

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

Prepared for the Office of the California Attorney General

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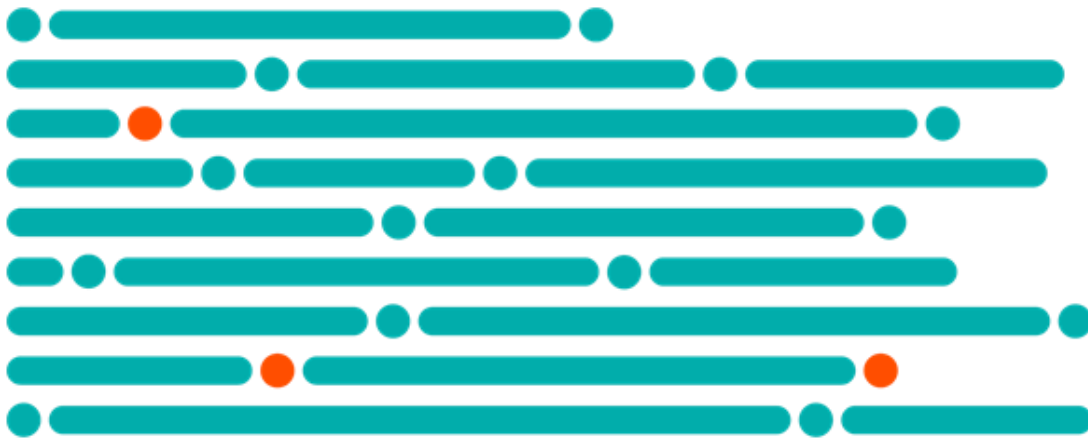


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Introduction & Purpose

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

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

Introduction

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

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

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

¹A 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.

²The 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.

³A 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.

⁴The 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).

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

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

Dignity Health

Arizona Hospitals

- Arizona General Hospital^{1*}
- Chandler Regional Medical Center*
- Mercy Gilbert Medical Center
- St. Joseph's Hospital and Medical Center
- St. Joseph's Westgate Medical Center

California Hospitals

Dignity Health Owned Hospitals

- Dominican Hospital
- Marian Regional Medical Center
- Marian Regional Medical Center, Arroyo Grande Campus*
- Marian Regional Medical Center West
- Mercy General Hospital
- Mercy Hospital of Folsom
- Mercy Medical Center Merced
- Mercy Medical Center Mt. Shasta
- Mercy Medical Center Redding
- Mercy San Juan Medical Center
- Mercy Hospital
- Mercy Southwest Hospital
- St. Bernardine Medical Center
- St. Elizabeth Community Hospital
- St. John's Pleasant Valley Medical Center
- St. John's Regional Medical Center
- St. Joseph's Medical Center of Stockton
- St. Joseph's Behavioral Health Center
- St. Mary Medical Center
- St. Mary's Medical Center
- California Hospital Medical Center*
- French Hospital Medical Center*
- Glendale Memorial Hospital*
- Methodist Hospital of Sacramento*
- Northridge Hospital Medical Center*
- Sequoia Hospital*
- Woodland Memorial Hospital*

Subsidiary Hospitals

- Bakersfield Memorial Hospital*
- Community Hospital of San Bernardino*
- Saint Francis Memorial Hospital*
- Sierra Nevada Memorial Hospital*

Nevada Hospitals

- St. Rose Dominican, Rose de Lima Campus
- St. Rose Dominican, San Martin Campus
- St. Rose Dominican, Siena Campus

*Denotes non-Catholic hospitals. All other hospitals are ministries of the Catholic Church

¹Arizona General Hospital is owned by a separate limited liability company of which Dignity Health is the sole corporate member

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

⁷A 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. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center.

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

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

Background & Description of the Transaction

Background

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

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

Strategic Rationale, Transaction Process & Timing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The *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 Date¹⁴ of the transaction. The governing board of the System Corporation will initially be comprised of six directors each from the legacy boards of directors of Dignity Health and CHI, and the Chief Executive Officers from each organization (i.e., a total of 14 directors).

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

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

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

¹⁶Marian Regional Medical Center, Arroyo Grande 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.

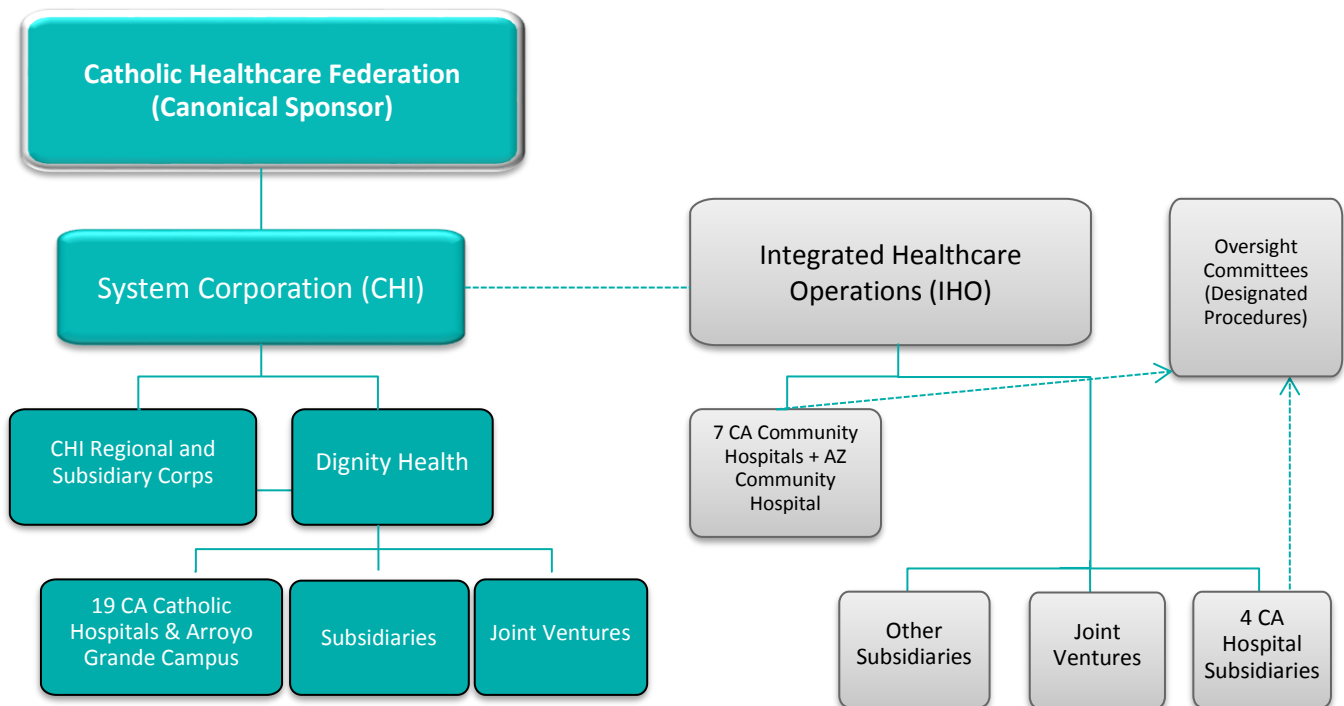
¹⁷Dignity Health's Statement of Common Values prohibits direct abortions, in-vitro fertilizations, and provider or physician-assisted suicide or aid in dying. The most common medical procedure performed in hospitals that is prohibited by the ERDs is tubal ligation (a surgical procedure for female sterilization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

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

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

System Corporation Post the Effective Date of the Ministry Alignment Agreement

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

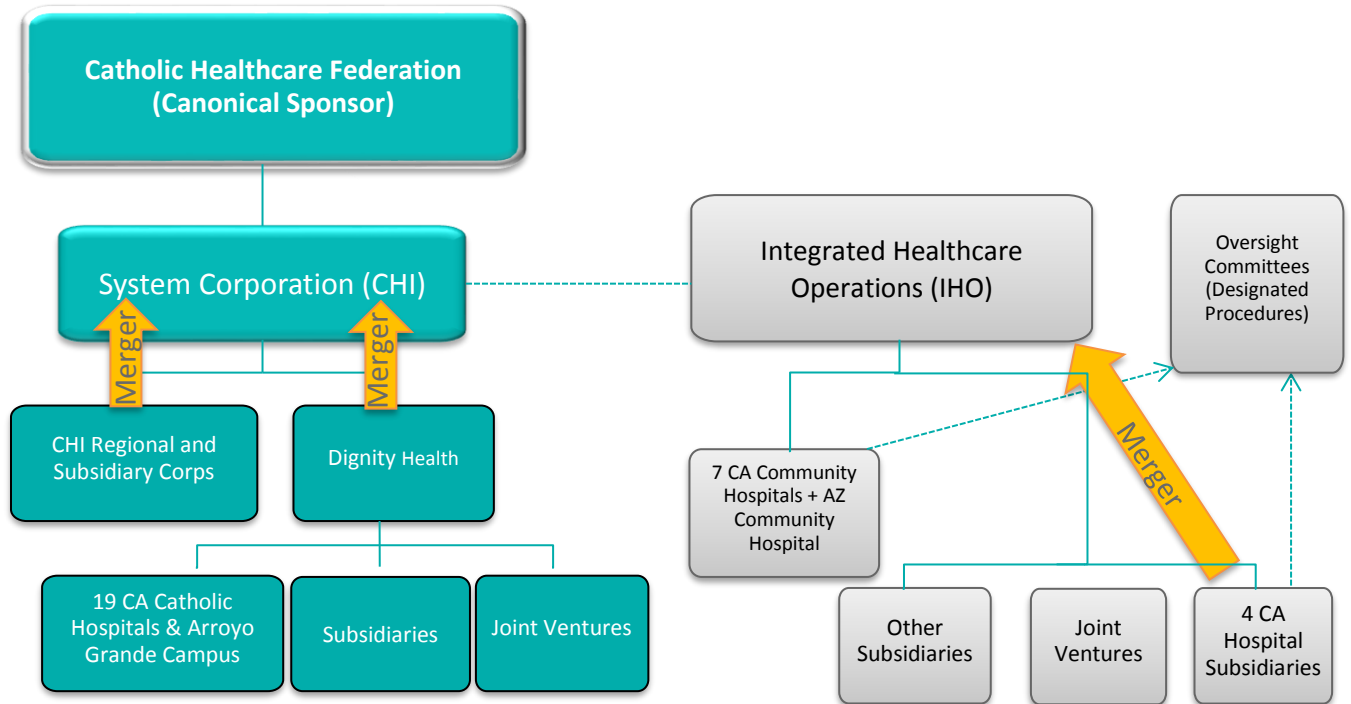


¹⁹Both Dignity Health’s and IHO’s local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

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

System Corporation Post Debt Consolidation (Within 36 Months)

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



Major Provisions of the Ministry Alignment Agreement

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

Structures and Responsibilities

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

- Under the supervision of the CHCF, the Board of Stewardship Trustee reserves the rights to control or manage the property, affairs and activities of System Corporation. Responsibilities include approving the policies of System Corporation, developing System Corporation’s strategic plan, and approving the System Corporation’s articles of incorporation and bylaws.
- Dignity Health
 - Dignity Health shall continue to be a California nonprofit corporation with federal tax-exempt 501 (c)(3) status until after debt consolidation between Dignity Health and CHI, at which point Dignity Health will merge into System Corporation;
 - As of the Effective Date:
 - Dignity Health shall transfer all of the assets and liabilities associated with the Dignity Health businesses and operations of the following California non-Catholic hospitals to IHO:
 - California Hospital Medical Center;
 - French Hospital Medical Center;
 - Glendale Memorial Hospital and Health Center;
 - Methodist Hospital of Sacramento;
 - Northridge Hospital Medical Center;
 - Sequoia Hospital; and
 - Woodland Memorial Hospital.
 - Dignity Health shall cause the four subsidiary hospitals that are separately incorporated, Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, and Sierra Nevada Memorial Hospital, to first substitute its membership from Dignity Health to IHO, until after debt consolidation between Dignity Health and CHI, at which point these four subsidiary hospitals will merge into IHO; and
 - Marian Regional Medical Center, Arroyo Grande 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); and
 - The Community Hospital Oversight Committee shall donate any net profits to one or more healthcare related tax-exempt charities that provide or advocate for activities, services, or procedures benefitting the communities served by the hospital and that are not inconsistent with the ERDs.
 - On an annual basis, and not more than four months following the end of each fiscal year of IHO, each Community Hospital Oversight Committee shall prepare and deliver a written certification to the IHO Board and to the Local Hospital Community Board or the applicable board of one of the four subsidiaries:
 - The Community Hospital Oversight Committee has not amended its charter in any manner that violates or otherwise modifies the structure or authorities contained in the IHO bylaws;
 - The composition of the Community Hospital Oversight Committee complies with the requirements; and
 - All donations or grants (if any) of the net profits from the performance of the Designated Procedures were contributed to one or more healthcare related tax-exempt charities.

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

Dignity Health Commitments

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

²¹See 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. Joseph’s Medical Center of Stockton and St. Joseph’s Behavioral Health Center.

