

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 Mateo
County

Prepared for the Office of the California Attorney General

August 30, 2018

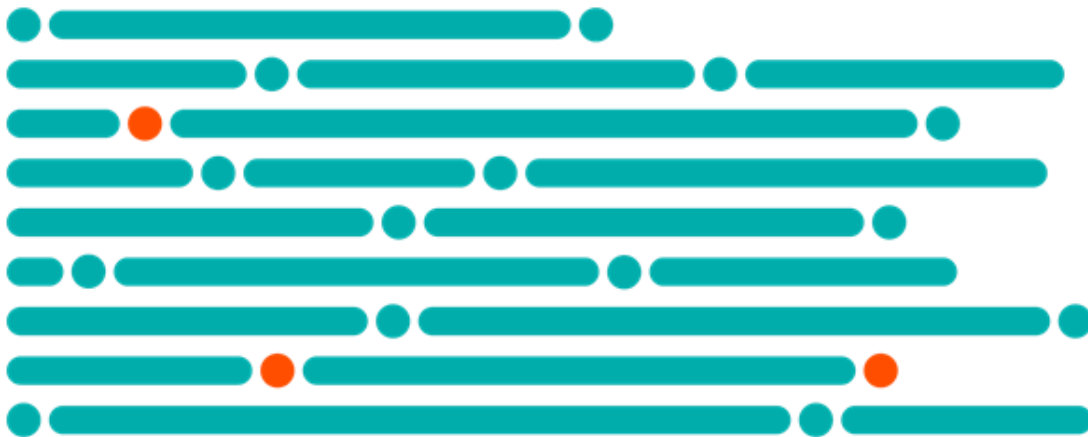


Table of Contents

Introduction & Purpose	4
Introduction	4
Purpose	6
Background & Description of the Transaction.....	7
Background	7
Strategic Rationale, Transaction Process & Timing	7
Summary of the Ministry Alignment Agreement	10
System Corporation Post the Effective Date of the Ministry Alignment Agreement.....	11
System Corporation Post Debt Consolidation (Within 36 Months)	12
Major Provisions of the Ministry Alignment Agreement.....	12
Structures and Responsibilities.....	13
Dignity Health Commitments	18
Use of Net Sale Proceeds	21
Profile of Catholic Health Initiatives	22
Overview	22
Key Statistics	23
Payer Mix	23
Financial Profile.....	24
Profile of Dignity Health.....	25
Payer Mix	26
Financial Profile.....	27
Dignity Health’s California Hospitals Overview	28
Analysis of Dignity Health’s Hospital Market Share in San Mateo County.....	29
Profile of Sequoia Hospital.....	31
Overview	31
Key Statistics	32
Patient Utilization Trends	33
Financial Profile.....	34
Cost of Hospital Services.....	35
Charity Care.....	35
Community Benefit Services.....	37
Reproductive Health	40
Analysis of Sequoia Hospital	41
Service Area Definition	41
Service Area Map	42
Hospital Market Share	43
Market Share by Payer Type.....	44
Market Share by Service Line.....	45

Market Share by ZIP Code..... 46

Assessment of Potential Issues Associated with the Availability or Accessibility of Healthcare Services 48

 Continuation as a General Acute Care Hospital 48

 Emergency Services 49

 Reproductive Health Services 49

 Effects on the Level & Type of Charity Care Historically Provided 50

 Effects on Services to Medi-Cal, Medicare & Other Classes of Patients 50

 Effects on Community Benefit Programs..... 52

 Effects on Hospital Licensed Services 52

 Effects on Programs and Services 53

 Effects on Staffing & Employee Rights..... 54

 Effects on Medical Staff 54

 Effects on City and County Contracts 54

 Alternatives..... 54

Conclusions and Recommendations..... 55

Sequoia Hospital License 59

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 hospital located in San Mateo County. Dignity Health owns and operates 31 general acute care hospitals in California, including one in San Mateo County: Sequoia Hospital located in Redwood City.

