Charity Care Historically Provided

While 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 charity care costs. Dignity Health has stated that they will comply with the charity care cost amounts determined in the manner previously described.

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
St. Mary’s Medical Center	\$1,261,898	\$1,542,308	\$2,010,685	\$3,920,289
Saint Francis Memorial Hospital	\$3,918,146	\$4,087,072	\$4,672,082	\$6,993,743

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

St. Mary’s Medical Center and Saint Francis Memorial Hospital 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 the City and County of San Francisco, qualified low-income patients are able to access the County-owned clinics and hospitals. As a result, 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 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.

The City and County of San Francisco has a Two-Plan Model that offers a local initiative plan and a commercial plan. The local initiative and commercial plans contract with the Medi-Cal Managed Care program. The percentage of the City and County of San Francisco residents with

Medi-Cal Managed Care coverage has increased significantly as a result of the ACA and California initiatives to expand managed care. In the City and County of San Francisco, the Two-Plan Model is provided by San Francisco Health Plan and Anthem Blue Cross. Currently, Dignity Health is contracted with both San Francisco Health Plan and Anthem Blue Cross to provide services for Medi-Cal Managed Care patients.

In the Ministry Alignment Agreement Dignity Health and CHI commit to continued participation in the Medi-Cal and Medicare program for a period of five years after the Effective Date. The table shows current contracts that exist at Dignity Health’s City and County of San Francisco Hospitals.

DIGNITY HEALTH CITY AND COUNTY OF SAN FRANCISCO MEDI-CAL CONTRACTS	
Dignity Health Hospital	Health Plan
St. Mary’s Medical Center	<ul style="list-style-type: none"> • Anthem Blue Cross Medi-Cal (SF) • San Francisco Health Plan
Saint Francis Memorial Hospital	<ul style="list-style-type: none"> • Anthem Blue Cross Medi-Cal (SF) • San Francisco Health Plan

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

St. Mary’s Medical Center and Saint Francis Memorial Hospital 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 2015-2017. The table below shows the annual average for both the three and five fiscal years at St. Mary’s Medical Center and Saint Francis Memorial Hospital.

CITY AND COUNTY OF SAN FRANCISCO COMMUNITY BENEFIT		
	FY 2015 - FY 2017*	FY 2013 – FY 2017*
St. Mary’s Medical Center	\$9,910,876	\$9,862,679
Saint Francis Memorial Hospital	\$1,144,534	\$1,461,431

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

While both facilities offer various community benefit programs, the Ministry Alignment Agreement includes commitments to maintain many of the current community benefit

programs. The table below 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
St. Mary's Medical Center	<ul style="list-style-type: none"> • SMMC Transportation Service • Uncompensated Specialized Testing¹ • SMMC/Dignity Health Community Grants Program • San Francisco Health Improvement Partnership • Graduate Medical Education
Saint Francis Memorial Hospital	<ul style="list-style-type: none"> • Tenderloin Health Services (formerly Glide Health Clinic) • Rally Family Visitation Program • Reimbursement to Physician for Indigent Care¹ • Community Grants Program • Clinical Pastoral Education Program

¹ Costs below \$10,000 in FY 2017

Effects on Hospital Licensed Services

St. Mary's Medical Center and Saint Francis Memorial Hospital 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 St. Mary's Medical Center:

- Intensive care services, including a minimum of 19³³ licensed intensive care beds;
- Rehabilitation services, including a minimum of 24³⁴ licensed rehabilitation beds;
- and
- Acute psychiatric services, including a minimum of 35 licensed acute psychiatric beds.

Licensed Service Commitments for Saint Francis Memorial Hospital:

- Rehabilitation services, including a minimum of 20 licensed acute rehabilitation beds;
- Burn services, including a minimum of 10 licensed burn beds;
- Intensive care services, including a minimum of 10 licensed intensive care beds;
- Coronary care services, including a minimum of 8 licensed coronary care beds; and
- Acute psychiatric services, including a minimum of 35 licensed distinct part acute psychiatric beds.