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

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

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

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

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

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

Use of Net Sale Proceeds

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

Profile of Catholic Health Initiatives

Overview

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

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

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

Source: 2017 CHI Annual Report

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

Source: 2017 CHI Annual Report

Key Statistics

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

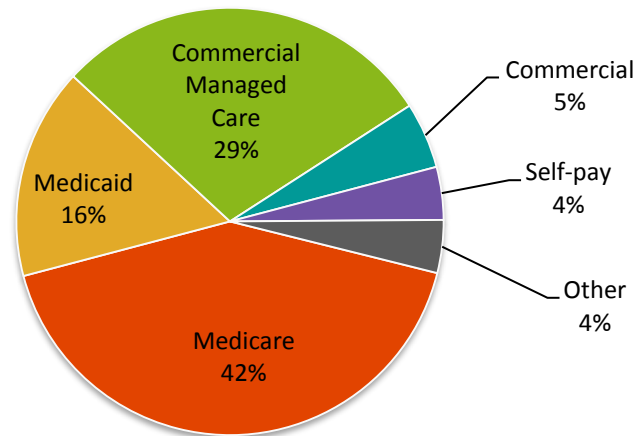
CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017			
<i>Fiscal Year ended June 30, 2017</i>	FY 2016	FY 2017	Change
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of Stay, in days	4.8	4.7	-2.1%
Outpatient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

Source: CHI 2017 Annual Report

Payer Mix

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

Gross Revenue By Payer



Source: CHI Annual Report

Financial Profile

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

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

Source: CHI Audited Financial Statements

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

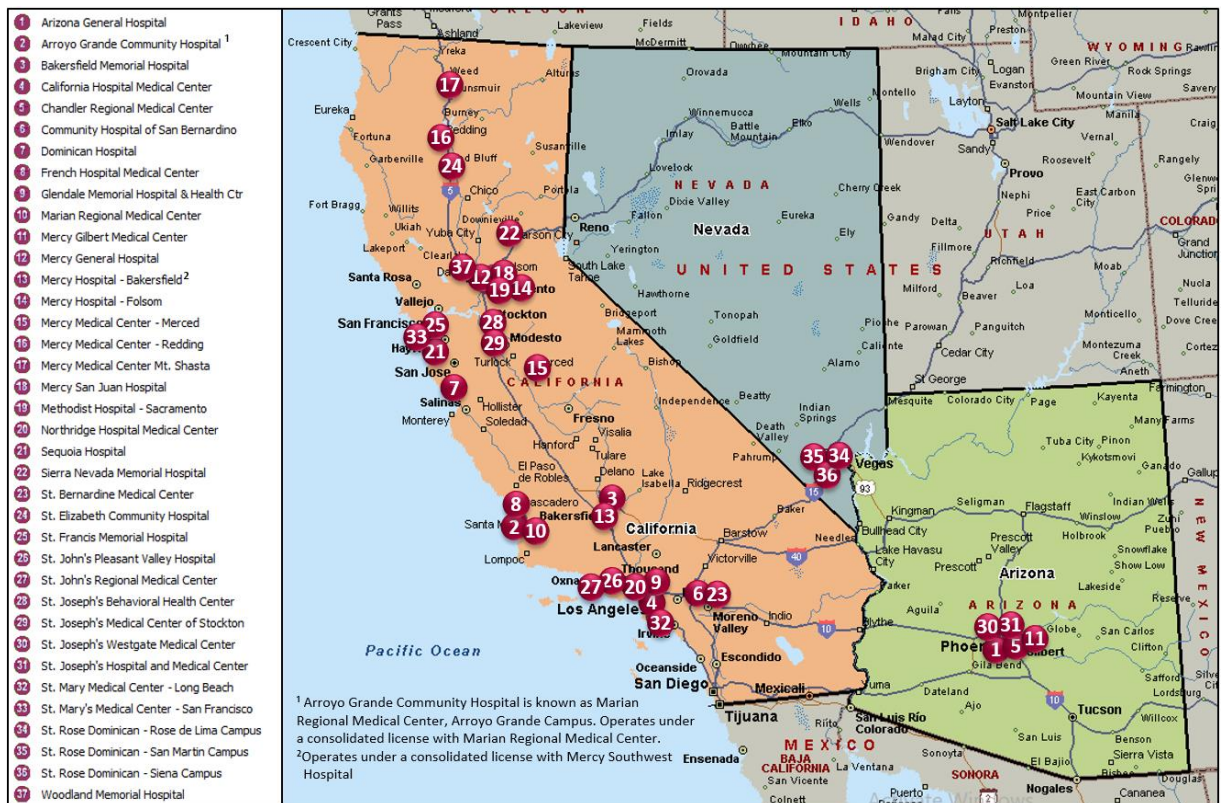
Total expenses increased by 3.7% from \$15.6 billion in FY 2016 to \$16.1 billion in FY 2017. CHI's salaries, wages and employee benefits expense accounted for 46% of total expenses;

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

Profile of Dignity Health

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

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



Payer Mix

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

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

Source: OSHPD Disclosure Reports, FY 2016

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

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

²²Fiscal Year from July 1 through June 30.

Financial Profile

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

DIGNITY HEALTH COMBINED STATEMENT OF OPERATIONS FY 2016 - FY 2017 (In Thousands)		
Unrestricted Revenues and Support	FY 2016	FY 2017
Net Patient Service Revenue Less Bad Debt Provision	\$11,542,262	\$11,572,387
Premium Revenue	\$633,395	\$755,427
Revenue from health-related activities, net	\$66,586	\$139,013
Other Revenue	\$376,580	\$364,631
Contributions	\$17,452	\$18,649
Total Unrestricted Revenues And Support	\$12,636,275	\$12,850,107
Expenses	FY 2016	FY 2017
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)	FY 2016	FY 2017
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

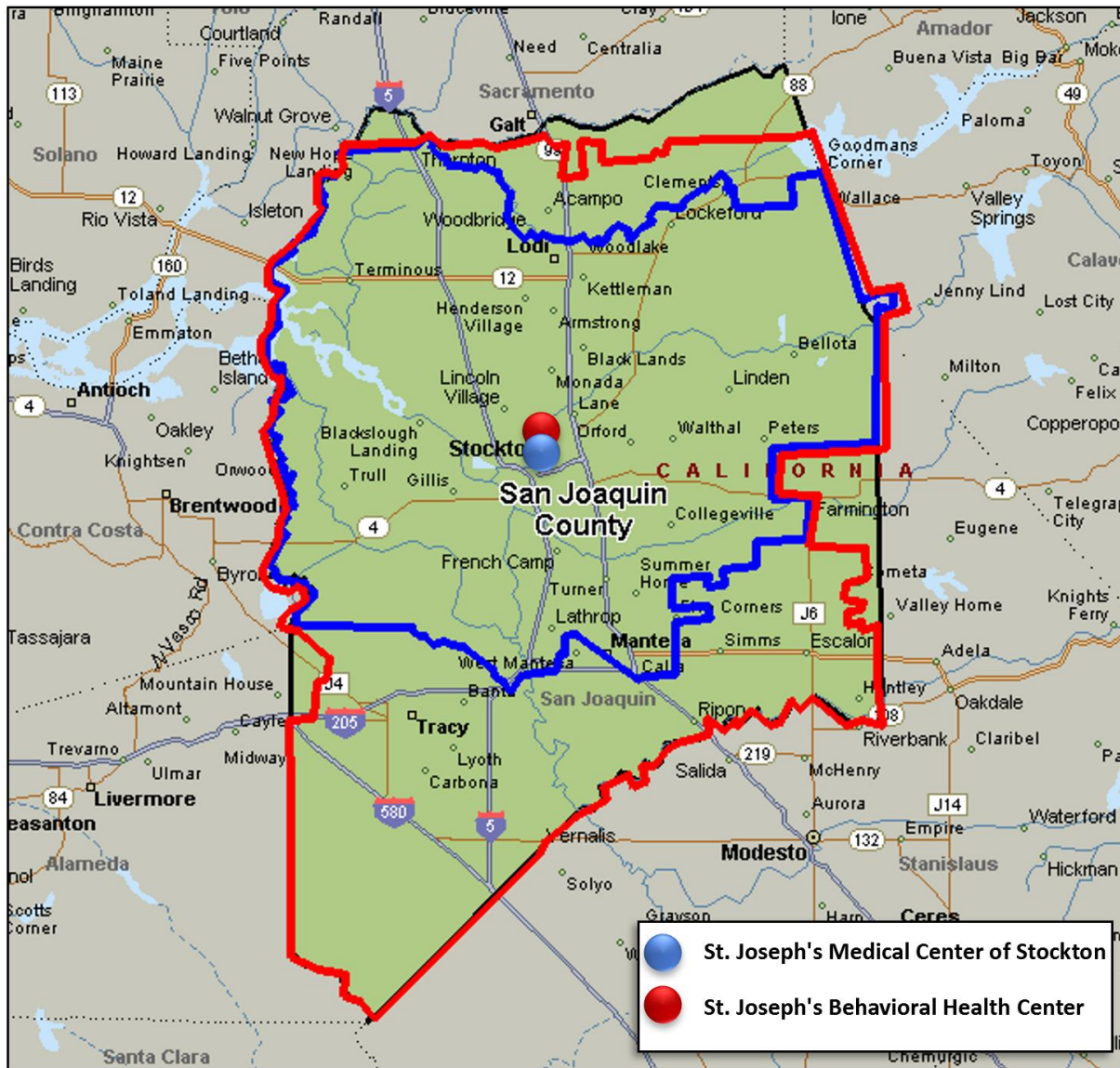
The following table lists the location of each Dignity Health owned and managed hospital in California.

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 of Stockton	San Joaquin County	Stockton
Marian Regional Medical Center	Santa Barbara County	Santa Maria
Marian Regional Medical Center West	Santa Barbara County	Santa Maria
Dominican Hospital	Santa Cruz County	Santa Cruz
Mercy Medical Center Redding	Shasta County	Redding
Mercy Medical Center Mt Shasta	Siskiyou County	Mt. Shasta
St. Elizabeth Community Hospital	Tehama County	Red Bluff
St. John's Pleasant Valley Hospital	Ventura County	Camarillo
St. John's Regional Medical Center	Ventura County	Oxnard
Woodland Memorial Hospital	Yolo County	Woodland

Source: Dignity Health

Analysis of Dignity Health’s Facility Market Share in San Joaquin County

San Joaquin County is comprised of approximately 544,000 residents and encompasses over 1,400 square miles. The map below shows the locations of the two Dignity Health facilities and their service areas.



The table below provides a list of facilities where San Joaquin County residents received inpatient behavioral health care in calendar year (CY) 2016 and their respective market share. Dignity Health operates two of these facilities: St. Joseph’s Medical Center of Stockton and St. Joseph’s Behavioral Health Center. The following table shows San Joaquin County inpatient market share for CY 2016, the most recent data available from OSHPD. St. Joseph’s Medical Center of Stockton is the market share leader with 26.7% market share of inpatient discharges in San Joaquin County. St. Joseph Behavioral Health Center has a market of 1.4% of inpatient discharges in San Joaquin County. A profile for the Dignity Health facilities located in San Joaquin County is described in the following sections.

SAN JOAQUIN COUNTY MARKET SHARE BY COUNTY CY 2016		
Hospitals	CY 2016 Discharges	Market Share
St. Joseph's Medical Center Of Stockton¹	17,553	26.7%
San Joaquin General Hospital	8,529	13.0%
Adventist Health Lodi Memorial	6,442	9.8%
Kaiser Foundation Hospital - Manteca	6,377	9.7%
Dameron Hospital	4,122	6.3%
Sutter Tracy Community Hospital	3,693	5.6%
Doctors Hospital of Manteca	3,607	5.5%
University of California Davis Medical Center	1,719	2.6%
Doctors Medical Center	1,486	2.3%
Memorial Medical Center - Modesto	1,213	1.8%
UCSF Medical Center	1,124	1.7%
St. Joseph's Behavioral Health Center¹	933	1.4%
Children’s Hospital And Research Center at Oakland	749	1.1%
All Other Hospitals	8,182	12.5%
Total Non-Dignity Health Discharges	46,751	71.1%
Total Dignity Health of California Discharges	18,978	28.9%
Total Discharges	65,729	100.0%

Note: Excludes normal newborns

¹Dignity Health hospital

- “Total Dignity Health of California Discharges” includes residents of the San Joaquin County that received inpatient care at Dignity Health hospitals located outside San Joaquin County; and
- San Joaquin General Hospital is the second-largest inpatient market share leader (13.0%).

Profile of St. Joseph’s Medical Center of Stockton

Overview

St. Joseph’s Medical Center of Stockton is a general acute care hospital located at 1800 North California Street in Stockton, California. The hospital opened with 25 beds in 1899 after Father Will B. O’Connor received funding to purchase land to build a hospital and a home for elderly men.

Today, St. Joseph’s Medical Center of Stockton operates under Port City Operating Company, a joint venture between Kaiser Foundation Hospitals and Dignity Health, and offers a range of services including: a Certified Primary Stroke Center, a STEMI Receiving Center, neonatal intensive care, obstetric services, critical care, coronary and cardiovascular care and acute respiratory care. The Hospital has 17 surgical operating rooms and a “basic” emergency department²³ with 60 emergency treatment stations. According to St. Joseph’s Medical Center of Stockton’s current hospital license, it is licensed for 355 beds as shown below.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Intensive Care Newborn Nursery	30
Perinatal	27
Intensive Care	20
Pediatric	13
Acute Respiratory Care	10
Coronary Care	9
Unspecified General Acute Care	246
Total General Acute Care Beds	355
Total Licensed Beds	355

¹ 2018 Hospital License

²³A “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. Joseph’s Medical Center of Stockton reported 19,542 inpatient discharges, 85,563 patient days, and an average daily census of 234 patients (approximately 67% occupancy) for FY 2017.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	16,427	17,081	19,542
Licensed Beds	366	337	348
Patient Days	75,376	77,389	85,563
Average Daily Census	207	212	234
Occupancy	56.4%	62.9%	67.4%
Average Length of Stay	4.6	4.5	4.4
Cardiac Catheterization Procedures	3,307	5,913	8,467
Emergency Service Visits	62,895	75,523	88,095
Total Live Births	2,534	2,696	3,368

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges increased by 19% while patient days increased by 14%;
- In FY 2017, 88,095 emergency service visits were reported, a 40% increase from FY 2015;
- In FY 2017, 8,467 cardiac catheterization procedures were reported; and
- From FY 2015 to FY 2017, total live births increased by 33%, to 3,368 total live births.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends St. Joseph’s Medical Center of Stockton.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON SERVICE VOLUMES FY 2013 - FY 2017¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	42,181	45,596	50,146	51,751	55,812
Neonatal Intensive Care	5,706	5,887	6,283	6,039	7,908
Intensive Care	12,902	9,794	10,660	11,243	12,326
Obstetrics	6,931	6,923	6,959	7,399	8,193
Pediatrics Acute	1,364	1,335	1,328	957	1,324
Total	69,084	69,535	75,376	77,389	85,563
DISCHARGES					
Medical/Surgical ²	11,002	10,834	12,086	12,579	13,974
Neonatal Intensive Care	339	370	412	445	526
Intensive Care	694	624	676	737	789
Obstetrics	2,558	2,584	2,664	2,875	3,587
Pediatrics Acute	639	633	589	445	666
Total	15,232	15,045	16,427	17,081	19,542
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.8	4.2	4.1	4.1	4.0
Neonatal Intensive Care	16.8	15.9	15.3	13.6	15.0
Intensive Care	18.6	15.7	15.8	15.3	15.6
Obstetrics	2.7	2.7	2.6	2.6	2.3
Pediatrics Acute	2.1	2.1	2.3	2.2	2.0
Total	4.5	4.6	4.6	4.5	4.4
AVERAGE DAILY CENSUS					
Medical/Surgical ²	115.6	124.9	137.4	141.8	152.9
Neonatal Intensive Care	15.6	16.1	17.2	16.5	21.7
Intensive Care	35.3	26.8	29.2	30.8	33.8
Obstetrics	19.0	19.0	19.1	20.3	22.4
Pediatrics Acute	3.7	3.7	3.6	2.6	3.6
Total	189	191	207	212	234
OTHER SERVICES					
Inpatient Surgeries	3,421	3,216	3,333	3,284	3,046
Outpatient Surgeries	1,728	1,651	1,808	1,977	2,018
Emergency Service Visits	54,274	55,357	62,895	75,523	88,095
Total Live Births	2,467	2,438	2,534	2,696	3,368

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

- Total patient days increased by 24%;
- Inpatient discharges increased by 28%; and
- The average daily census increased by 24% from 189 patients in FY 2013 to 234 patients in FY 2017.