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

Introduction

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

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

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

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

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

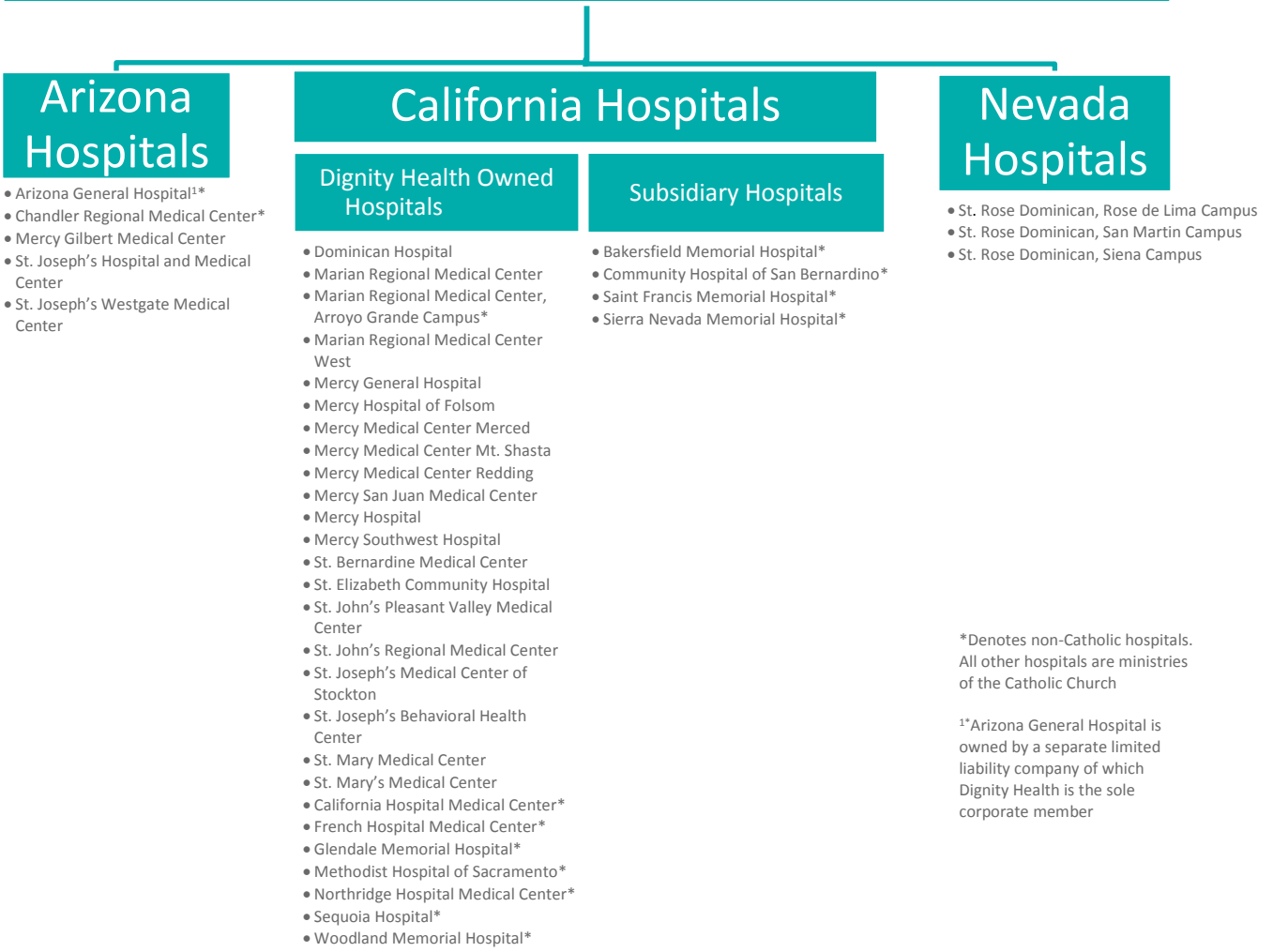
³ A group of Roman Catholic women who dedicate their lives to the Gospel of Jesus Christ and take vows of poverty, chastity, obedience and service. The six congregations are: Sisters of Mercy of the Americas, Sister of Charity of the Incarnate Word, Dominican Sisters of San Rafael, Sisters of St. Francis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

⁴ The California Department of Public Health has issued twenty-eight general acute care hospital licenses with respect to these 31 facilities. Marian Regional Medical Center, Arroyo Grande 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).

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

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

Dignity Health



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

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 Sequoia Hospital.

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

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

Background & Description of the Transaction

Background

Dignity Health was formerly known as Catholic Healthcare West. Catholic Healthcare West was founded in 1986 when the Sisters of Mercy Burlingame Regional Community and the Sisters of Mercy Auburn Regional Community merged their healthcare ministries. In 2009, the United States Conference of Catholic Bishops changed the Ethical and Religious 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;

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

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

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

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

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

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

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

Summary of the Ministry Alignment Agreement

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

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

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

¹⁵ As 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.

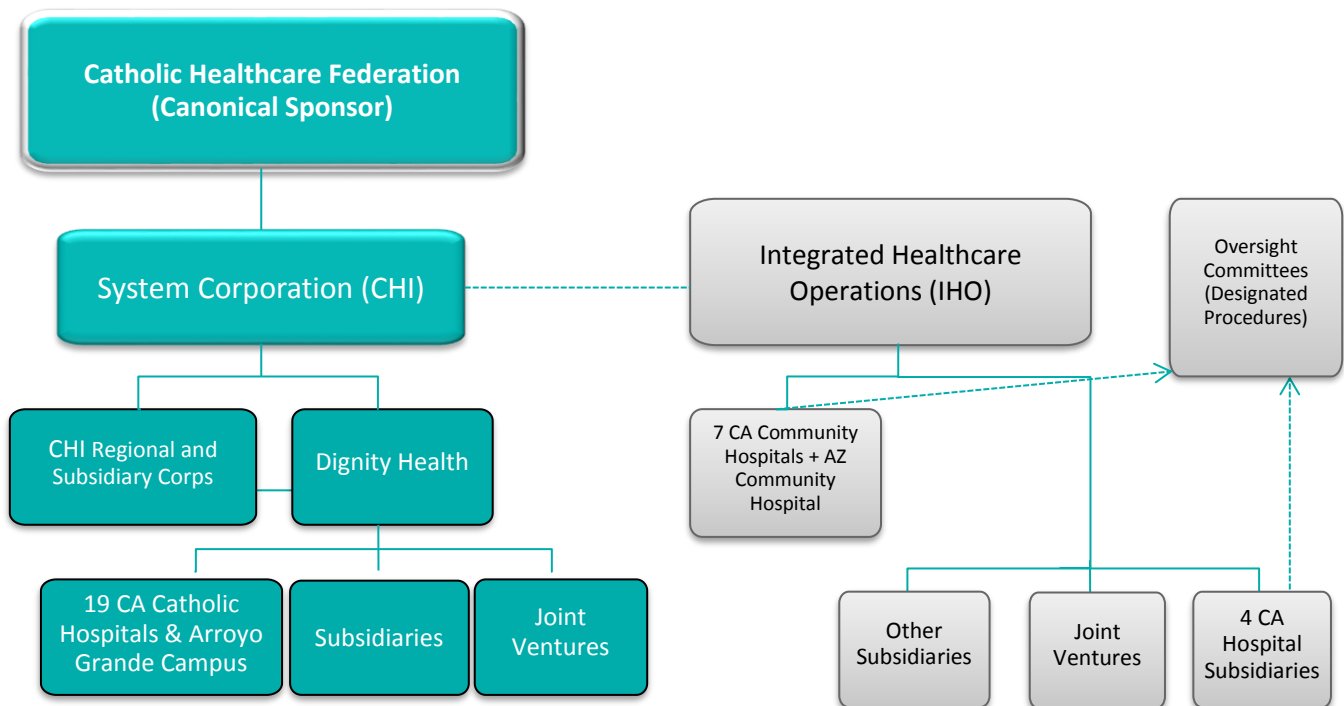
¹⁷Dignity Health's Statement of Common Values prohibits direct abortions, in-vitro fertilizations, and provider or physician-assisted suicide or aid in dying. The most common medical procedure performed in hospitals that is prohibited by the ERDs is tubal ligation (a surgical procedure for female sterilization 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.