³³ Of the 37 licensed intensive care beds, 18 are in suspense.

³⁴ Of the 36 licensed rehabilitation beds, 12 are in suspense.

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 St. Mary’s Medical Center and Saint Francis Memorial Hospital for at least five years as a result of the Ministry Alignment Agreement.

Effects on Programs and Services

St. Mary’s Medical Center and Saint Francis Memorial Hospital 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 Commitment for St. Mary’s Medical Center:

- Orthopedic surgery services, including total joint replacements;
- Cardiovascular services;
 - Cardiac catheterization laboratory services;
 - Outpatient Clinic – arrhythmia – cardiology;
- Neuroscience services, including neurosurgery services³⁵;
 - Outpatient Services – The Spine Center;
- Oncology services, including inpatient medical and surgical oncology services;
 - Outpatient Services - radiation therapy services at St. Mary’s Medical Center Cancer Center;
 - Outpatient Services – Infusion Center, and Outpatient Services - Oncology at St. Mary’s Medical Center Cancer Center;
 - Outpatient Clinics – Oncology Melanoma Center;
- Outpatient Services – Women’s Health Clinic at St. Mary’s Center for Women’s Health Clinic;
- Outpatient Services – Adult Primary Care at Sr. Mary Philippa Health Center Clinic;
- Outpatient Services – San Francisco Airport Clinic;
- Nuclear medicine 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.

³⁵ The Hospital discontinued neurosurgery several years prior.

Programs and Services Commitment for Saint Francis Memorial Hospital:

- Cardiovascular services;
- Oncology services, including inpatient medical and surgical oncology services, and radiation therapy services;
- Neuroscience services, including neurosurgery services (spine);
 - Outpatient Services - Spine Care Institute;
- Orthopedic surgery services, including total joint replacements;
 - Outpatient Services - Joint Center;
 - Outpatient Services - Center for Sports Medicine;
- General surgery services;
- Outpatient Services - Pain management (Pain Center);
- Outpatient Services – Physical Therapy/Occupational medicine at Health Center at AT&T Park;
- Outpatient Clinic/Rehabilitation Clinic – Physical Therapy/Occupational Health;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Audiology services;
- Laboratory services;
- Occupational therapy services;
- Physician therapy services;
- Respiratory care services;
- Social services; and
- Speech pathology services.

Since Dignity Health and CHI have committed to maintaining these additional licensed services and programs for five years after the Effective Date at St. Mary's Medical Center and Saint Francis Memorial Hospital, no negative impacts on the access 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 for St. Mary's Medical Center:

- (CBSE L2);
- Committee of Interns and Residents- Service Employees International Union (CIR SEIU);
- California Nurses Association (CNA);
- Engineers L39 (ENGR L39); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

Union Contracts for Saint Francis Memorial Hospital:

- (CBSE L2);
- California Nurses Association (CNA);
- Engineers L39 (ENGR L39);
- Engineers and Scientists of California (ESC); 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 St. Mary's Medical Center and Saint Francis Memorial Hospital as a result of the Ministry Alignment Agreement.

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 St. Mary's Medical Center and Saint Francis Memorial are expected as a result of the Ministry Alignment Agreement.

Effects on City and County Contracts

St. Mary's Medical Center and Saint Francis Memorial Hospital have a number of contracts with the City and County of San Francisco 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 have no 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:

St. Mary's Medical Center

1. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Mary's 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. Mary's 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. 17 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, St. Mary's Medical Center shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive care services, including a minimum of 19 licensed intensive care beds;
 - b. Rehabilitation services, including a minimum of 24 licensed rehabilitation beds; and
 - c. Acute psychiatric services, including a minimum of 35 licensed acute psychiatric beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Mary's Medical Center shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:
 - a. Orthopedic surgery services, including total joint replacements;
 - b. Cardiovascular services;