Financial Profile

Over the last five fiscal years, St. Joseph’s Medical Center of Stockton’s net income had fluctuated, but it yielded a positive gain of \$15.8 million in FY 2013 and a smaller gain of \$9.5 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by nearly 37% and 36% respectively. Over the same period, the Hospital’s operating expenses increased by 28% from \$421.5 million in FY 2013 to \$540.6 million in FY 2017. Other operating revenue²⁴ decreased by 37% from \$7.4 million in FY 2013 to \$4.7 million in FY 2017.

The Hospital’s current ratio²⁵ has decreased over the last five years from 3.05 in FY 2013 to 2.60 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s FY 2017 percentage of bad debt is 1.0% and is higher than the state average of 0.8%.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	69,084	69,535	75,376	70,657	92,245	-
Discharges	15,232	15,045	16,427	15,358	20,955	-
ALOS	4.5	4.6	4.6	4.6	4.4	-
Net Patient Revenue	\$394,715,831	\$354,180,046	\$482,729,675	\$439,054,610	\$540,084,874	-
Other Operating Revenue	\$7,410,886	\$5,543,026	\$3,933,528	\$3,223,689	\$4,708,918	-
Total Operating Revenue	\$402,126,717	\$359,723,072	\$486,663,203	\$442,278,299	\$544,793,792	-
Operating Expenses	\$421,540,227	\$375,243,191	\$442,220,454	\$421,390,807	\$540,589,946	-
Net from Operations	(\$19,413,510)	(\$15,520,119)	\$44,442,749	\$20,887,492	\$4,203,846	-
Net Non-Operating Revenues and Expenses	\$35,196,842	\$6,827,791	\$4,087,726	\$721,652	\$5,272,430	-
Net Income	\$15,783,332	(\$8,692,328)	\$48,530,475	\$21,609,144	\$9,476,276	-
						2016 California Average ²
Current Ratio	3.05	2.71	2.75	2.54	2.60	1.56
Days in A/R	52.8	59.1	45.9	58.3	54.7	57.1
Bad Debt Rate	2.5%	2.6%	0.4%	1.0%	1.0%	0.8%
Operating Margin	-4.83%	-4.31%	9.13%	4.72%	0.77%	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.

²⁴Other operating revenue represents amounts received for services that are central to the provision of healthcare services but are not directly related to patient care.

²⁵The current ratio compares a company’s current assets to its current liabilities to measure its ability to pay short-term and long-term debt obligations. A low current ratio of less than 1.0 could indicate that a company may have difficulty meeting its current obligations. The higher the current ratio, the more capable the company is of paying its obligations as it has a larger proportion of assets relative to its liabilities.

Cost of Hospital Services

St. Joseph’s Medical Center of Stockton’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 46% of total costs were associated with Medicare, followed by 32% with Medi-Cal, and 21% with Third-Party.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$421,540,227	\$375,243,191	\$442,220,454	\$421,390,807	\$540,589,946
Cost of Services By Payer:					
Medicare	\$203,018,854	\$180,284,039	\$205,331,988	\$189,974,138	\$247,642,894
Medi-Cal	\$115,229,888	\$114,250,298	\$154,641,551	\$151,639,876	\$170,294,423
County Indigent	\$1,012,091	\$535,214	\$137,286	\$189,427	\$121,358
Third-Party	\$86,486,712	\$69,507,413	\$76,598,557	\$73,221,083	\$113,815,017
Other Indigent	\$6,580,811	\$2,946,411	\$3,348,950	\$1,503,270	\$3,839,203
All Other Payers	\$9,211,871	\$7,719,816	\$2,162,122	\$4,863,013	\$4,877,052

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. Joseph’s Medical Center of Stockton 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 2.4% and less 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. JOSEPH'S MEDICAL CENTER OF STOCKTON CHARITY CARE COMPARISON FY 2013 - FY 2017 ² (in Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$1,821,743	\$320,382,471	\$1,906,959	\$338,322,364	\$2,198,528	\$365,501,463	\$2,272,479	\$396,427,743	\$3,171,494	-
Charity	\$30,070	\$6,563,487	\$15,190	\$5,113,965	\$20,197	\$3,441,227	\$9,456	\$3,457,868	\$23,593	-
Bad Debt	\$46,444	\$5,891,632	\$48,724	\$4,365,936	\$8,013	\$3,262,642	\$22,703	\$3,108,971	\$32,726	-
Total Charity & Bad Debt	\$76,513	\$12,455,119	\$63,914	\$9,479,902	\$28,210	\$6,703,869	\$32,159	\$6,566,839	\$56,320	-
Charity Care as a % of Gross Patient Revenue	1.7%	2.0%	0.8%	1.5%	0.9%	0.9%	0.4%	0.9%	0.7%	-
Bad Debt as a % of Gross Patient Revenue	2.5%	1.8%	2.6%	1.3%	0.4%	0.9%	1.0%	0.8%	1.0%	-
Total as a % of Gross Patient Revenue	4.2%	3.9%	3.4%	2.8%	1.3%	1.8%	1.4%	1.7%	1.8%	-
Uncompensated Care										
Cost to Charge Ratio	22.7%	24.5%	19.4%	23.6%	19.9%	24.1%	18.4%	23.8%	16.9%	-
Charity	\$6,836	\$1,608,711	\$2,945	\$1,207,919	\$4,026	\$828,647	\$1,740	\$822,627	\$3,987	-
Bad Debt	\$10,558	\$1,444,039	\$9,446	\$1,031,234	\$1,597	\$785,644	\$4,178	\$739,624	\$5,530	-
Total	\$17,394	\$3,052,750	\$12,391	\$2,239,153	\$5,624	\$1,614,292	\$5,918	\$1,562,251	\$9,516	-

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 \$6.8 million in FY 2013 to \$4.0 million in FY 2017. The average cost of charity care for the last five-year period was approximately \$3.9 million, while the three-year average cost of charity care was \$3.3 million.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON 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	\$23,593,293	16.9%	\$3,986,512
FY 2016	\$9,456,078	18.4%	\$1,740,047
FY 2015	\$20,196,959	19.9%	\$4,026,360
FY 2014	\$15,190,300	19.4%	\$2,944,927
FY 2013	\$30,069,694	22.7%	\$6,835,621
FY 2015 - FY 2017 Average			\$3,250,973
FY 2013 - FY 2017 Average			\$3,906,693

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 charges.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$1,057,324	\$1,094,016	\$846,215	\$2,997,555
Visits/Discharges	63	726	1,026	
FY 2016:				
Cost of Charity	\$615,475	\$542,619	\$365,367	\$1,523,461
Visits/Discharges	35	415	465	
FY 2015:				
Cost of Charity	\$1,866,111	\$1,044,958	\$508,128	\$3,419,197
Visits/Discharges	114	1,188	742	
FY 2014:				
Cost of Charity	\$2,313,863	\$1,031,420	\$469,030	\$3,814,313
Visits/Discharges	144	1,171	708	
FY 2013:				
Cost of Charity	\$3,739,228	\$1,294,356	\$564,049	\$5,597,633
Visits/Discharges	264	1,686	949	

Source: Dignity Health

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

Community Benefit Services

In the last five years, St. Joseph’s Medical Center of Stockton has provided a significant contribution for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three fiscal years has been \$6.8 million. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$7.4 million.

ST. JOSEPH’S MEDICAL CENTER OF STOCKTON 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	\$4,577,342	\$2,323,048	\$3,117,650	\$2,857,821	\$3,655,840	\$3,210,437	\$3,306,340
Benefits for Broader Community	\$5,511,699	\$5,196,017	\$4,264,910	\$4,249,269	\$4,565,812	\$4,359,997	\$4,757,541
Totals	\$10,089,041	\$7,519,065	\$7,382,560	\$7,107,090	\$8,221,652	\$7,570,434	\$8,063,882
Medi-Cal Provider Fee CHFT Grant Expense	(\$764,434)	(\$257,923)	(\$1,163,162)	(\$666,732)	(\$453,624)	-	-
Adjusted Totals	\$ 9,324,607	\$ 7,261,142	\$ 6,219,398	\$ 6,440,358	\$ 7,768,028	\$ 6,809,261	\$ 7,402,707

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

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$3.3 million per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$4.8 million per year; and
- Over the five-year period, the Hospital’s combined adjusted total cost of the community benefit services decreased from \$9.3 million in FY 2013 to \$7.8 million in FY 2017.

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

ST. JOSEPH'S MEDICAL CENTER of STOCKTON 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
CareVan Weekly Clinics	\$748,576	\$654,272	\$462,387	\$362,321	\$188,183
CDSMP-Chronic Disease Self-Management Program	-	\$28,216	\$108,892	\$120,178	\$179,932
Community Health Connector	-	-	\$6,060	\$34,927	\$17,304
Diabetes Education, Prevention and Self-Management	-	\$433,773	\$435,074	\$393,212	\$294,131
ED Frequent User Program	-	-	-	\$179,859	\$274,377
ED Navigator Program	-	-	-	\$130,069	\$211,177
Healing South Stockton - CACHI	-	-	-	-	\$73,628
Human Trafficking Community Response Initiative	-	-	-	\$15,655	\$49,994
Outreach Activities	\$87,172	-	-	\$83,536	\$174,854
Smart Moves - Weight Management Program for Children	-	-	-	-	\$150,576
Special Needs Caregiver Program	\$80,093	\$72,809	\$45,878	\$59,297	\$103,782
Ancillary Services for St. Mary's Clinic (Outpatient)	\$62,085	\$16,934	\$3,929	\$9,850	\$11,815
Dobbins Foundation Program	\$109,641	\$57,310	\$30,937	\$17,761	\$24,924
Cash Donations - Community Benefit	\$70,744	\$21,622	\$101,954	\$124,943	\$236,542
Dignity Health Community Grant Program	\$164,862	\$403,269	\$272,001	-	\$290,964
Friends of Seniors / St. Joseph's Interfaith	\$107,751	\$110,089	\$204,964	\$78,076	\$119,275
Homecoming Project	-	-	-	\$214,978	\$288,993
In-Kind Assistance (Poverty)	-	-	\$7,925	\$9,236	\$22,695
Donation: St. Mary's Medical and Dental Clinics	-	-	\$50,000	\$86,117	\$65,024
Community Benefit Operations	\$221,731	\$442,616	\$507,982	\$478,858	\$468,283
Community Health Needs Assessment & Community Benefit Report	\$97,319	\$104,224	\$66,431	\$76,147	\$43,045
Breastfeeding Support Group	-	-	-	-	\$18,291
High Risk Clinic	\$67,459	\$59,621	\$54,146	\$53,318	\$74,814
Health Professions Education - Nurses	\$1,089,999	\$1,096,186	\$930,335	\$1,237,447	\$1,257,166
Health Professions Education - Other	\$635,990	\$624,369	\$709,106	\$702,714	\$663,676
Graduate Medical Education	-	-	-	-	\$576,513
Health Professionals Learning Center	\$349,835	\$333,254	\$352,765	\$373,676	\$412,141
San Joaquin General - Residency Program	\$500,880	\$467,915	\$510,452	\$489,448	\$537,225
Chronic Disease Exercise Programs	-	-	-	\$32,188	\$14,089
Clinical Research	\$188,280	\$82,605	\$225,748	\$351,648	\$409,245
Donation - In-Kind - Room Space to Non-profit Groups	\$219,409	\$142,745	\$199,552	\$109,809	\$69,113
Physician Recruitment Expenses	\$713,820	\$1,380,655	\$714,593	\$509,687	\$382,567

Source: Dignity Health

- **CareVan Weekly Clinics:** The CareVan program is a mobile medical clinic offering free health services including health screenings, education, referral services, and medical diagnoses and treatment;
- **CDSMP-Chronic Disease Self-Management Program:** This is a six-week program to help people manage and cope with ongoing health issues and chronic diseases. The program focus is on goal setting and problem solving, nutrition, communication skills, relaxation techniques, medication usage, community resources, and partnering with a doctor;
- **Community Health Connector:** Community Health Connector program consists of community health workers who have been recruited and trained to outreach to culturally diverse populations in San Joaquin County to promote healthy behaviors, improve access to health care, and to engage community members in improving systems that impact health well-being;

- Diabetes Education, Prevention and Self-Management: Diabetes education, prevention, and self-management includes a number of community-based programs;
- ED Frequent User Program: When a frequent user presents for care in the ER, a service coordinator meets with patient to connect the patient to a medical home;
- ED Navigator Program: ED Navigator meets with identified patients (those using ED for primary care services) after their medical screening exam, assesses their access needs, identifies any barriers that prevented them from accessing primary care services, and ensures that the assigned primary care physician and primary care clinic are accessible to the patient;
- Healing South Stockton - CACHI: Mental health services are being developed with community partners at on-site community locations such as schools, faith groups, and community centers. These services, once established, can be expanded and sustained financially through Federally Qualified Health Clinic billing;
- Human Trafficking Community Response Initiative: The Hospital staff and community businesses are trained on identifying potential victims of human trafficking. The hospital is a member of the county-wide human trafficking task force and leads efforts for community awareness and capacity building in addition to education on how to refer a victim or potential victim as appropriate;
- Outreach Activities: Outreach activities in the community carried out to improve health, which extend beyond patient care activities. Activities include, but are not limited to community health education, community based-clinical services/screenings, and community health initiatives addressing specific health targets and goals for the poor and underserved;
- Smart Moves - Weight Management Program for Children: Uses a non-diet, family approach to weight management in children and youth in 5th grade through 8th grade. The program's philosophy consists of three parts: behavior modification, nutrition education, and exercise. Children gain insight into food intake and activity levels, while learning concrete skills to help change obesity-causing behavior, resulting in a healthier lifestyle;
- Special Needs Caregiver Program: The program offers continued updated information and understanding of people with intellectual disabilities and utilizing that knowledge to enhance daily approaches to care;
- Ancillary Services for St. Mary's Clinic (Outpatient): The Hospital provides support to St. Mary's Clinic, a free clinic for the uninsured, underinsured and homeless by providing lab tests, X-ray services, and reimbursement for medications purchased from outside sources;
- Dobbins Foundation Program: This program was set up as a source of assistance for women 19-39 years of age whose primary care provider has determined that further

breast diagnostic testing is needed and who have no other resources to cover expenses such as private insurance, Medi-Cal, or Family PACT;