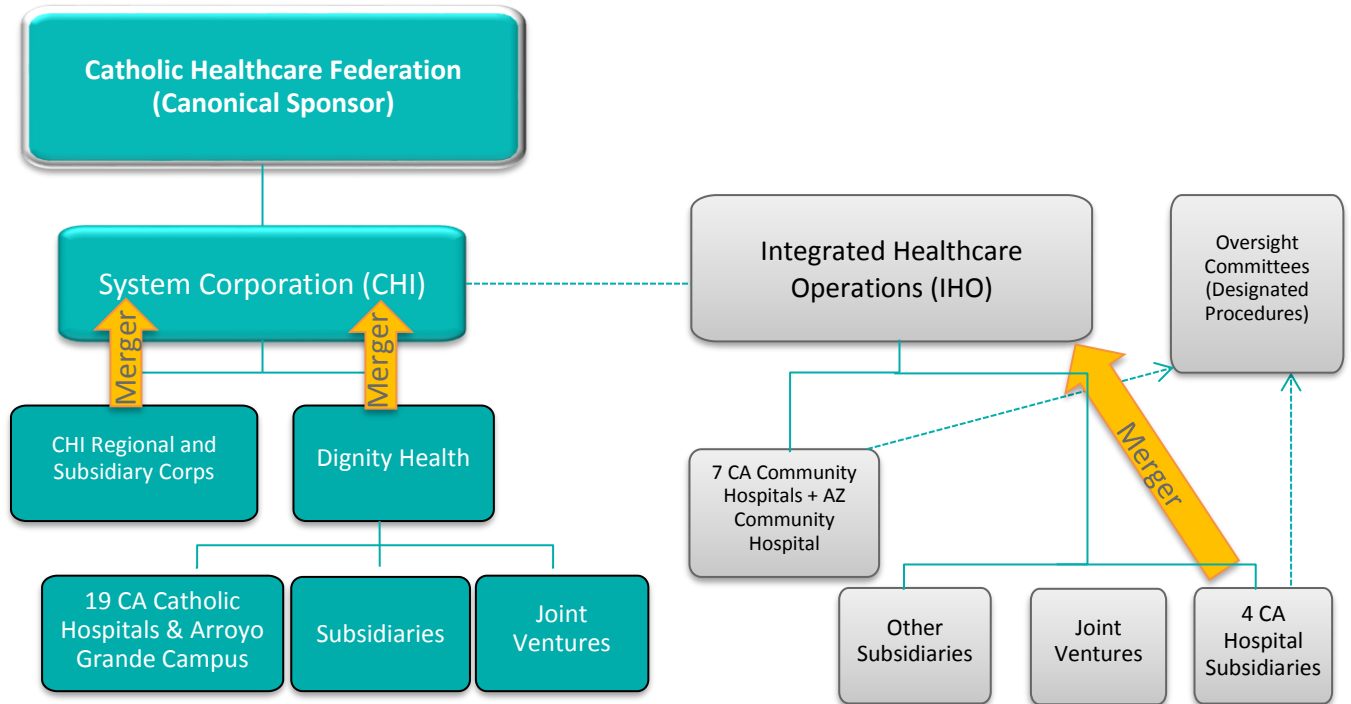


¹⁹Both Dignity Health’s and IHO’s local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

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.

²¹ See the “Assessment of Potential Issues Associated with the Availability or Accessibility of Healthcare Services” for a complete listing of commitments made by Dignity Health for Sequoia Hospital.

- Women's Healthcare Services Commitments
 - For a period of five years from the Effective Date:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall continue to provide women's healthcare services; 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.

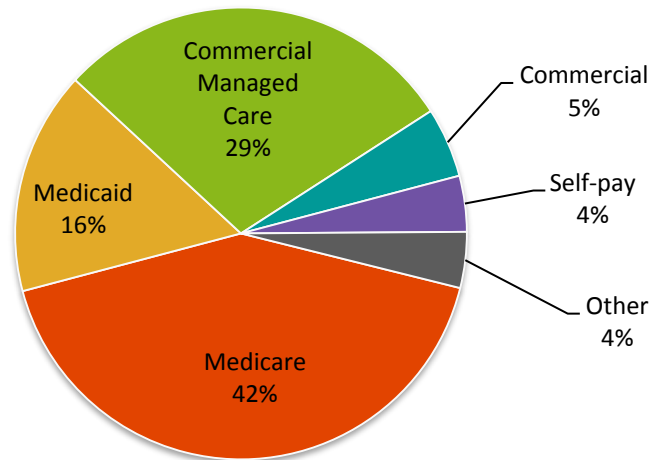
CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017			
<i>Fiscal Year ended June 30, 2017</i>	FY 2016	FY 2017	Change
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of Stay, in days	4.8	4.7	-2.1%
Outpatient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

²² Fiscal Year from July 1 through June 30.