- c. Outpatient Services – The Spine Center;
 - d. Oncology services, including inpatient medical and surgical oncology services;
 - i. Outpatient Services - radiation therapy services at St. Mary’s Medical Center Cancer Center;
 - ii. Outpatient Services – Infusion Center, and Outpatient Services - Oncology at St. Mary’s Medical Center Cancer Center;
 - iii. Outpatient Clinics – Oncology Melanoma Center;
 - e. Outpatient Services – Women’s Health Clinic at St. Mary’s Center for Women’s Health Clinic;
 - f. Outpatient Services – Adult Primary Care at Sr. Mary Philippa Health Center Clinic;
 - g. Nuclear medicine services;
 - h. Imaging and radiology services (inpatient and outpatient);
 - i. Laboratory services;
 - j. Occupational therapy services;
 - k. Physical therapy services;
 - l. Podiatry services;
 - m. Respiratory care services;
 - n. Social services; and
 - o. Speech pathology services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Mary’s Medical Center shall maintain currently provided women’s healthcare services as well as the Sister Diane Grassilli Center for Women’s Health currently located at 1 Shrader Street, 4th Floor, San Francisco, California 94117;
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Mary’s 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. Mary’s Medical Center shall provide an annual amount of charity care equal to or greater than \$3,920,289 (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. Mary’s Medical Center’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$2,010,685. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by St. Mary’s Medical Center in connection with the operations and provision of services at St. Mary’s 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. Mary's Medical Center shall continue to expend no less than \$9,862,679 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:
 - a. SMMC Transportation Service;
 - b. Uncompensated Specialized Testing;
 - c. SMMC/Dignity Health Community Grants Program;
 - d. San Francisco Health Improvement Partnership;
 - e. Graduate Medical Education;
 - f. Breast Cancer Second Opinion Panel; and
 - g. Breast Cancer Support Group;
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Mary's 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. Mary's 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. Mary's 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. Commercial Plan: Anthem Blue Cross or its successor; and
 - b. Local Initiative Plan: San Francisco Health Plan.
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Mary's Medical Center shall maintain its current city/county contracts for the programs listed below:
 - a. Orthopedic Residency Affiliation Agreement;
 - b. General Services Agreement;

- c. Mental Health and Substance Abuse Services; and
 - d. Community Behavioral Health Services
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Mary’s 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. Mary’s Medical Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

Saint Francis Memorial Hospital:

1. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital 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, Saint Francis Memorial Hospital 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. 20 Treatment Stations;
 - b. Certified Primary Stroke Center; and
 - c. County Lanterman-Petris-Short Designated 24-Hour Facility.
3. For at least five years from closing, St. Mary Medical Center shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Rehabilitation services, including a minimum of 20 licensed acute rehabilitation beds;
 - b. Burn services, including a minimum of 10 licensed burn beds;
 - c. Critical care services, including a minimum of 10 licensed intensive care beds and 8 licensed coronary care beds; and
 - d. Acute psychiatric services, including a minimum of 35 licensed distinct part acute psychiatric beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall maintain the following services as committed to in Exhibit L of the Ministry Alignment Agreement:
 - a. Cardiovascular services;

- b. Oncology services, including inpatient medical and surgical oncology services, and radiation therapy services;
 - c. Neuroscience services, including neurosurgery services (spine),
 - o Outpatient Services - Spine Care Institute;
 - d. Orthopedic surgery services, including total joint replacements,
 - o Outpatient Services - Joint Center,
 - o Outpatient Services - Center for Sports Medicine;
 - e. General surgery services;
 - f. Outpatient Services - Pain management (Pain Center);
 - g. Outpatient Services – Physical Therapy/Occupational medicine at Health Center at AT&T Park;
 - h. Outpatient Clinic/Rehabilitation Clinic – Physical Therapy/Occupational Health;
 - i. Nuclear medicine services;
 - j. Imaging and radiology services (inpatient and outpatient);
 - k. Audiology services;
 - l. Laboratory services;
 - m. Occupational therapy services;
 - n. Physician therapy services;
 - o. Respiratory care services;
 - p. Social services; and
 - q. Speech pathology services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall maintain currently provided women’s healthcare services;
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital 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 Saint Francis Memorial Hospital shall provide an annual amount of charity care equal to or greater than \$6,993,743 (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, Saint Francis Memorial Hospital’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$4,672,082. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Saint Francis Memorial Hospital in connection with the operations and provision of services at Saint Francis Memorial Hospital. The definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an

annual basis by the rate of inflation as measured by the Consumer Price Index from the U.S. Bureau of Labor Statistics;

7. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall continue to expend no less than \$1,461,431 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;
 - a. Tenderloin Health Services (formerly Glide Health Clinic)
 - b. Rally Family Visitation Program;
 - c. Reimbursement for Physician for Indigent Care;
 - d. Community Grants Program; and
 - e. Clinical Pastoral Education Program.
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital 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, Saint Francis Memorial Hospital 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, Saint Francis Memorial Hospital 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 Anthem Blue Cross or its successor; and
 - b. Local Initiative Plan: San Francisco Health Plan or its successor.
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Saint Francis Memorial Hospital shall maintain its current city/county contract for the program listed below:
 - a. Memorandum of Understanding – 340 B Program;
 - b. Visitation Services Agreement;

- c. Agreement for Supervised Therapeutic Visitation Services (Rally Family Visitation Services);
 - d. Residency Affiliation Agreement;
 - e. Rally Family Visitation Services Agreement;
 - f. Professional Services Agreement (SF Giants First Aid Station at AT&T Park); and
 - g. Standard Agreement (Rally Family Services).
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Saint Francis Memorial Hospital 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. Saint Francis Memorial Hospital shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual or transgender individuals.

Appendix

St. Mary's Medical Center License

License: 220000071
 Effective: 05/05/2018
 Expires: 05/04/2019
 Licensed Capacity: 275

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. Mary's Medical Center

450 Stanyan St
 San Francisco, CA 94117-1019

Bed Classifications/Services

- 240 General Acute Care
- 37 Intensive Care
- 36 Rehabilitation
- 167 Unspecified General Acute Care
- 35 Acute Psychiatric (D/P)

Other Approved Services

- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Cardiovascular Surgery
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - Arrhythmia-Cardiology Level C
- Outpatient Services - Cancer or Oncology at Oncology Melanoma Center, 2250 Hayes Street, Level C, San Francisco
- Outpatient Services - Infusion Center at St. Mary's Medical Center Cancer Center, 2250 Hayes Street, 1st Floor, San Francisco
- Outpatient Services - Primary Care at SFO Medical Clinic, San Francisco International Airport, International Terminal, Level 3, A Side, San Francisco
- Outpatient Services - Primary Care - Adult at SR Mary Philippa Health Center, 2235 Hayes Street, 5th Floor, San Francisco
- Outpatient Services - Radiation Therapy Department at St. Mary's Medical Center Cancer Center, 2250 Hayes Street First Floor, San Francisco
- Outpatient Services - Spine Center at The Spine Center, 1 Shrader Street, Suite 450, San Francisco

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Francisco District Office, 150 North Hill Drive, Suite 22, Brisbane, CA 94005, (415)330-6353