- Cash Donations - Community Benefit: Funds donated to community organizations for a community benefit purpose;
- Dignity Health Community Grant Program: The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the communities we serve. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations and reduce disparities;
- Friends of Seniors / St. Joseph's Interfaith: Volunteers who provide a helping hand to seniors aged 60 or older who are living at home. A collaborative effort to help seniors remain independent by matching them up with volunteers from the community: friendly visiting, transportation, shopping, light housekeeping, respite, yard work, and minor house repairs;
- Homecoming Project: Offers hospital to home service that bridges the gap between a hospital discharge and a strong recovery. The Hospital provides care management and services after a patient returns home to help stabilize and achieve optimal recovery;
- In-Kind Assistance (Poverty): In-kind services donated to community organizations or to the community at large for a community benefit purpose. In-kind services include hours contributed by staff to the community while on health care organization work time, the cost of meeting space provided to community groups and the donations of food, equipment, and supplies;
- Donation: St. Mary's Medical and Dental Clinics: Grants that serve the homeless and working poor, by providing lab tests, X-ray services, reimbursement for medications purchased from outside sources, and dental procedures through volunteer dentists and hygienists;
- Community Benefit Operations: Provides staffing not allocated to specific programs, as well as other costs associated with community benefit strategy and operations;
- Community Health Needs Assessment & Community Benefit Report: Cost of community health needs assessments and community benefit reports and plans;
- Breastfeeding Support Group: mother baby breast connection meeting weekly with a lactation consultant;
- High Risk Clinic: To screen and evaluate Neonatal Intensive Care Unit graduates for development;
- Health Professions Education – Nurses: Provide state mandated clinical experience/rotation for nursing students;
- Health Professions Education – Other: The Hospital provides a clinical setting and supervision for echo students, paramedic and emergency medical technician students,

pharmacy students/interns, physical, occupational and speech therapy interns, radiology techs, and respiratory therapy and clinical laboratory students;

- Graduate Medical Education: Provides a Graduate Medical Education program for medical students from California and in particular from San Joaquin County, who wish to return to Central Valley to pursue practice opportunities;
- Health Professionals Learning Center: Continuing education classes provided to health care professionals including, registered nurses, licensed vocational nurses, medical technologists, pharmacists, certified nurse assistants, licensed clinical social workers, and emergency medical technicians;
- San Joaquin General - Residency Program: San Joaquin General and St. Joseph's Medical Center of Stockton collaborate to provide medical residents with educational rotation. The Hospital reimburses for medical residents' salaries;
- Chronic Disease Exercise Programs: Monitored exercise program for individuals in the community with chronic diseases;
- Clinical Research: Costs associated with participation in clinical research studies;
- Donation - In-Kind - Room Space to Nonprofit Groups: In - kind donation of meeting space to community organizations for a community benefit purpose. The cost of meeting space provided to community groups; and
- Physician Recruitment Expenses: Recruitment and loan forgiveness for physicians who relocate into the Hospital's service area.

Reproductive Health

For CY 2016, St. Joseph’s Medical of Center of Stockton reported 89 inpatient discharges related to reproductive health services. The following table lists inpatient reproductive health services²⁶ by diagnostic related group (DRG) for CY 2016.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
777-Ectopic Pregnancy	31
767-Vaginal Delivery W Sterilization &/Or D&C ¹	16
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	15
779-Abortion W/O D&C ¹	14
778-Threatened Abortion	13
Total Discharges:	89

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

- Out of the five diagnostic related groups, DRG 777-Ectopic Pregnancy has the highest number of reproductive service inpatient discharges.

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

ST JOSEPH'S MEDICAL CENTER OF STOCKTON 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)	Yes, In the Emergency Department and emergent situations.

Source: Dignity Health

²⁶St. Joseph’s Medical Center of Stockton is a Catholic hospital and is subject to the Catholic ERDs that prohibit direct abortions. Although the Catholic ERDs prohibit direct abortions, these procedures are performed at the Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

Analysis of St. Joseph’s Medical Center of Stockton

Service Area Definition

St. Joseph’s Medical Center of Stockton’s service area is comprised of 24 ZIP Codes from which 90% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital’s discharges originated from the top five ZIP Codes and 83% from the top 11 ZIP codes, all of which are in the City of Stockton. In CY 2016, the Hospital’s market share in the service area was 34%.

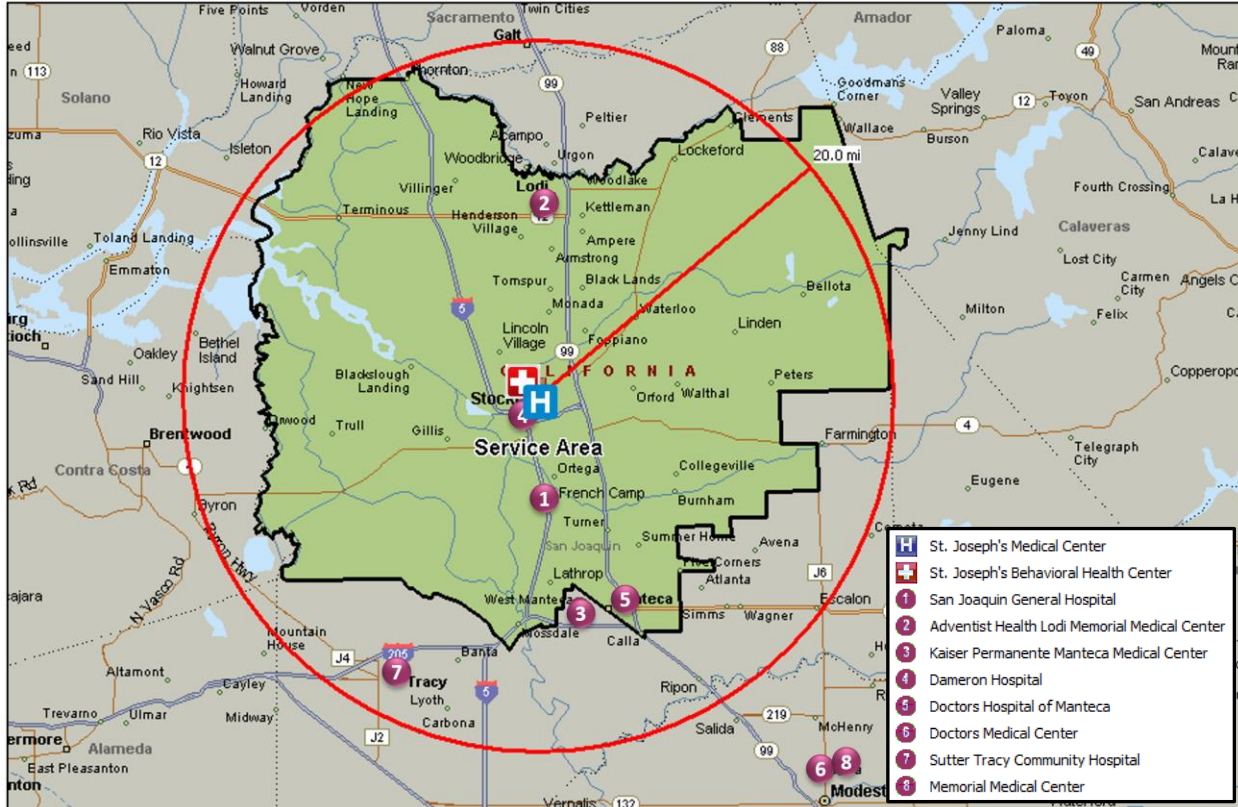
ST. JOSEPH'S MEDICAL CENTER OF STOCKTON PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95207	Stockton	2,567	13.6%	13.6%	5,216	49.2%
95206	Stockton	2,054	10.9%	24.5%	5,876	35.0%
95205	Stockton	1,958	10.4%	34.9%	4,076	48.0%
95210	Stockton	1,858	9.9%	44.8%	3,868	48.0%
95209	Stockton	1,647	8.7%	53.5%	3,717	44.3%
95204	Stockton	1,581	8.4%	61.9%	3,103	51.0%
95215	Stockton	934	5.0%	66.9%	3,115	30.0%
95212	Stockton	878	4.7%	71.5%	1,991	44.1%
95219	Stockton	804	4.3%	75.8%	1,984	40.5%
95203	Stockton	795	4.2%	80.0%	1,896	41.9%
95202	Stockton	505	2.7%	82.7%	1,293	39.1%
95240	Lodi	474	2.5%	85.2%	4,628	10.2%
95242	Lodi	286	1.5%	86.7%	2,427	11.8%
95336	Manteca	233	1.2%	87.9%	4,345	5.4%
95236	Linden	124	0.7%	88.6%	361	34.3%
95330	Lathrop	99	0.5%	89.1%	1,602	6.2%
95231	French Camp	57	0.3%	89.4%	458	12.4%
95237	Lockeford	50	0.3%	89.7%	375	13.3%
95269	Stockton	23	0.1%	89.8%	77	29.9%
95208	Stockton	22	0.1%	89.9%	47	46.8%
95201	Stockton	22	0.1%	90.1%	125	17.6%
95267	Stockton	11	0.1%	90.1%	42	26.2%
95213	Stockton	7	0.0%	90.2%	34	20.6%
95211	Stockton	3	0.0%	90.2%	11	27.3%
Subtotal		16,992	90.2%	90.2%	50,667	33.5%
Other ZIPs		1,853	9.8%	100%		
Total Discharges		18,845	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

St. Joseph’s Medical Center of Stockton’s service area has approximately 544,000 residents. There are four other hospitals located within the Hospital’s service area including San Joaquin General Hospital, Adventist Health Lodi Memorial Medical Center, Dameron Hospital, and Doctors Hospital of Manteca. St. Joseph’s Medical Center of Stockton is the inpatient market share leader in the service area



Hospital Market Share

The table below provides the inpatient market share for St. Joseph’s Medical Center of Stockton’s service area.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON SERVICE AREA MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
St. Joseph's Medical Center of Stockton	29.9%	28.9%	29.0%	33.5%	↗
San Joaquin General Hospital	13.5%	14.3%	13.8%	15.0%	↗
Adventist Health Lodi Memorial Medical Center	10.2%	10.6%	11.6%	11.3%	→
Kaiser Foundation Hospital - Manteca	7.1%	7.3%	7.9%	7.9%	↗
Dameron Hospital	15.3%	15.0%	13.8%	7.9%	↘
Doctors Hospital of Manteca	4.7%	4.5%	4.5%	4.5%	→
UC Davis Medical Center	2.4%	2.6%	2.7%	2.9%	↗
UCSF Medical Center	1.7%	1.7%	1.5%	1.7%	→
St. Joseph's Behavioral Health Center	1.4%	1.3%	1.4%	1.6%	↗
Doctors Medical Center	0.6%	0.9%	0.9%	1.2%	↗
Children’s Hospital & Research Center at Oakland	1.2%	1.2%	1.1%	1.0%	→
Kaiser Foundation Hospital - South Sacramento	0.9%	0.9%	0.8%	1.0%	→
Sutter Tracy Community Hospital	0.8%	0.8%	0.8%	0.8%	→
Memorial Medical Center - Modesto	0.7%	0.9%	0.8%	0.8%	→
Sutter Medical Center, Sacramento	0.5%	0.4%	0.4%	0.6%	→
Stanford Health Care	0.8%	0.7%	0.6%	0.6%	→
Kaiser Foundation Hospital - Sacramento	0.5%	0.4%	0.4%	0.4%	→
Central Valley Specialty Hospital	0.0%	0.2%	0.3%	0.3%	→
Fremont Hospital	0.1%	0.2%	0.3%	0.3%	→
All Other	7.6%	7.3%	7.4%	6.8%	↘
Total Percentage	100%	100%	100%	100%	
Total Discharges	46,692	49,112	51,358	50,667	↗

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges in St. Joseph’s Medical Center of Stockton’s service area has increased by 9% from 46,692 inpatient discharges in CY 2013 to nearly 50,667 discharges in CY 2016;
- From CY 2013 to CY 2016, St. Joseph’s Medical Center of Stockton consistently ranked first in overall market share for its service area based on inpatient discharges (34% in CY 2016); and
- In CY 2016, San Joaquin General Hospital ranked second in market share (15%), followed by Adventist Health Lodi Memorial (11%).

Market Share by Payer Type

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

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	St. Joseph's Medical Center Of Stockton	San Joaquin General Hospital	Adventist Health Lodi Memorial Medical Center	Kaiser Foundation Hospital – Manteca	Dameron Hospital	Doctors Hospital Of Manteca	UC Davis Medical Center	UCSF Medical Center	All Others	Total
Medi-Cal	18,790	36.0%	25.4%	11.0%	1.5%	8.0%	1.1%	3.9%	2.4%	10.7%	100.0%
Medicare	17,768	38.4%	6.8%	15.1%	8.1%	9.2%	6.1%	2.3%	1.1%	12.9%	100.0%
Private Coverage	11,377	27.9%	2.1%	7.4%	19.7%	6.7%	8.4%	2.4%	1.6%	24.0%	100.0%
All Other	2,108	6.7%	51.9%	3.7%	0.3%	3.0%	1.3%	2.3%	0.9%	29.8%	100.0%
Self-Pay	624	13.5%	44.6%	6.4%	6.4%	4.5%	3.0%	0.3%	1.4%	19.9%	100.0%
Total Percentage		33.5%	15.0%	11.3%	7.9%	7.9%	4.5%	2.9%	1.7%	15.4%	100.0%
Total Discharges	50,667	16,992	7,591	5,711	3,998	3,984	2,284	1,453	858	7,796	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area inpatient discharges are Medi-Cal with 18,790 discharges (37%), Medicare with 17,768 discharges (35%), and Private Coverage with 11,377 discharges (23%);
- St. Joseph’s Medical Center of Stockton is the inpatient market share leader for Medi-Cal (36%), Medicare (38%), and Private Coverage (28%); and
- San Joaquin General Hospital is the inpatient market share leader for Self-Pay (45%).