Financial Profile

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

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

Source: Dignity Health Audited Financial Statements

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

Dignity Health’s California Hospitals Overview

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

DIGNITY HEALTH'S OWNED & OPERATED CALIFORNIA HOSPITALS		
Hospital	County	City
Bakersfield Memorial Hospital	Kern County	Bakersfield
Mercy Hospital	Kern County	Bakersfield
Mercy Southwest Hospital	Kern County	Bakersfield
California Hospital Medical Center	Los Angeles	Los Angeles
Glendale Memorial Hospital	Los Angeles	Glendale
Northridge Hospital Medical Center	Los Angeles	Northridge
St. Mary Medical Center	Los Angeles	Long Beach
Mercy Medical Center Merced	Merced County	Merced
Sierra Nevada Memorial Hospital	Nevada County	Grass Valley
Marian Regional Medical Center, Arroyo Grande Campus	San Luis Obispo County	Arroyo Grande
French Hospital Medical Center	San Luis Obispo County	San Luis Obispo
Mercy General Hospital	Sacramento County	Sacramento
Mercy Hospital of Folsom	Sacramento County	Folsom
Mercy San Juan Medical Center	Sacramento County	Carmichael
Methodist Hospital of Sacramento	Sacramento County	Sacramento
Community Hospital of San Bernardino	San Bernardino	San Bernardino
St. Bernardine Medical Center	San Bernardino	San Bernardino
Saint Francis Memorial Hospital	San Francisco County	San Francisco
St. Mary's Medical Center	San Francisco County	San Francisco
St. Joseph's Behavioral Health Center	San Joaquin County	Stockton
Sequoia Hospital	San Mateo County	Redwood City
St. Joseph's Medical Center 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 Hospital Market Share in San Mateo County

San Mateo County has over 718,000 residents and encompasses about 740 square miles. The map below shows the location of the one Dignity Health general acute care facility located in San Mateo County and its service area.



The table below lists hospitals where San Mateo County residents received inpatient care in calendar year (CY) 2016 and their respective market share. Dignity Health operates one of these hospitals; Sequoia Hospital. The following table shows San Mateo County inpatient market share for CY 2016, the most recent data available from OSHPD. Sequoia Hospital has 7.8% of the inpatient market share in San Mateo County. A profile of Sequoia Hospital is described in the following sections.

SAN MATEO COUNTY MARKET SHARE BY HOSPITAL CY 2016		
Hospitals	CY 2016	Market Share
Mills-Peninsula Medical Center	11,240	21.8%
Kaiser Foundation Hospital - Redwood City	5,183	10.0%
Stanford Health Care	4,519	8.8%
Lucile Salter Packard Children'S Hosp. At Stanford	4,252	8.2%
Seton Medical Center	4,156	8.1%
Sequoia Hospital¹	4,033	7.8%
Kaiser Foundation Hospital - South San Francisco	3,932	7.6%
San Mateo Medical Center	2,574	5.0%
UCSF Medical Center	1,891	3.7%
Kaiser Foundation Hospital - San Francisco	1,693	3.3%
California Pacific Med Ctr-Pacific Campus	1,654	3.2%
Kaiser Foundation Hospital - Santa Clara	688	1.3%
California Pacific Medical Center - St. Luke'S Campus	612	1.2%
El Camino Hospital	590	1.1%
Priscilla Chan & Mark Zuckerberg San Francisco General Hospital & Trauma Center	550	1.1%
Fremont Hospital	417	0.8%
St. Mary's Medical Center¹	364	0.7%
Saint Francis Memorial Hospital¹	273	0.5%
All Other Hospitals	2,979	5.8%
Total Non Dignity Health Discharges	46,867	90.8%
Total Dignity Health of California Discharges	4,733	9.2%
Total Discharges	51,600	100%

Source: CY 2016 OSHPD Discharge Database

Note: Excludes normal newborns

¹Dignity Health hospital

- “All Dignity Health of California Discharges” includes residents of the San Mateo County that received inpatient care at Dignity Health hospitals located outside San Mateo County.
- Mills-Peninsula Medical Center has the largest market share (21.8%) of San Mateo County inpatient discharges;
- Kaiser Foundation Hospital-Redwood City has the second-largest inpatient market share (10%); and

Profile of Sequoia Hospital

Overview

Sequoia Hospital is a general acute care hospital located at 170 Alameda de las Pulgas, in Redwood City, California. The Hospital was founded in 1938 by a group of nine women and opened to the community by 1950.

Today, Sequoia Hospital offers a range of services including emergency services, cancer care, and orthopedics. The Hospital has 12 surgical operating rooms and a “basic” emergency department²³ with 17 emergency treatment stations. According to Sequoia Hospital’s current hospital license, it is licensed for 208 beds as shown below.

SEQUOIA HOSPITAL LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Perinatal	21
Intensive Care	16
Unspecified General Acute Care	171
Total Licensed Beds	208

¹ 2018 Hospital License

²³ A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

Key Statistics

Sequoia Hospital reported 5,506 inpatient discharges, 19,618 patient days, and an average daily census of 54 patients (26% occupancy) for FY 2017.