POST IN A PROMINENT PLACE

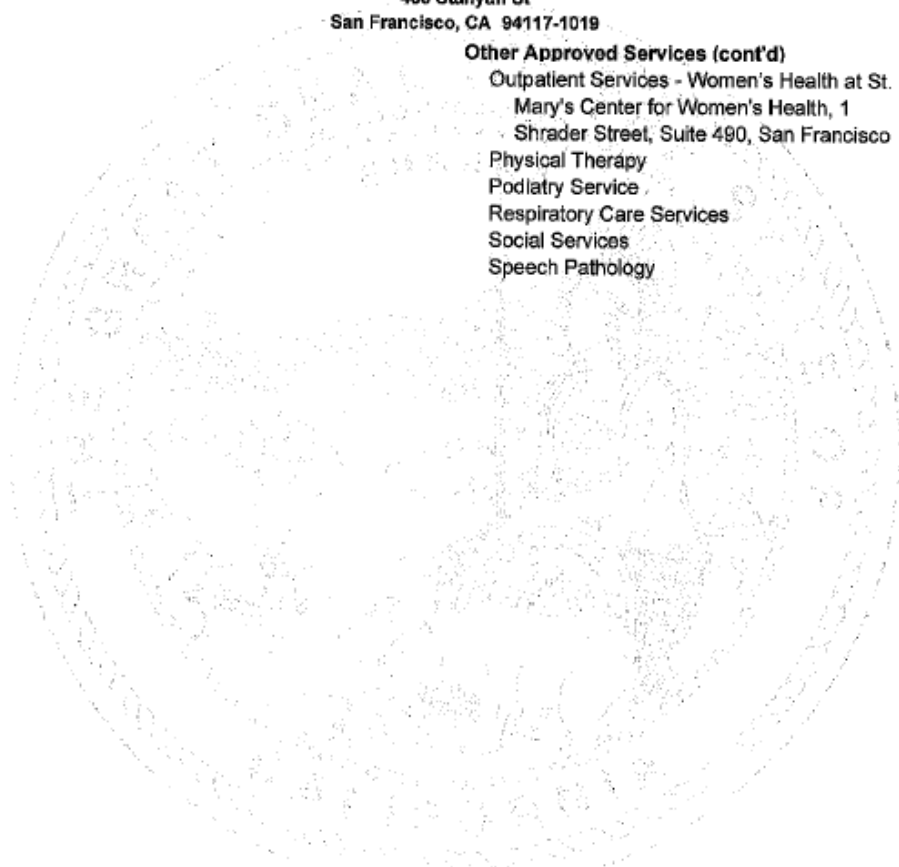
State of California
Department of Public Health
License Addendum

License: 220000071
 Effective: 05/05/2018
 Expires: 05/04/2019
 Licensed Capacity: 275

St. Mary's Medical Center (Continued)
 450 Stanyan St
 San Francisco, CA 94117-1019

Other Approved Services (cont'd)

- Outpatient Services - Women's Health at St. Mary's Center for Women's Health, 1 Shradler Street, Suite 490, San Francisco
- Physical Therapy
- Podiatry Service
- Respiratory Care Services
- Social Services
- Speech Pathology



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
 18 Intensive Care beds suspended from 05/05/2016 to 05/04/2019. (5 ICU beds on 2 East, 13 ICU beds on 2 West)
 12 Rehabilitation beds suspended from 05/05/2016 to 05/04/2019. (12 Rehabilitation beds on 4 East)
 64 Unspecified General Acute Care beds suspended from 03/07/2018 to 05/04/2019. (32 beds on 8 East, 16 beds on 4 East, 16 beds on 2 West suspended from 05/05/2011 to 05/04/2019.