Market Share by Service Line

The following table shows inpatient market share by hospital and service line for St. Joseph’s Medical Center of Stockton’s service area for CY 2016.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	St. Joseph's Medical Center Of Stockton	San Joaquin General Hospital	Adventist Health Lodi Memorial Medical Center	Kaiser Foundation Hospital – Manteca	Dameron Hospital	Doctors Hospital Of Manteca	UC Davis Medical Center	UCSF Medical Center	All Others	Total
General Medicine	16,727	37.3%	13.2%	15.2%	6.9%	9.4%	5.6%	2.0%	1.2%	9.1%	100.0%
Obstetrics	8,259	39.8%	20.3%	10.3%	12.4%	4.5%	4.9%	0.9%	0.2%	6.7%	100.0%
Cardiac Services	5,279	42.0%	12.6%	11.3%	6.7%	10.4%	5.0%	2.0%	1.0%	9.0%	100.0%
General Surgery	4,588	29.4%	15.2%	8.0%	8.1%	9.8%	4.2%	4.4%	3.4%	17.6%	100.0%
Orthopedics	2,979	15.4%	13.3%	11.4%	13.0%	16.2%	4.3%	3.2%	1.4%	21.9%	100.0%
Neonatology	2,854	33.3%	26.5%	9.9%	11.7%	3.9%	3.0%	2.3%	0.8%	8.6%	100.0%
Behavioral Health	2,276	4.3%	4.1%	3.0%	0.7%	1.1%	0.7%	0.4%	0.4%	85.3%	100.0%
Neurology	2,236	36.4%	10.8%	13.4%	4.9%	5.5%	3.3%	5.5%	3.4%	16.8%	100.0%
Oncology/Hematology	1,444	33.7%	12.8%	8.2%	4.4%	4.5%	3.9%	7.2%	5.6%	19.7%	100.0%
Other	802	23.8%	23.9%	3.7%	5.0%	2.0%	3.7%	13.7%	0.6%	23.4%	100.0%
Spine	650	22.3%	12.6%	4.2%	0.8%	11.1%	4.2%	8.2%	5.8%	30.9%	100.0%
Vascular Services	645	41.9%	12.9%	8.2%	10.1%	8.2%	2.9%	2.5%	1.7%	11.6%	100.0%
Urology	510	37.1%	12.9%	12.5%	7.5%	0.6%	2.0%	5.1%	5.1%	17.3%	100.0%
ENT	471	25.1%	18.9%	7.6%	3.6%	3.8%	3.0%	8.3%	9.3%	20.4%	100.0%
Gynecology	449	25.2%	20.3%	7.1%	3.8%	12.5%	4.0%	3.8%	1.8%	21.6%	100.0%
Neurosurgery	348	12.9%	11.8%	0.6%	0.9%	0.9%	0.0%	14.1%	17.5%	41.4%	100.0%
No-match-found	75	21.3%	9.3%	2.7%	2.7%	8.0%	2.7%	9.3%	13.3%	30.7%	100.0%
Ophthalmology	56	16.1%	23.2%	3.6%	1.8%	0.0%	0.0%	19.6%	10.7%	25.0%	100.0%
Total Percentage		33.5%	15.0%	11.3%	7.9%	7.9%	4.5%	2.8%	1.7%	15.4%	100.0%
Total Discharges	50,667	16,992	7,591	5,711	3,998	3,984	2,284	1,443	858	7,787	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- St. Joseph’s Medical Center of Stockton is the service line leader in 13 service lines;
 - General medicine (37.3%);
 - Obstetrics (39.8%);
 - Cardiac services (42%);
 - General surgery (29.4%);
 - Neonatology (33.3%);
 - Behavioral health (4.3%);
 - Neurology (36.4%);
 - Oncology/hematology (33.7%);
 - Spine (22.3%);

- Vascular services (41.9%);
 - Urology (37.1%);
 - ENT (25.1%); and
 - Gynecology (25.2%).
- San Joaquin General Hospital is the service line leader in ophthalmology (23.2%).
 - Dameron Hospital is the service line leader in orthopedics (16.2%).

Market Share by ZIP Code

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

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	St. Joseph's Medical Center of Stockton	San Joaquin General Hospital	Adventist Health Lodi Memorial	Kaiser Foundation Hospital - Manteca	Dameron Hospital	Doctors Hospital Of Manteca	University Of California Davis Medical Center	UCSF Medical Center	All Others	Total
95206	Stockton	5,876	35.0%	28.6%	1.4%	8.1%	7.9%	2.0%	2.2%	2.1%	12.9%	100.0%
95207	Stockton	5,216	49.2%	11.4%	4.0%	5.9%	11.1%	0.7%	2.6%	1.5%	13.5%	100.0%
95240	Lodi	4,628	10.2%	5.9%	55.4%	5.2%	2.1%	0.3%	6.4%	1.3%	13.1%	100.0%
95336	Manteca	4,345	5.4%	6.6%	0.4%	21.6%	0.9%	35.9%	1.2%	2.1%	25.8%	100.0%
95205	Stockton	4,076	48.0%	20.9%	2.6%	3.8%	8.6%	1.0%	2.7%	1.4%	11.0%	100.0%
95210	Stockton	3,868	48.0%	12.3%	6.6%	5.6%	12.2%	0.4%	2.1%	1.6%	11.2%	100.0%
95209	Stockton	3,717	44.3%	8.8%	9.4%	8.2%	10.2%	0.6%	2.5%	2.0%	14.1%	100.0%
95215	Stockton	3,115	30.0%	41.0%	3.9%	3.6%	7.0%	1.4%	2.5%	2.0%	8.7%	100.0%
95204	Stockton	3,103	51.0%	10.8%	3.2%	5.0%	13.4%	0.8%	2.3%	1.4%	12.2%	100.0%
95242	Lodi	2,427	11.8%	2.4%	52.3%	4.6%	2.8%	0.2%	6.3%	1.6%	18.0%	100.0%
95212	Stockton	1,991	44.1%	8.5%	12.0%	8.5%	6.8%	0.4%	2.7%	2.1%	14.9%	100.0%
95219	Stockton	1,984	40.5%	6.7%	6.3%	10.1%	10.4%	0.7%	3.0%	2.2%	20.1%	100.0%
95203	Stockton	1,896	41.9%	19.3%	1.2%	3.9%	17.1%	0.6%	2.1%	1.3%	12.7%	100.0%
95330	Lathrop	1,602	6.2%	16.4%	0.1%	23.3%	1.5%	18.4%	1.2%	1.2%	31.7%	100.0%
95202	Stockton	1,293	39.1%	17.4%	1.6%	1.6%	10.4%	0.2%	2.2%	0.9%	26.7%	100.0%
95231	French Camp	458	12.4%	41.5%	1.7%	8.3%	2.6%	12.0%	0.7%	1.1%	19.7%	100.0%
95237	Lockeford	375	13.3%	2.7%	45.9%	5.6%	2.1%	0.3%	8.0%	3.2%	18.9%	100.0%
95236	Linden	361	34.3%	7.2%	10.5%	13.3%	7.2%	2.2%	4.2%	1.1%	19.9%	100.0%
95201	Stockton	125	17.6%	37.6%	2.4%	3.2%	6.4%	0.0%	0.0%	2.4%	30.4%	100.0%
95269	Stockton	77	29.9%	0.0%	7.8%	24.7%	10.4%	2.6%	3.9%	0.0%	20.8%	100.0%
95208	Stockton	47	46.8%	2.1%	8.5%	8.5%	14.9%	0.0%	2.1%	4.3%	12.8%	100.0%
95267	Stockton	42	26.2%	2.4%	2.4%	14.3%	9.5%	0.0%	9.5%	19.0%	16.7%	100.0%
95213	Stockton	34	20.6%	11.8%	0.0%	2.9%	2.9%	8.8%	2.9%	2.9%	47.1%	100.0%
95211	Stockton	11	27.3%	9.1%	0.0%	0.0%	9.1%	0.0%	0.0%	0.0%	54.5%	100.0%
Total Percentage			33.5%	15.0%	11.3%	7.9%	7.9%	4.5%	2.9%	1.7%	15.4%	100.0%
Total Discharges		50,667	16,991	7,591	5,711	3,998	3,984	2,284	1,453	858	7,797	

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

- St. Joseph’s Medical Center of Stockton is the inpatient market share leader in 16 of the 24 of the ZIP Codes, all of which are in the City of Stockton;
- San Joaquin General Hospital is the inpatient market share leader in three service area ZIP Codes located within the Cities Stockton and French Camp; and
- Adventist Health Lodi Memorial is the inpatient market share leader in three service area ZIP Codes located within the Cities of Lodi and Lockeford.

Profile of St. Joseph’s Behavioral Health Center

Overview

St. Joseph’s Behavioral Health Center is an acute psychiatric facility located at 2510 North California Street in Stockton, California. The Hospital was established in 1988 after St. Joseph’s Medical Center of Stockton acquired Oak Park Hospital to expand its behavioral health services program. St. Joseph’s Behavioral Health Center has 35 psychiatric beds in two units providing adult psychiatric treatment chemical dependency services.

Today, St. Joseph’s Behavioral Health Center has a County Lanterman-Petris-Short Act²⁷ Designation and offers a range of services including an intensive outpatient program, a partial hospital program, behavioral evaluations, and free mental health screenings. The Hospital does not have an emergency department, and is only licensed for acute psychiatric care. According to the St. Joseph Behavioral Health Center’s current hospital license, it is licensed for 35 beds as shown below.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
Acute Psychiatric Care	35
Total Licensed Beds	35

¹ 2018 Hospital License

²⁷The Hospital is a Lanterman-Petris-Short Act Designated 24-hour facility that receives Welfare and Institutions Code section 5150 patients. This designation allows medical personnel to place an involuntary 72-hour hold on a person who is: a danger to themselves, a danger to others, or gravely disabled.

Key Statistics

St. Joseph’s Behavioral Health Center reported 1,913 inpatient discharges, 13,066 patient days, and an average daily census of 36 patients (102% occupancy) for FY 2017.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	2,008	1,745	1,913
Licensed Beds	35	35	35
Patient Days	12,108	11,199	13,066
Average Daily Census	33	31	36
Occupancy	94.8%	87.7%	102.3%
Average Length of Stay	6.0	6.4	6.8

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges decreased by 5% while patient days increased by 8%; and
- Between FY 2015 and FY 2017, the average daily census remained relatively constant while the average length of stay increased from six days to almost seven days.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends at St. Joseph’s Behavioral Health Center.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Chemical Dependency Services	517	359	304	488	570
Psychiatric Acute - Adult	11,092	11,327	11,804	10,711	12,496
Total	11,609	11,686	12,108	11,199	13,066
DISCHARGES					
Chemical Dependency Services	125	79	73	76	83
Psychiatric Acute - Adult	1,667	1,787	1,935	1,669	1,830
Total	1,792	1,866	2,008	1,745	1,913
AVERAGE LENGTH OF STAY					
Chemical Dependency Services	4.1	4.5	4.2	6.4	6.9
Psychiatric Acute - Adult	6.7	6.3	6.1	6.4	6.8
Total	6.5	6.3	6.0	6.4	6.8
AVERAGE DAILY CENSUS					
Chemical Dependency Services	1.4	1.0	.8	1.3	1.6
Psychiatric Acute - Adult	30.4	31.0	32.3	29.3	34.2
Total	32	32	33	31	36

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.

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

- Total patient days increased by 13%;
- Inpatient discharges have increased by 7%; and
- The average daily census increased by 13% from 32 patients in FY 2013 to 36 patients in FY 2017.

Financial Profile

Over the last five fiscal years, St. Joseph’s Behavioral Health Center’s has had a negative net income ranging from a loss of \$226,710 in FY 2013 to a loss of \$2 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 27% and 28% respectively. Over the same period, the Hospital’s operating expenses increased by 36% from \$14.8 million in FY 2013 to \$20.1 million in FY 2017. Other operating revenue increased by 1,525% over the five-year period from \$3,270 to \$53,124.