SEQUOIA HOSPITAL KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	5,357	5,271	5,506
Licensed Beds	189	208	208
Patient Days	21,305	19,610	19,618
Average Daily Census	58	54	54
Occupancy	30.9%	25.8%	25.8%
Average Length of Stay	4.0	3.7	3.6
Cardiac Catheterization Procedures	6,471	6,163	6,518
Emergency Service Visits	22,603	21,472	20,291
Total Live Births	1,704	1,434	1,450

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 3%, while patient days decreased by 8%;
- In FY 2017, 20,291 emergency service visits were reported, a 10% decrease from FY 2015;
- In FY 2017, 6,518 cardiac catheterization procedures were reported; and
- From FY 2015 to FY 2017, total live births decreased by 15%, to 1,450 total live births.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends at Sequoia Hospital.

SEQUOIA HOSPITAL SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	7,169	5,944	14,344	13,421	13,306
Intensive Care*	10,902	9,896	2,089	1,791	1,972
Obstetrics	4,761	4,607	4,872	4,398	4,340
Total	22,832	20,447	21,305	19,610	19,618
DISCHARGES					
Medical/Surgical ²	2,196	1,816	3,505	3,647	3,899
Intensive Care*	2,133	1,975	142	157	171
Obstetrics	1,635	1,604	1,710	1,467	1,436
Total	5,964	5,395	5,357	5,271	5,506
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.3	3.3	4.1	3.7	3.4
Intensive Care*	5.1	5.0	14.7	11.4	11.5
Obstetrics	2.9	2.9	2.8	3.0	3.0
Total	3.8	3.8	4.0	3.7	3.6
AVERAGE DAILY CENSUS					
Medical/Surgical ²	19.6	16.3	39.3	36.8	36.5
Intensive Care*	29.9	27.1	5.7	4.9	5.4
Obstetrics	13.0	12.6	13.3	12.0	11.9
Total	63	56	58	54	54
OTHER SERVICES					
Inpatient Surgeries ³	1,380	1,230	1,548	1,785	2,082
Outpatient Surgeries	2,546	2,532	2,433	2,534	2,429
Emergency Service Visits	21,586	21,960	22,603	21,472	20,291
Total Live Births	1,599	1,614	1,704	1,434	1,450

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2014, Dignity Health FY 2015-2017

² Includes Definitive Observation Beds

* Hospital management noted that Intensive Care volumes were misreported to OSHPD in FY 2013 and FY 2014

³ Hospital management noted that Inpatient Surgeries volume were misreported to OSHPD in FY 2017

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

- Total patient days decreased by 14% and decreased the last three years by 8%;
- Inpatient discharges decreased by 8%; and
- The average daily census decreased by 14% from 63 patients in FY 2013 to 54 patients in FY 2017.

Financial Profile

Over the last five fiscal years, Sequoia Hospital’s net income had fluctuated from a gain of \$23.9 million in FY 2013 to a loss of \$21.7 million in FY 2016. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 21% and 20% respectively. Over the same period, the Hospital’s operating expenses increased by 26% from \$222.8 million in FY 2013 to \$279.5 million in FY 2017. Other operating revenue²⁴ decreased by 44% from \$2.8 million in FY 2013 to \$1.6 million in FY 2017.

The Hospital’s current ratio²⁵ has increased over the last five years from 1.15 in FY 2013 to 2.79 in FY 2017. The California average in FY 2016 was 1.56. The Hospital’s FY 2017 percentage of bad debt is equal to that of the state average 0.8%.

SEQUOIA HOSPITAL FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	22,832	20,447	21,305	19,610	22,142	-
Discharges	5,964	5,395	5,334	5,286	6,220	-
ALOS	3.8	3.8	4.0	3.7	3.6	-
Net Patient Revenue	\$226,062,595	\$228,596,553	\$258,733,311	\$252,251,016	\$272,658,267	-
Other Operating Revenue	\$2,812,275	\$2,545,799	\$2,338,697	\$2,108,648	\$1,563,458	-
Total Operating Revenue	\$228,874,870	\$231,142,352	\$261,072,008	\$254,359,664	\$274,221,725	-
Operating Expenses	\$222,772,571	\$217,801,555	\$267,461,206	\$274,320,597	\$279,511,615	-
Net from Operations	\$6,102,299	\$13,340,797	(\$6,389,198)	(\$19,960,933)	(\$5,289,890)	-
Net Non-Operating Revenues and Expenses	\$17,763,822	\$20,077,625	\$6,045,935	(\$1,699,600)	\$9,094,564	-
Net Income	\$23,866,121	\$33,418,422	(\$343,263)	(\$21,660,533)	\$3,804,674	-
						2016 California Average ²
Current Ratio	1.15	0.91	1.19	2.66	2.79	1.56
Days in A/R	56.7	54.5	48.7	54.8	47.6	57.1
Bad Debt Rate	1.2%	1.1%	0.7%	0.9%	0.8%	0.8%
Operating Margin	2.67%	5.77%	-2.45%	-7.85%	-1.93%	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

Sequoia Hospital’s operating cost of services includes both inpatient and outpatient care. In FY 2017, 53% of total costs were associated with Medicare, followed by 3.8% with Medi-Cal, and 41% with Third-Party.

SEQUOIA HOSPITAL OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$222,772,571	\$217,801,555	\$267,461,206	\$274,320,597	\$279,511,615
Cost of Services By Payer:					
Medicare	\$116,084,165	\$114,898,102	\$139,996,243	\$144,847,790	\$148,197,404
Medi-Cal	\$9,879,464	\$10,482,445	\$13,950,384	\$13,700,046	\$10,574,976
County Indigent	-	-	-	-	-
Third-Party	\$89,587,844	\$83,754,751	\$102,582,375	\$107,312,234	\$114,235,609
Other Indigent	\$1,253,125	\$1,308,478	\$750,037	\$990,441	\$965,261
All Other Payers	\$5,967,972	\$7,357,780	\$10,182,167	\$7,470,086	\$5,538,365

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 Sequoia Hospital to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 1.4% 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.”