Karen L. Smith, MD, MPH

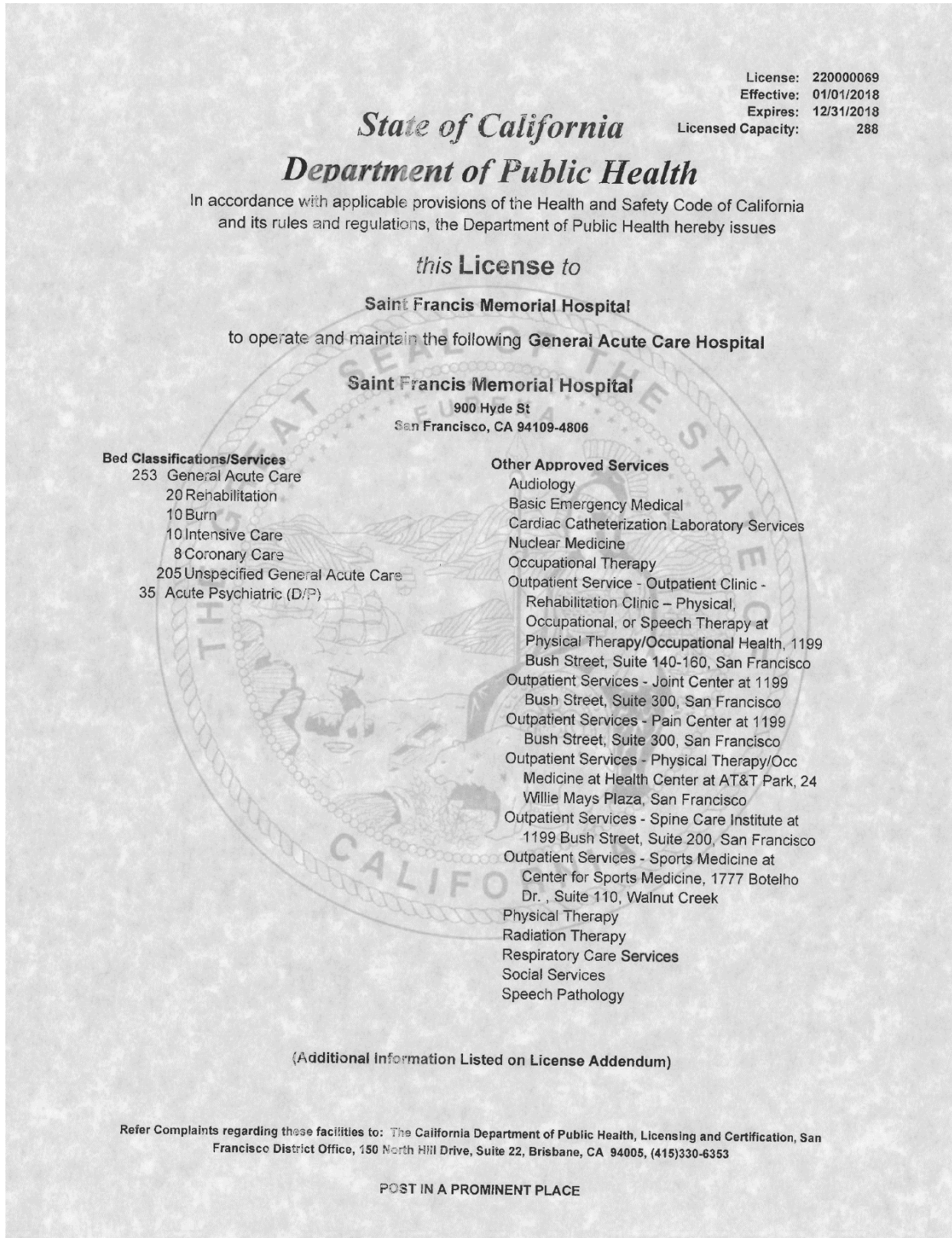
Director and State Public Health Officer

Katrice Miller, Staff Services Manager I

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Francisco District Office, 150 North Hill Drive, Suite 22, Brisbane, CA 94005, (415)330-6353

POST IN A PROMINENT PLACE

Saint Francis Memorial Hospital License



License: 22000069
 Effective: 01/01/2018
 Expires: 12/31/2018
 Licensed Capacity: 288

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

Saint Francis Memorial Hospital

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

Saint Francis Memorial Hospital

900 Hyde St
 San Francisco, CA 94109-4806

Bed Classifications/Services

- 253 General Acute Care
- 20 Rehabilitation
- 10 Burn
- 10 Intensive Care
- 8 Coronary Care
- 205 Unspecified General Acute Care
- 35 Acute Psychiatric (D/P)