The Hospital’s current ratio has decreased over the last five years from 2.80 in FY 2013 to 0.72 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s FY 2017 percentage of bad debt is 4.2% and is higher than the state bad debt average of 0.8%.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	11,609	11,686	12,108	11,199	13,066	-
Discharges	1,792	1,866	2,008	1,745	1,913	-
ALOS	6.5	6.3	6.0	6.4	6.8	-
Net Patient Revenue	\$14,145,191	\$13,882,091	\$15,467,899	\$15,529,553	\$18,017,670	-
Other Operating Revenue	\$3,270	\$2,650	\$1,704	\$20,081	\$53,124	-
Total Operating Revenue	\$14,148,461	\$13,884,741	\$15,469,603	\$15,549,634	\$18,070,794	-
Operating Expenses	\$14,810,304	\$15,734,275	\$17,367,750	\$16,332,333	\$20,062,948	-
Net from Operations	(\$661,843)	(\$1,849,534)	(\$1,898,147)	(\$782,699)	(\$1,992,154)	-
Net Non-Operating Revenues and Expenses	\$435,133	\$407,027	\$60,716	(\$32,466)	\$2,318	-
Net Income	(\$226,710)	(\$1,442,507)	(\$1,837,431)	(\$815,165)	(\$1,989,836)	-
						2016 California Average ²
Current Ratio	2.80	2.70	1.58	1.22	0.72	1.56
Days in A/R	69.6	73.0	57.4	65.1	71.8	57.1
Bad Debt Rate	1.8%	4.6%	3.6%	2.9%	4.2%	0.8%
Operating Margin	-4.68%	-13.32%	-12.27%	-5.03%	-11.02%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

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

Cost of Hospital Services

St. Joseph’s Behavioral Health Center’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 56% of total costs were associated with Medicare and 43% with Third-Party.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$14,810,304	\$15,734,275	\$17,367,750	\$16,332,333	\$20,062,948
Cost of Services By Payer:					
Medicare	\$6,301,453	\$5,834,045	\$6,929,821	\$7,343,862	\$11,180,556
Medi-Cal	\$1,150	-	-	\$2,314	\$31,251
County Indigent	-	-	-	-	-
Third-Party	\$8,345,108	\$9,754,633	\$10,265,887	\$8,836,744	\$8,618,829
Other Indigent	\$35,651	\$13,827	\$5,265	\$3,988	\$115,391
All Other Payers	\$126,943	\$131,770	\$166,776	\$145,425	\$116,923

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹FY 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. Joseph’s Behavioral Health Center’s to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 3.8% and greater 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. JOSEPH'S BEHAVIORAL HEALTH 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	\$37,830	\$320,382,471	\$37,978	\$338,322,364	\$39,469	\$365,501,463	\$36,348	\$396,427,743	\$42,509	-
Charity	\$110	\$6,563,487	\$74	\$5,113,965	\$165	\$3,441,227	\$172	\$3,457,868	\$343	-
Bad Debt	\$686	\$5,891,632	\$1,757	\$4,365,936	\$1,401	\$3,262,642	\$1,053	\$3,108,971	\$1,774	-
Total Charity & Bad Debt	\$796	\$12,455,119	\$1,831	\$9,479,902	\$1,567	\$6,703,869	\$1,225	\$6,566,839	\$2,118	-
Charity Care as a % of Gross Patient Revenue	0.3%	2.0%	0.2%	1.5%	0.4%	0.9%	0.5%	0.9%	0.8%	-
Bad Debt as a % of Gross Patient Revenue	1.8%	1.8%	4.6%	1.3%	3.6%	0.9%	2.9%	0.8%	4.2%	-
Total as a % of Gross Patient Revenue	2.1%	3.9%	4.8%	2.8%	4.0%	1.8%	3.4%	1.7%	5.0%	-
Uncompensated Care										
Cost to Charge Ratio	39.1%	24.5%	41.4%	23.6%	44.0%	24.1%	44.9%	23.8%	47.1%	-
Charity	\$43	\$1,608,711	\$31	\$1,207,919	\$73	\$828,647	\$77	\$822,627	\$162	-
Bad Debt	\$269	\$1,444,039	\$728	\$1,031,234	\$617	\$785,644	\$473	\$739,624	\$835	-
Total	\$312	\$3,052,750	\$758	\$2,239,153	\$689	\$1,614,292	\$550	\$1,562,251	\$997	-

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 increased from \$43,187 in FY 2013 to \$161,660 in FY 2017. The average cost of charity care for the last five-year period was \$77,048, while the three-year average cost of charity care was \$103,843.

ST. JOSEPH'S BEHAVIORAL HEALTH 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	\$343,432	47.1%	\$161,660
FY 2016	\$171,737	44.9%	\$77,073
FY 2015	\$165,449	44.0%	\$72,796
FY 2014	\$73,690	41.4%	\$30,525
FY 2013	\$110,338	39.1%	\$43,187
FY 2015 - FY 2017 Average			\$103,843
FY 2013 - FY 2017 Average			\$77,048

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 cost.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$93,277	\$6,340	\$0	\$99,617
Visits/Discharges	11	3	0	
FY 2016:				
Cost of Charity	\$47,850	\$15,814	\$0	\$63,664
Visits/Discharges	6	8	0	
FY 2015:				
Cost of Charity	\$12,159	\$9,019	\$0	\$21,178
Visits/Discharges	2	8	0	
FY 2014:				
Cost of Charity	\$23,239	\$3,406	\$0	\$26,645
Visits/Discharges	4	3	0	
FY 2013:				
Cost of Charity	\$19,167	\$22,925	\$0	\$42,092
Visits/Discharges	3	18	0	

Source: Dignity Health

Note that these totals are different than what Dignity Health reported to OSHPD. However, after discussions with JD Healthcare, Inc. and Vizient Inc., Dignity Health has acknowledged that an error was made in its calculation of charity care costs. Dignity Health has stated that it

accepts the calculations provided by JD Healthcare, Inc. and Vizient Inc. for the purposes of determining their charity care commitment.

Community Benefit Services

In the last five years, St. Joseph’s Behavioral Health Center has provided a significant contribution for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three fiscal years has been \$485,862. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$584,738.

ST. JOSEPH'S BEHAVIORAL HEALTH 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 and Broader Community	\$722,256	\$743,851	\$535,953	\$610,872	\$310,760		
Totals	\$722,256	\$743,851	\$535,953	\$610,872	\$310,760	\$485,862	\$584,738

Source: Dignity Health, St. Joseph’s Behavioral Health Center Community Benefit Reports and Plans

- The Hospital’s five-year average cost of community benefit services for persons living in poverty and broader community is \$584,738 per year;
- Over the five-year period, the Hospital’s combined total cost of the community benefit services decreased from \$722,256 in FY 2013 to \$310,760 in FY 2017.

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

ST. JOSEPH'S BEHAVIORAL HEALTH 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
Donations - In-Kind: Food for Support Groups, Community Education, Health Professions Education	\$10,221	\$64,421	\$91,850	\$111,519	\$91,891
Free 24-hour Behavioral Evaluations	\$446,296	\$383,824	\$269,199	\$215,011	\$188,083
Health Professions Education: Nursing Students Clinical Rotation	\$51,833	\$170,359	\$96,424	\$143,478	\$177,778
Health Professions Education: Social Services Students	\$42,017	\$24,977	\$28,331	\$29,764	\$31,524
Sponsored Support Groups and Aftercare	\$46,781	\$47,554	\$44,694	\$40,905	\$46,830

Source: Dignity Health

- Donations - In-Kind: Food for Support Groups, Community Education, Health Professions Education: Provides dietary donation to outpatient support groups that are receiving behavioral health information, training, and support for behavioral health and/or substance abuse issues. Also provides to community residents and

allied healthcare professionals in conjunction with educational and information sessions on available community resources and how to access mental health services;

- Free 24-hour Behavioral Evaluations: Patient access to 24-hour crisis evaluations and referrals is limited in San Joaquin County and surrounding communities. The Facility provides free behavioral evaluations to assess patient needs and risks and to provide referrals 24-hours per day, 365 days per year to anyone who presents at the facility or at community hospital emergency rooms. These services are provided regardless of the individual's ability to pay or eligibility for care at the facility;
- Health Professions Education: Nursing Students Clinical Rotation: Hospital provides a clinical setting for undergraduate/vocation training in a mental health/substance use setting to nursing students enrolled at San Joaquin Delta College and California State University, Stanislaus;
- Health Professions Education: Social Services Students: Provides a clinical setting for training of social service interns that includes assessment of patients and group therapy; and
- Sponsored Support Groups and Aftercare: Support groups established to address social, psychological, or emotional issues related to specific diagnoses or occurrences that represent a community need, for patients, families, and the community.

Reproductive Health

St. Joseph's Behavioral Health Center does not provide reproductive health services.

Analysis of St. Joseph’s Behavioral Health Center

Service Area Definition

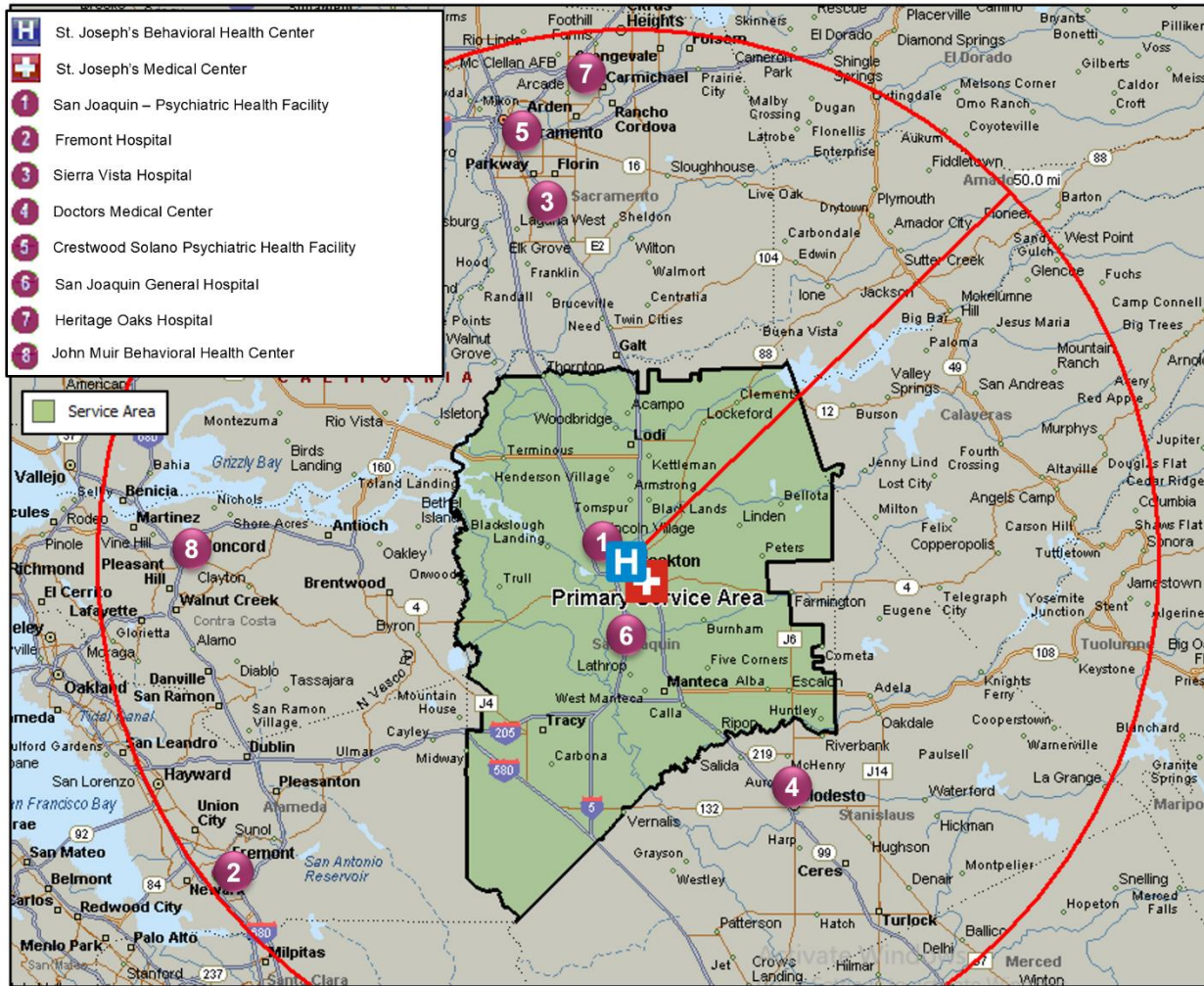
St. Joseph’s Behavioral Health Center’s service area is comprised of 29 ZIP Codes where 51.3% of its inpatient discharges originated in CY 2016. Approximately 50% of St. Joseph’s Behavioral Health Center’s inpatient discharges originated from 20 ZIP Codes. In CY 2016, St. Joseph’s Behavioral Health Center’s market share in the service area was 32.6%.

ST. JOSEPH BEHAVIORAL HEALTH CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95207	Stockton	100	5.60%	5.60%	240	41.67%
95240	Lodi	79	4.42%	10.02%	202	39.11%
95210	Stockton	72	4.03%	14.05%	180	40.00%
95205	Stockton	68	3.81%	17.85%	165	41.21%
95206	Stockton	67	3.75%	21.60%	213	31.46%
95204	Stockton	58	3.25%	24.85%	137	42.34%
95209	Stockton	54	3.02%	27.87%	140	38.57%
95202	Stockton	53	2.97%	30.83%	234	22.65%
95203	Stockton	49	2.74%	33.58%	132	37.12%
95376	Tracy	48	2.69%	36.26%	162	29.63%
95219	Stockton	47	2.63%	38.89%	108	43.52%
95212	Stockton	36	2.01%	40.91%	86	41.86%
95337	Manteca	29	1.62%	42.53%	127	22.83%
95336	Manteca	29	1.62%	44.15%	121	23.97%
95242	Lodi	28	1.57%	45.72%	89	31.46%
95215	Stockton	21	1.18%	46.89%	90	23.33%
95377	Tracy	15	0.84%	47.73%	65	23.08%
95304	Tracy	15	0.84%	48.57%	40	37.50%
95320	Escalon	10	0.56%	49.13%	53	18.87%
95366	Ripon	9	0.50%	49.64%	57	15.79%
95330	Lathrop	7	0.39%	50.03%	48	14.58%
95231	French Camp	4	0.22%	50.25%	44	9.09%
95220	Acampo	4	0.22%	50.48%	19	21.05%
95236	Linden	3	0.17%	50.64%	9	33.33%
95258	Woodbridge	3	0.17%	50.81%	13	23.08%
95237	Lockeford	3	0.17%	50.98%	8	37.50%
95201	Stockton	2	0.11%	51.09%	22	9.09%
95227	Clements	2	0.11%	51.20%	6	33.33%
95208	Stockton	2	0.11%	51.32%	2	100.00%
Subtotal		917	51.32%		2,812	32.61%
Other ZIPs		870	48.68%			
Total Discharges		1,787	100%			

Note: Only includes Behavioral Health inpatient discharges
 Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

St. Joseph’s Behavioral Health Center’s service area has approximately 731,000 residents. There is only one other facility located within St. Joseph’s Behavioral Health Center’s service area that provides inpatient behavioral health services. There are seven other facilities within 50 miles from the Facility’s service area that offer behavioral health services.



Hospital Market Share

The table below provides the behavioral health inpatient market share for St. Joseph’s Behavioral Health Center’s service area.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER					
SERVICE AREA BEHAVIORAL HEALTH MARKET SHARE BY FACILITY CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
St. Joseph's Behavioral Health Center	29%	27%	28%	33%	↗
San Joaquin Psychiatric Health Facility	19%	19%	18%	10%	↘
Fremont Hospital	4%	4%	8%	8%	↗
Sierra Vista Hospital	10%	8%	7%	6%	↘
Doctors Medical Center	3%	6%	4%	6%	↗
Crestwood Solano Psychiatric Health Facility	0%	3%	5%	5%	↗
St. Joseph's Medical Center Of Stockton	3%	4%	3%	4%	→
San Joaquin General Hospital	1%	2%	3%	3%	→
Heritage Oaks Hospital	7%	5%	3%	3%	↘
Adventist Health Lodi Memorial	2%	3%	3%	2%	→
John Muir Behavioral Health Center	2%	2%	2%	2%	→
Adventist Health Vallejo	1%	1%	1%	1%	→
Sutter Center For Psychiatry	1%	2%	1%	1%	→
All Other	16%	14%	12%	15%	→
Total Percentage	100%	100%	100%	100%	
Total Discharges	2,567	2,735	2,907	2,812	→

Source: OSHPD Discharge Database, CY 2013 - CY 2016
 Note: Includes only the Behavioral Health service line

- From CY 2013 to CY 2016, the number of inpatient discharges in St. Joseph’s Behavioral Health Center’s service area remained relatively stable;
- From CY 2013 to CY 2016, St. Joseph’s Behavioral Health Center’s consistently ranked first in overall market share for its service area (33% in CY 2016); and
- In CY 2016, San Joaquin Psychiatric Health Facility ranked second in market share (10%), followed by Fremont Hospital (8%).