SEQUOIA HOSPITAL CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)										
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$1,034,676	\$320,382,471	\$1,049,066	\$338,322,364	\$1,109,538	\$365,501,463	\$1,129,770	\$396,427,743	\$1,224,445	-
Charity	\$6,126	\$6,563,487	\$6,468	\$5,113,965	\$3,832	\$3,441,227	\$5,336	\$3,457,868	\$4,376	-
Bad Debt	\$12,047	\$5,891,632	\$11,495	\$4,365,936	\$7,617	\$3,262,642	\$9,609	\$3,108,971	\$9,461	-
Total Charity & Bad Debt	\$18,172	\$12,455,119	\$17,963	\$9,479,902	\$11,449	\$6,703,869	\$14,944	\$6,566,839	\$13,836	-
Charity Care as a % of Gross Patient Revenue	0.6%	2.0%	0.6%	1.5%	0.3%	0.9%	0.5%	0.9%	0.4%	-
Bad Debt as a % of Gross Patient Revenue	1.2%	1.8%	1.1%	1.3%	0.7%	0.9%	0.9%	0.8%	0.8%	-
Total as a % of Gross Patient Revenue	1.8%	3.9%	1.7%	2.8%	1.0%	1.8%	1.3%	1.7%	1.1%	-
Uncompensated Care										
Cost to Charge Ratio	21.3%	24.5%	20.5%	23.6%	23.9%	24.1%	24.1%	23.8%	22.7%	-
Charity	\$1,302	\$1,608,711	\$1,327	\$1,207,919	\$916	\$828,647	\$1,286	\$822,627	\$993	-
Bad Debt	\$2,561	\$1,444,039	\$2,359	\$1,031,234	\$1,820	\$785,644	\$2,315	\$739,624	\$2,148	-
Total	\$3,863	\$3,052,750	\$3,686	\$2,239,153	\$2,736	\$1,614,292	\$3,601	\$1,562,251	\$3,141	-

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 \$1.3 million in FY 2013 to \$933,237 in FY 2017. The average cost of charity care for the last five-year period was \$1.2 million, while the three-year average cost of charity care was \$1.1 million.

SEQUOIA HOSPITAL COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$4,375,506	22.7%	\$993,237
FY 2016	\$5,335,574	24.1%	\$1,285,578
FY 2015	\$3,831,767	23.9%	\$915,595
FY 2014	\$6,468,221	20.5%	\$1,327,202
FY 2013	\$6,125,873	21.3%	\$1,302,290
FY 2015 - FY 2017 Average			\$1,064,803
FY 2013 - FY 2017 Average			\$1,164,780

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.

SEQUOIA HOSPITAL COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$94,670	\$840,067	\$166,151	\$1,100,888
Visits/Discharges	4	379	145	
FY 2016:				
Cost of Charity	\$159,140	\$707,389	\$144,756	\$1,011,285
Visits/Discharges	7	397	145	
FY 2015:				
Cost of Charity	\$30,356	\$961,586	\$203,945	\$1,195,887
Visits/Discharges	1	656	239	
FY 2014:				
Cost of Charity	\$208,048	\$482,871	\$97,072	\$787,991
Visits/Discharges	10	412	127	
FY 2013:				
Cost of Charity	\$456,256	\$495,916	\$91,237	\$1,043,409
Visits/Discharges	26	510	145	

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, Sequoia Hospital has provided a significant contribution for community benefit services. As shown in the table below, the average adjusted annual cost of the community benefit services over the last three fiscal years has been \$2.9 million. The average adjusted annual cost of the community benefit services over the last five fiscal years has been \$3.0 million.

SEQUOIA HOSPITAL COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017							
Community Benefit Programs	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015- FY 2017 Average	FY 2013- FY 2017 Average
Benefits for Living in Poverty	\$1,116,234	\$298,091	\$463,676	\$410,714	\$267,390	\$380,593	\$511,221
Benefits for Broader Community	\$2,285,336	\$2,413,428	\$1,903,667	\$2,869,685	\$2,932,271	\$2,568,541	\$2,480,877
Totals	\$3,401,570	\$2,711,519	\$2,367,343	\$3,280,399	\$3,199,661	\$2,949,134	\$2,992,098

Source: Dignity Health, Sequoia Hospital Community Benefits Reports and Plans

- The Hospital’s five-year average cost of community benefit services for persons living in poverty is \$511,221 per year;
- The Hospital’s five-year average cost of community benefit services for the broader community is \$2.5 million per year; and
- Over the five-year period, the Hospital’s combined adjusted total cost of the community benefit services decreased from \$3.4 million in FY 2013 to \$3.2 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.