Other Approved Services

- Audiology
- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Nuclear Medicine
- Occupational Therapy
- Outpatient Service - Outpatient Clinic - Rehabilitation Clinic – Physical, Occupational, or Speech Therapy at Physical Therapy/Occupational Health, 1199 Bush Street, Suite 140-160, San Francisco
- Outpatient Services - Joint Center at 1199 Bush Street, Suite 300, San Francisco
- Outpatient Services - Pain Center at 1199 Bush Street, Suite 300, San Francisco
- Outpatient Services - Physical Therapy/Occ Medicine at Health Center at AT&T Park, 24 Willie Mays Plaza, San Francisco
- Outpatient Services - Spine Care Institute at 1199 Bush Street, Suite 200, San Francisco
- Outpatient Services - Sports Medicine at Center for Sports Medicine, 1777 Botelho Dr., Suite 110, Walnut Creek
- Physical Therapy
- Radiation Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

(Additional Information Listed on License Addendum)

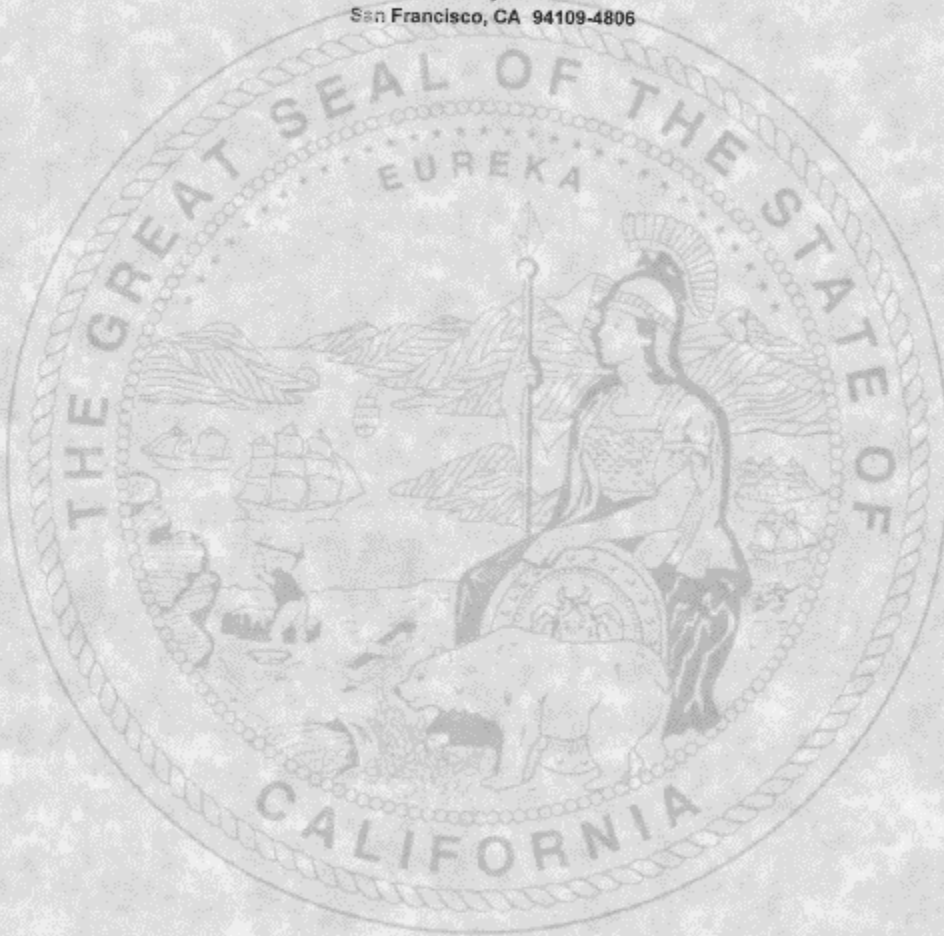
Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Francisco District Office, 150 North Hill Drive, Suite 22, Brisbane, CA 94005, (415)330-6353

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State of California
Department of Public Health
License Addendum

License: 220000069
Effective: 01/01/2018
Expires: 12/31/2018
Licensed Capacity: 288

Saint Francis Memorial Hospital (Continued)
900 Hyde St
San Francisco, CA 94109-4806



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

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 Francisco District Office, 150 North Hill Drive, Suite 22, Brisbane, CA 94005, (415)330-6353

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