Market Share by Payer Type

The following table shows inpatient market share by payer type for St. Joseph’s Behavioral Health Center’s service area for CY 2016.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER BEHAVIORAL HEALTH MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	St. Joseph's Behavioral Health Center	San Joaquin Psychiatric Health Facility	Fremont Hospital	Sierra Vista Hospital	Doctors Medical Center	Crestwood Solano Psychiatric Health Facility	St. Joseph's Medical Center Of Stockton	San Joaquin General Hospital	All Others	Total
Medi-Cal	947	0.1%	25.2%	3.3%	5.3%	13.0%	15.5%	4.5%	5.8%	27.2%	100.0%
Private Coverage	933	44.1%	1.0%	16.0%	11.7%	2.9%	0.0%	1.5%	0.2%	22.7%	100.0%
Medicare	805	61.2%	0.0%	4.8%	1.4%	1.6%	0.0%	5.1%	2.4%	23.5%	100.0%
All Other	84	4.8%	28.6%	3.6%	2.4%	4.8%	0.0%	0.0%	20.2%	35.7%	100.0%
Self-Pay	43	18.6%	34.9%	0.0%	0.0%	2.3%	0.0%	4.7%	9.3%	30.2%	100.0%
Total Percentage		32.61%	10.21%	7.89%	6.12%	5.97%	5.23%	3.56%	3.45%	24.96%	100.00%
Total Discharges	2812	917	287	222	172	168	147	100	97	702	

Note: Includes only Behavioral Health Inpatient Discharges
Source: OSHPD CY 2016 Patient Discharge Database

- The largest payer type for behavioral health inpatient discharges is Medi-Cal with 947 discharges (34%), Private Coverage with 933 discharges (33%) and Medicare with 805 discharges (29%);
- St. Joseph’s Behavioral Health Center is the market share leader for Medicare (61%) and Private Coverage (44%); and
- San Joaquin Psychiatric Health Facility is the market share leader for Medi-Cal (25%) and Self-Pay (35%).

Market Share by ZIP Code

The following table illustrates St. Joseph’s Behavioral Health Center’s service area’s facility market share by ZIP Code for CY 2016.

ST. JOSEPH'S BEHAVIORAL HEALTH CENTER BEHAVIORAL HEALTH MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	St. Joseph's Behavioral Health Center	San Joaquin Psychiatric Health Facility	Fremont Hospital	Sierra Vista Hospital	Doctors Medical Center	Crestwood Solano Psychiatric Health Facility	St. Joseph's Medical Center of Stockton	San Joaquin General Hospital	All Others	Total
95207	Stockton	240	41.7%	7.1%	3.3%	5.0%	2.1%	2.9%	10.4%	2.9%	24.6%	100.0%
95202	Stockton	234	22.6%	23.9%	3.8%	3.4%	3.0%	24.8%	2.1%	1.3%	15.0%	100.0%
95206	Stockton	213	31.5%	11.7%	8.9%	5.6%	6.6%	4.7%	3.8%	10.3%	16.9%	100.0%
95240	Lodi	202	39.1%	11.9%	4.5%	5.4%	3.0%	3.0%	0.0%	0.5%	32.7%	100.0%
95210	Stockton	180	40.0%	14.4%	5.0%	6.1%	6.7%	3.9%	4.4%	2.8%	16.7%	100.0%
95205	Stockton	165	41.2%	13.3%	9.1%	1.8%	5.5%	5.5%	6.1%	3.0%	14.5%	100.0%
95376	Tracy	162	29.6%	5.6%	19.8%	7.4%	3.1%	3.1%	0.6%	0.0%	30.9%	100.0%
95209	Stockton	140	38.6%	11.4%	5.7%	6.4%	1.4%	5.0%	7.9%	2.9%	20.7%	100.0%
95204	Stockton	137	42.3%	7.3%	6.6%	6.6%	3.6%	5.1%	7.3%	2.9%	18.2%	100.0%
95203	Stockton	132	37.1%	10.6%	6.8%	6.1%	3.0%	3.0%	4.5%	6.1%	22.7%	100.0%
95337	Manteca	127	22.8%	5.5%	7.9%	7.1%	6.3%	3.1%	0.0%	1.6%	45.7%	100.0%
95336	Manteca	121	24.0%	2.5%	14.9%	8.3%	12.4%	4.1%	0.8%	3.3%	29.8%	100.0%
95219	Stockton	108	43.5%	2.8%	10.2%	7.4%	0.0%	4.6%	5.6%	0.9%	25.0%	100.0%
95215	Stockton	90	23.3%	5.6%	5.6%	4.4%	7.8%	1.1%	4.4%	12.2%	35.6%	100.0%
95242	Lodi	89	31.5%	3.4%	5.6%	9.0%	1.1%	1.1%	1.1%	0.0%	47.2%	100.0%
95212	Stockton	86	41.9%	14.0%	3.5%	7.0%	5.8%	1.2%	2.3%	4.7%	19.8%	100.0%
95377	Tracy	65	23.1%	7.7%	15.4%	9.2%	4.6%	1.5%	0.0%	0.0%	38.5%	100.0%
95366	Ripon	57	15.8%	0.0%	8.8%	10.5%	36.8%	0.0%	0.0%	1.8%	26.3%	100.0%
95320	Escalon	53	18.9%	0.0%	5.7%	7.5%	41.5%	0.0%	0.0%	0.0%	26.4%	100.0%
95330	Lathrop	48	14.6%	12.5%	16.7%	16.7%	4.2%	6.3%	0.0%	2.1%	27.1%	100.0%
95231	French Camp	44	9.1%	36.4%	9.1%	0.0%	0.0%	2.3%	2.3%	22.7%	18.2%	100.0%
95304	Tracy	40	37.5%	2.5%	15.0%	7.5%	5.0%	5.0%	0.0%	0.0%	27.5%	100.0%
95201	Stockton	22	9.1%	13.6%	13.6%	4.5%	22.7%	0.0%	0.0%	9.1%	27.3%	100.0%
95220	Acampo	19	21.1%	0.0%	10.5%	5.3%	42.1%	5.3%	0.0%	0.0%	15.8%	100.0%
95258	Woodbridge	13	23.1%	30.8%	7.7%	15.4%	0.0%	7.7%	0.0%	0.0%	15.4%	100.0%
95236	Linden	9	33.3%	0.0%	11.1%	11.1%	0.0%	0.0%	0.0%	11.1%	33.3%	100.0%
95237	Lockeford	8	37.5%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%	37.5%	100.0%
95227	Clements	6	33.3%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	50.0%	100.0%
95208	Stockton	2	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Total Percentage			32.61%	10.21%	7.89%	6.12%	6%	3.56%	3.45%	24.96%	100.00%	
Total Discharges		2,812	917	287	222	172	168	100	97	702		

Note: Includes only Behavioral Health Inpatient Discharges

Source: CY 2016 OSHPD Patient Discharge Database

- St. Joseph's Behavioral Health Center is the behavioral health inpatient market share leader in 21 of the 29 ZIP Codes within the Cities of Stockton, Lodi, Tracy, Manteca, Linder, Lockeford, and Clements; and
- San Joaquin Psychiatric Health Facility is the behavioral health inpatient market share leader in two of the service area ZIP Codes within the Cities of French Camp and Woodbridge.

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

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

Continuation as General Acute Care Hospitals

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining St. Joseph’s Medical Center of Stockton and St. Joseph’s Behavioral Health Center as licensed acute care facilities for five years after the Effective Date. Each facility provides a significant amount of healthcare services to the communities served as shown by their inpatient volume and market share.

St. Joseph’s Medical Center of Stockton:

In FY 2017, the hospitals located within St. Joseph’s Medical Center of Stockton’s service area had a combined total of 1,016 licensed beds with an aggregate average occupancy rate of approximately 54%. In FY 2017, St. Joseph’s Medical Center had 355 licensed beds that operated at an occupancy rate of 66%. In CY 2016, St. Joseph’s Medical Center of Stockton was the market share leader with 34% of the service area inpatient discharges. Furthermore, of the hospitals located within St. Joseph’s Medical Center of Stockton’s service area, St. Joseph’s Medical Center of Stockton had 42% of the total inpatient discharges, representing 43% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
St. Joseph’s Medical Center of Stockton	Stockton	355	19,542	85,563	253	66%	-
San Joaquin General Hospital ¹	French Camp	196	9,761	42,620	117	60%	6.7
Adventist Health Lodi Memorial Hospital ¹	Lodi	190	7,589	33,246	91	48%	11.9
Dameron Hospital Association ¹	Stockton	202	5,606	22,684	62	31%	1.3
Doctors Hospital of Manteca ¹	Manteca	73	3,851	14,550	40	55%	15.7
Total		1,016	46,349	198,663	563	54%	

Source: OSHPD Disclosure Reports, Google Maps

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

Since St. Joseph’s Medical Center of Stockton has the most licensed beds (355), inpatient discharges (19,542) and the largest market share (34%) of the hospitals located within the service area, it is a very important provider of healthcare services to the community.

St. Joseph Behavioral Health Center:

In FY 2017, the facilities located within St. Joseph Behavioral Health Center’s service area had a combined total of 52 licensed psychiatric beds with an aggregate average occupancy rate of 101%. In FY 2017, St. Joseph Behavioral Health Center had 35 licensed beds that operated at an occupancy rate of 102%. In CY 2016 St. Joseph Behavioral Health Center was the market share leader with 33% of the service area behavioral health inpatient discharges. Furthermore, of the two facilities located within St. Joseph Behavioral Health Center’s service area, St. Joseph Behavioral Health Center had 86% of the total behavioral health inpatient discharges, representing 69% of the patient days.

SERVICE AREA FACILITY DATA							
Hospital	City	Licensed Beds	Behavioral Health Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
St. Joseph's Behavioral Health Center	Stockton	35	1,913	13,066	36	102%	-
San Joaquin - Psychiatric Health Facility	Stockton	16	311	5,819	16	100%	1.2
Total		51	2,224	18,885	52	101%	

Note: Behavioral Health Facilities only
 Source: FY 2017 OSHPD Disclosure Report, Google Maps

Since St. Joseph’s Behavioral Health Center has the highest number of behavioral health inpatient discharges (1,913), the largest market share (33%) of the behavioral health facilities located within the service area and runs at 102% of capacity, it is a very important provider of behavioral health services to the community.

Emergency Services

St. Joseph’s Medical Center of Stockton is an important provider of emergency services to the residents of its surrounding communities. In FY 2017, St. Joseph’s Medical Center of Stockton (Certified Primary Stroke Center) reported 88,095 emergency service visits to its 60 emergency treatment stations, operating at over 73% capacity²⁸.

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

²⁸Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station, per year, to estimate the capacity.

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. Joseph's Medical Center of Stockton's existing emergency services include:

- 60 Treatment Stations;
- STEMI Receiving Center;
- ROSC Receiving Center²⁹;
- Chest Pain Center; and
- Certified Primary Stroke Center.

The five-year commitments to St. Joseph's Behavioral Center's of existing emergency services include:

- 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 service utilization is expected to continue to increase within St. Joseph's Medical Center of Stockton's service area. Maintaining St. Joseph's Medical Center of Stockton's emergency department open with at least their current number of emergency department stations and current designations is critical to providing emergency services within its service area. Maintaining St. Joseph's Behavior Center's County Lanterman-Petris-Short Designated 24-Hour Facility is critical to providing behavioral health services within its service area.

Reproductive Health Services

St. Joseph's Medical Center of Stockton is an important provider of reproductive healthcare services to its communities. The Hospital reported averaged 2,886 live births between FY 2015 and FY 2017.

St. Joseph's Medical Center of Stockton is a Catholic hospital and currently subject to the ERDs and will continue to be subject to the ERDs after the Effective Date.

Under the ERDs, some women's reproductive health services, including direct abortions and tubal ligations, are prohibited. Although the ERDs prohibit tubal ligations and direct abortions, these procedures are performed at St. Joseph's Medical Center of Stockton when the pathology is determined to present a medical need and/or a clear and present danger to the patient. St. Joseph's Medical Center of Stockton is an important provider of a range of women's

²⁹ ROSC Centers are designated to restore a spontaneous perfusing rhythm following cardiopulmonary arrest.

reproductive services and provides these services to a large underserved population that has lower rates of prenatal care, resulting in an increased number of high-risk births. This can increase instances of stillborn delivery, miscarriage, and fetal abnormalities.

No future reductions in availability and accessibility of reproductive health services are expected at St. Joseph’s Medical Center of Stockton as a result of the Ministry Alignment Agreement.

The following table shows recorded inpatient reproductive service procedures in CY 2016 at St. Joseph’s Medical Center of Stockton.

ST. JOSEPH'S MEDICAL CENTER OF STOCKTON CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
777-Ectopic Pregnancy	31
767-Vaginal Delivery W Sterilization &/Or D&C ¹	16
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	15
779-Abortion W/O D&C ¹	14
778-Threatened Abortion	13
Total Discharges:	89

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

Effects on the Level & Type of Charity Care Historically Provided

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

CHARITY CARE COSTS				
	Dignity Health ¹		OSHPD Reported ²	
	FY 2015 - FY 2017 Average	FY 2013 - FY 2017 Average	FY 2015 - FY 2017 Average	FY 2013 - FY 2017 Average
St. Joseph’s Medical Center of Stockton	\$2,646,737	\$3,470,432	\$3,906,693	\$3,250,973
St. Joseph’s Behavioral Health Center	\$61,486	\$50,639	\$103,843	\$77,048

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. Joseph’s Medical Center of Stockton and St. Joseph’s Behavioral Health Center both participate in the Medicare and Medi-Cal programs, contract with Medi-Cal Managed Care plans, and provide services to other indigent, county indigent and private pay patients.