SEQUOIA HOSPITAL COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Services over \$10,000 in cost in FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Clinical Chaplaincy Training Program	\$30,981	\$61,064	\$8,894	\$80,863	\$66,220
Community Benefit Operations	\$74,336	\$39,750	\$62,750	\$63,572	\$74,872
Community Grants Program	\$116,166	\$110,952	\$109,878	\$107,323	\$129,450
Concussion Screening	-	-	-	-	\$11,605
Diabetes Education, Screenings and Self-Management Programs ¹	\$27,351	\$25,361	\$12,116	\$8,843	\$3,976
Health & Wellness Center, including education and support groups	\$178,701	\$151,200	\$149,549	\$195,332	\$205,136
Health Professions Education: Nursing	\$592,765	\$395,823	\$443,483	\$349,178	\$370,228
Health Professions Education: Other Disciplines	\$981,822	\$1,382,026	\$935,927	\$1,901,249	\$2,097,963
Health Screenings	\$38,161	\$29,159	\$39,287	\$13,203	\$29,624
Lactation Services for the Community	\$202,769	\$218,136	\$53,381	\$21,055	\$22,456
Make Time for Fitness	\$25,816	\$37,982	\$36,089	\$49,778	\$43,385
Sequoia Community Care Patient Navigator	\$466,772	\$19,705	\$203,724	\$207,695	\$36,126
Youth Volunteers and Mentoring (Leadership Development)	\$30,513	\$32,680	\$80,876	\$84,634	\$34,524

Source: Dignity Health

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

- Clinical Chaplaincy Training Program: United States Department of Education accredited residency training program for clinical chaplains. Sequoia hosts a year-long residency;
- Community Benefit Operations: Includes costs associated with assigned staff not allocated to specific programs, as well as other costs associated with community benefit strategy and operations;
- Community Grants Program: The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the communities the Hospital serves. 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;
- Concussion Screening: Provides local high schools with a computerized neurocognitive assessment tool to help licensed healthcare providers evaluate and manage a suspected concussion. Test results are compared to baseline scores and normative data scores as part of a healthcare provider's assessment of the injury;
- Diabetes Education: Screenings and Self-Management Programs: Diabetes education, screenings and self-management programs for the community, including the diabetes education empowerment program 6-week evidence-based workshop. The program was developed for use in low-income and racial and ethnic minority populations;

- The Health & Wellness Center: Delivers health education and 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;
- Health Professions Education- Nursing: Education programs and a clinical setting for nursing student training;
- Health Professions Education- Other Disciplines: Education programs and a clinical setting for training a range of health professions students in fields including pharmacists, dieticians, lab scientists, phlebotomists, physician assistants, radiology, paramedics, physical therapists and others;
- Health Screenings: Includes monthly blood pressure and glucose screenings at senior centers in the community. The screenings include one-on-one education and referrals to physicians for those individuals with abnormal results;
- Lactation Services for the Community: A phone line to answer questions regarding lactation available at no charge for anyone in the community, breastfeeding supplies, consultation with lactation specialist registered nurse, and a room equipped with a baby-scale and educational materials for new parents;
- Make Time for Fitness: Encourages healthy eating, physical activity, anti-bullying and avoidance of tobacco among elementary school students. Sequoia Hospital implements this program with the Redwood City School District and other community partners;
- Sequoia Community Care Patient Navigator: A community-based service delivery intervention designed to promote access to timely diagnosis and treatment of chronic diseases by eliminating barriers to care. These include financial and access barriers, communication and information barriers, medical system barriers, and fear, distrust, and emotional barriers; and
- Youth Volunteers and Mentoring (Leadership Development): Provides volunteer and mentorship opportunities that provide local youth knowledge about and experience of medical career pathways. Volunteer opportunities are offered with various hospital departments and allow youth to meet high school community service requirements.

Reproductive Health

For CY 2016, Sequoia Hospital reported 29 inpatient discharges related to reproductive health services. The following table lists inpatient reproductive health services²⁶ by diagnostic related group (DRG) for CY 2016.

SEQUOIA HOSPITAL CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C ¹	19
778-Threatened Abortion	4
777-Ectopic Pregnancy	3
779-Abortion W/O D&C ¹	3
Total Discharges:	29

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

- Out of the five diagnostic related groups, DRG 767-Vaginal Delivery with Sterilization &/Or D&C 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.

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

Source: Dignity health

²⁶ Sequoia Hospital is not a Catholic hospital and is subject to the Statement of Common Values that prohibits direct abortions. Although the Statement of Common Values prohibits direct abortions, these procedures are performed at the Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

Analysis of Sequoia Hospital

Service Area Definition

Sequoia Hospital’s service area is comprised of 24 ZIP Codes from which 72% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital’s discharges originated from the top seven ZIP Codes. In CY 2016, the Hospital’s market share in the service area was 10.8%.