As a result of the expansion of Medi-Cal and the ACA, fewer low-income individuals and families are uninsured. Additionally, in San Joaquin County, 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.

San Joaquin County has a Two-Plan Model that offers a local initiative plan and a commercial plan. The local initiative and commercial plan contracts with the Medi-Cal Managed Care program. The percentage of San Joaquin County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the ACA and California initiatives to expand managed care. In San Joaquin County, the Two-Plan Model is provided by the local initiative Health Plan of San Joaquin and by the commercial plan Health Net. Currently, both Dignity Health Hospitals are contracted with both Health Plan of San Joaquin and Health Net to provide healthcare services for Medi-Cal Managed Care patients.

In the Ministry Alignment Agreement Dignity Health and CHI commit to continued participation in the Medi-Cal and Medicare program for a period of five years after the Effective Date. The table shows current contracts that exist at St. Joseph’s Medical Center of Stockton and St. Joseph Behavioral Health Center.

DIGNITY HEALTH SAN JOAQUIN COUNTY MEDI-CAL CONTRACTS	
Dignity Health Hospital	Health Plan
St. Joseph’s Medical Center of Stockton	<ul style="list-style-type: none"> ● Health Net ● Health Plan of San Joaquin
St. Joseph’s Behavioral Health Center	<ul style="list-style-type: none"> ● Health Net ● Health Plan of San Joaquin

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

SAN JOAQUIN COUNTY COMMUNITY BENEFIT		
	FY 2015 - FY 2017	FY 2013 – FY 2017
St. Joseph’s Medical Center of Stockton	\$6,809,261*	\$7,402,707*
St. Joseph’s Behavioral Health Center	\$485,862	\$584,738

*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. Joseph’s Medical Center of Stockton	<ul style="list-style-type: none"> • Diabetes Education, prevention and Self-Management • Outreach Activities • Ancillary Services for St. Mary’s Clinic (Outpatient) • Dignity Health Community Grant Program • Graduate Medical Education
St. Joseph’s Behavioral Health Center	<ul style="list-style-type: none"> • Behavioral Evaluation Services • Support Groups and Aftercare Services • Health Education – Clinical Rotations

Effects on Hospital Licensed Services

St. Joseph’s Medical Center of Stockton and St. Joseph’s Behavioral Health Center are important providers of inpatient services to the residents of their respective communities. Dignity Health and CHI committed to maintaining all licensed services at current types and levels of services

and current designations for five years after the Effective Date of the Ministry Alignment Agreement as follows:

Licensed Service Commitments for St. Joseph’s Medical Center of Stockton:

- Intensive Care Newborn Nursery services, including a minimum of 30 licensed Neonatal Intensive Care Unit beds;
- Obstetrics services, including a minimum of 27 licensed perinatal beds;
- Intensive care services, including a minimum of 20 licensed intensive care beds;
- Pediatrics services, including a minimum of 13 licensed pediatric beds;
- Acute respiratory care services, including a minimum of 10 licensed acute respiratory care beds; and
- Coronary care including a minimum of 9 licensed coronary care beds.

Licensed Service Commitments for St. Joseph’s Behavioral Health Center:

- Acute psychiatric inpatient and outpatient services, including a minimum of 35 licensed acute psychiatric beds.

Since Dignity Health and CHI make five-year commitments to licensed inpatient services, no reductions in the availability or accessibility of healthcare services are expected for St. Joseph’s Medical Center of Stockton and St. Joseph’s Behavioral Health Center for at least five years as a result of the Ministry Alignment Agreement.

Effects on Programs and Services

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

Programs and Services Commitment for St. Joseph’s Medical Center of Stockton:

- Cardiovascular services, including cardiovascular surgery – cardiovascular lab services, interventional cardiology services, electrophysiology services, and general cardiology services;
- Neuroscience services, including neurosurgery services;
- Oncology services, including inpatient medical and surgical oncology services
 - Radiation therapy services;
- Orthopedic surgery services, including total joint replacements;
- General surgery services;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);

- Laboratory services;
- Outpatient Services – Imaging Center;
- Outpatient Services – Physical Therapy;
- Outpatient Services – Women’s Imaging Center;
- Occupational therapy services;
- Physical therapy services;
- Respiratory therapy services;
- Social services; and
- Speech pathology services.

Programs and Services Commitment for St. Joseph’s Behavioral Health Center:

- Outpatient Services – Chemical Dependency Program;
- Outpatient Services – Marriage/Family Therapy;
- Outpatient Services - Partial hospitalization services/IOP; and
- Outpatient Services - Suboxone Clinic.

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

Effects on Staffing & Employee Rights

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

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

Union Contracts for St. Joseph’s Medical Center of Stockton:

- California Licensed Vocational Nurses (CLVNA);
- Engineer L39 (ENGR L39);
- California Nurses Association (CNA); and
- Service Employees International Union- United Healthcare Workers West (SEIU UHW).

Union Contracts for St. Joseph’s Behavioral Health Center:

- California Nurses Association (CNA); 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. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center 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 staff's privileges, no reductions in the medical staff at St. Joseph's Medical Center of Stockton and St. Joseph's Behavioral Health Center are expected.

Effects on City and County Contracts

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

Alternatives

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

Conclusions and Recommendations

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

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

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

St. Joseph's Medical Center of Stockton:

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton 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. Joseph's Medical Center of Stockton 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. 60 Treatment Stations;
 - b. STEMI Receiving Center;
 - c. ROSC Receiving Center;
 - d. Chest Pain Center; and
 - e. Certified Primary Stroke Center.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive Care Newborn Nursery services, including a minimum of 30 licensed Neonatal Intensive Care Unit beds;
 - b. Obstetrics services, including a minimum of 27 licensed perinatal beds;
 - c. Critical care services, including a minimum of 20 licensed intensive care beds and a minimum of 9 licensed coronary care beds;
 - d. Pediatrics services, including a minimum of 13 licensed pediatric beds; and
 - e. Acute respiratory care services, including a minimum of 10 licensed acute respiratory care beds.

4. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:
 - a. Cardiovascular services, including cardiovascular surgery – cardiovascular lab services, interventional cardiology services, electrophysiology services, and general cardiology services;
 - b. Neuroscience services, including neurosurgery services;
 - c. Oncology services, including inpatient medical and surgical oncology services;
 - i. Radiation therapy services;
 - d. Orthopedic surgery services, including total joint replacements;
 - e. General surgery services;
 - f. Nuclear medicine services;
 - g. Imaging and radiology services (inpatient and outpatient);
 - h. Laboratory services;
 - i. Outpatient Services – Imaging Center;
 - j. Outpatient Services – Physical Therapy;
 - k. Outpatient Services – Women's Imaging Center;
 - l. Occupational therapy services;
 - m. Physical therapy services;
 - n. Respiratory therapy services;
 - o. Social services; and
 - p. Speech pathology services.

5. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. John's Medical Center of Stockton shall maintain currently provided women's healthcare services as well as the Women's Imaging Center currently located at 3439 Brookside Road, Suite 107, Stockton, California, 95219;

6. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph's Medical Center of Stockton 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. Joseph's Medical Center of Stockton shall provide an annual amount of charity care equal to or greater than \$3,250,973 (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. Joseph's Medical Center of Stockton's required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$3,906,693. For purposes herein, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by St. Joseph's Medical Center of Stockton in connection with the operations and provision of services at St. Joseph's Medical Center of Stockton. 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 a 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. Joseph’s Medical Center of Stockton shall continue to expend no less than \$7,402,707 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., California. In addition, the following community benefit programs shall continue to be offered for at least five years from closing;
 - a. Diabetes Education, Prevention and Self-Management;
 - b. Outreach Activities;
 - c. Ancillary Services for St. Mary's Clinic (Outpatient);
 - d. Dignity Health Community Grant Program; and
 - e. Graduate Medical Education.

8. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Medical Center of Stockton 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. Joseph’s Medical Center of Stockton 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. Joseph’s Medical Center of Stockton 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: Health Net or its successor; and
 - b. Local Initiative Plan: Health Plan of San Joaquin or its successor.

11. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Medical Center of Stockton shall maintain its current city/county contracts for the programs listed below:

- a. Memorandum of Understanding – Drug Discount Program;
 - b. Primary Stroke Center Designation Agreement; and
 - c. STEMI Receiving Center Designation.
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at, St. Joseph’s Medical Center of Stockton 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. Joseph’s Medical Center of Stockton shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

St. Joseph’s Behavioral Health Center:

- 1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health Center shall continue to operate as a behavioral health facility;
- 2. For at least ten years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health Center shall maintain its current County Lanterman-Petris-Short Designated 24-hour facility designation.
- 3. For at least ten years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health Center shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Acute psychiatric inpatient and outpatient 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. Joseph’s Behavioral Health Center shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:
 - a. Outpatient Services – Chemical Dependency Program;
 - b. Outpatient Services – Marriage/Family Therapy;
 - c. Outpatient Services - Partial hospitalization services/IOP; and
 - d. Outpatient Services - Suboxone Clinic.
- 5. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health 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. Joseph’s Behavioral Health Center shall provide an annual amount

of charity care equal to or greater than \$77,048 (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. Joseph’s Behavioral Health Center’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$103,843. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by St. Josephs Behavioral Health Center in connection with the operations and provision of services at St. Joseph’s Behavioral Health 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;

6. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health Center shall continue to expend no less than \$584,738 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. Free 24-hour Behavioral Evaluations;
 - b. Health Professions Education: Nursing Students Clinical Rotation;
 - c. Health Professions Education: Social Services Students; and
 - d. Sponsored Support Groups and Aftercare.
7. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health 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;
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health 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;
9. For at least five years from the Closing Date of the Ministry Alignment Agreement, St. Joseph’s Behavioral Health 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: Health Net or its successor; and
 - b. Local Initiative Plan: Health Plan of San Joaquin or its successor.
10. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Joseph's Behavioral Health 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
11. St. Joseph's Behavioral Health Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

St. Joseph's Medical Center of Stockton License

License: 03000284
 Effective: 06/01/2018
 Expires: 05/31/2019
 Licensed Capacity: 355

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

Port City Operating Company, LLC

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

St. Joseph's Medical Center Of Stockton

1800 N. California Street
 Stockton, CA 95204-6019

Bed Classifications/Services

- 355 General Acute Care
- 30 Intensive Care Newborn Nursery
- 27 Perinatal
- 20 Intensive Care
- 13 Pediatric
- 10 Acute Respiratory Care
- 9 Coronary Care
- 246 Unspecified General Acute Care

Other Approved Services

- Basic Emergency Medical
- Cardiac Catheterization Laboratory Services
- Nuclear Medicine
- Occupational Therapy
- Outpatient Services - Imaging Center at 1617 N. California Street, Suite 1A & 1B, Stockton
- Outpatient Services - Mobile Clinic
- Outpatient Services - Physical Therapy at 1800 N. California Street, Stockton
- Outpatient Services - Woman's Imaging Center at 3439 Brookside Road, Suite 107, Stockton
- Physical Therapy
- Radiation Therapy
- Respiratory Care Services
- Social Services
- Speech Pathology

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


 Katrice Miller, Staff Services Manager I

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

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St. Joseph's Behavioral Health Center License

License: 030000367
 Effective: 09/06/2017
 Expires: 09/05/2018
 Licensed Capacity: 35

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

Port City Operating Company, LLC

to operate and maintain the following **Acute Psychiatric Hospital**

St. Joseph's Behavioral Health Center

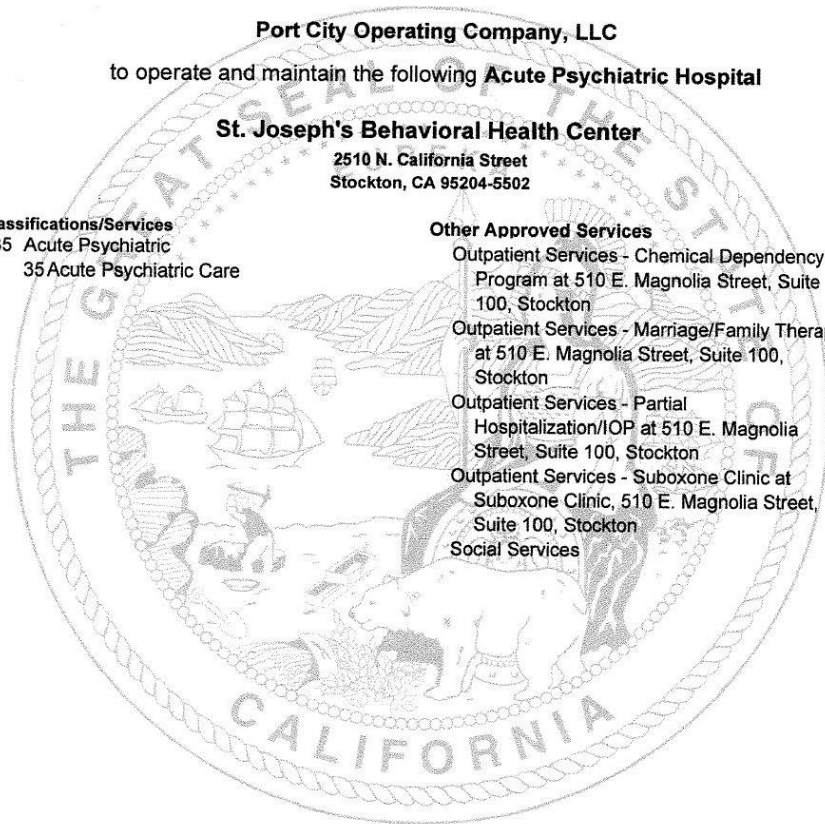
2510 N. California Street
 Stockton, CA 95204-5502

Bed Classifications/Services

35 Acute Psychiatric
 35 Acute Psychiatric Care

Other Approved Services

Outpatient Services - Chemical Dependency Program at 510 E. Magnolia Street, Suite 100, Stockton
 Outpatient Services - Marriage/Family Therapy at 510 E. Magnolia Street, Suite 100, Stockton
 Outpatient Services - Partial Hospitalization/IOP at 510 E. Magnolia Street, Suite 100, Stockton
 Outpatient Services - Suboxone Clinic at Suboxone Clinic, 510 E. Magnolia Street, Suite 100, Stockton
 Social Services



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, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Sacramento District Office, 3901 Lennane Drive, Suite 210, Sacramento, CA 95834, (916) 263-5800

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