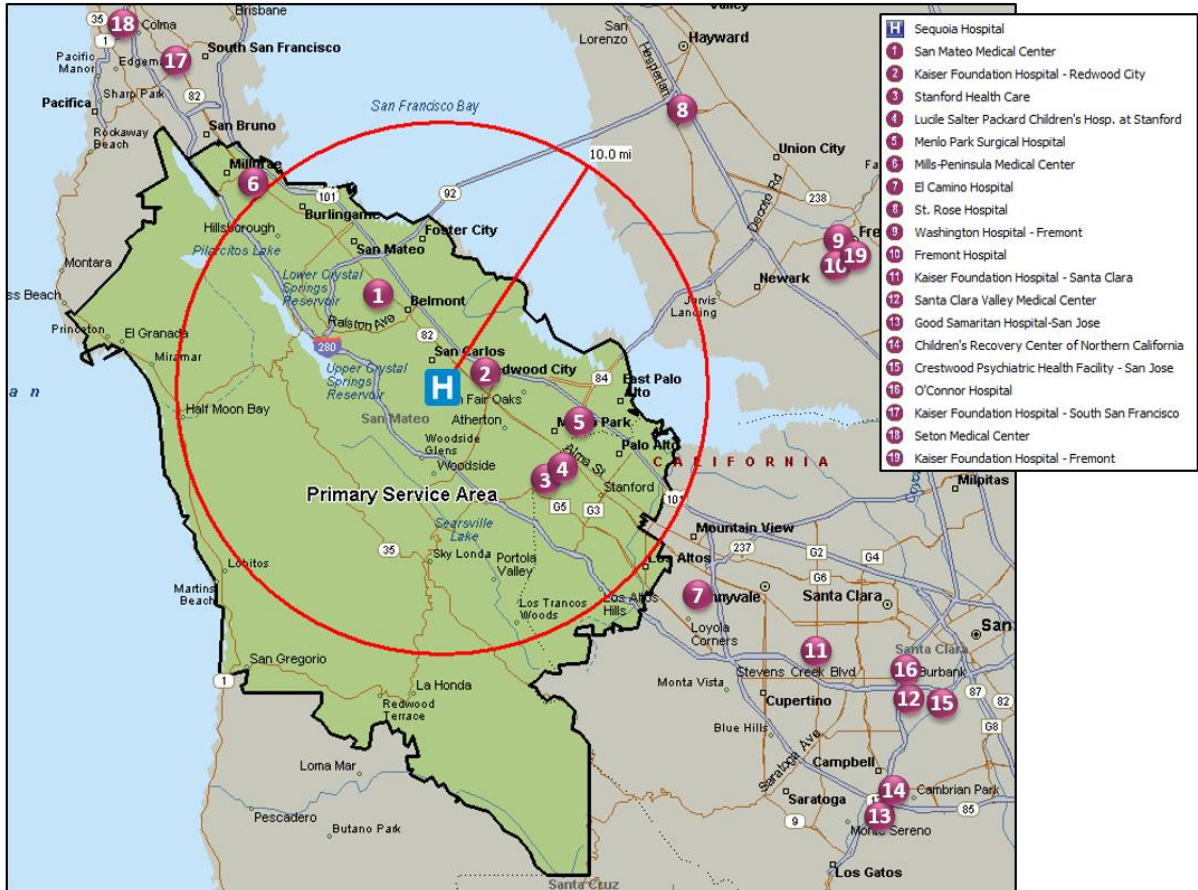
SEQUOIA HOSPITAL PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94070	San Carlos	648	10.9%	10.9%	1,962	33.0%
94061	Redwood City	639	10.7%	21.6%	2,696	23.7%
94062	Redwood City	554	9.3%	30.9%	1,801	30.8%
94002	Belmont	385	6.5%	37.4%	1,842	20.9%
94025	Menlo Park	300	5.0%	42.4%	2,679	11.2%
94063	Redwood City	277	4.7%	47.1%	2,495	11.1%
94404	San Mateo	236	4.0%	51.1%	2,007	11.8%
94403	San Mateo	229	3.8%	54.9%	3,155	7.3%
94065	Redwood City	152	2.6%	57.5%	619	24.6%
94303	Palo Alto	113	1.9%	59.4%	4,560	2.5%
94402	San Mateo	105	1.8%	61.1%	1,840	5.7%
94019	Half Moon Bay	89	1.5%	62.6%	1,214	7.3%
94401	San Mateo	86	1.4%	64.1%	2,915	3.0%
94306	Palo Alto	77	1.3%	65.4%	1,529	5.0%
94301	Palo Alto	76	1.3%	66.6%	1,060	7.2%
94027	Atherton	67	1.1%	67.8%	395	17.0%
94010	Burlingame	59	1.0%	68.8%	2,787	2.1%
94022	Los Altos	55	0.9%	69.7%	1,231	4.5%
94028	Portola Valley	46	0.8%	70.5%	389	11.8%
94030	Millbrae	24	0.4%	70.9%	1,825	1.3%
94305	Stanford	21	0.4%	71.2%	288	7.3%
94304	Palo Alto	18	0.3%	71.5%	341	5.3%
94064	Redwood City	18	0.3%	71.8%	78	23.1%
94020	La Honda	9	0.2%	72.0%	121	7.4%
Subtotal		4,283	72.0%	72.0%	39,829	10.8%
Other ZIPs		1,668	28.0%	100%		
Total Discharges		5,951	100%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Sequoia Hospital’s service area has 589,814 residents. There are five other hospitals located within the Hospital’s service area. Stanford Health Care and Mills-Peninsula Medical Center are both the inpatient market share leaders in the service area.



Hospital Market Share

The table below provides the inpatient market share by hospital for Sequoia Hospital’s service area.

SEQUOIA HOSPITAL SERVICE AREA MARKET SHARE BY HOSPITAL, CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Stanford Health Care	16.9%	16.8%	18.7%	18.8%	↗
Mills-Peninsula Medical Center	20.9%	20.3%	19.1%	18.8%	↘
Lucile Salter Packard Children's Hosp. at Stanford	14.0%	14.3%	14.4%	14.0%	→
Kaiser Foundation Hospital - Redwood City	11.8%	12.0%	12.0%	12.3%	↗
Sequoia Hospital	10.7%	10.4%	10.2%	10.8%	↗
San Mateo Medical Center	6.4%	6.8%	6.2%	5.4%	↘
El Camino Hospital	3.5%	3.7%	3.6%	3.8%	↗
Kaiser Foundation Hospital - Santa Clara	2.8%	2.6%	2.3%	2.1%	↘
UCSF Medical Center	1.6%	1.7%	1.8%	2.0%	↗
California Pacific Med Ctr-Pacific Campus	1.4%	1.6%	1.3%	1.4%	→
Kaiser Foundation Hospital - South San Francisco	1.4%	1.5%	1.4%	1.3%	→
Fremont Hospital	0.3%	0.5%	0.7%	0.9%	↗
Kaiser Foundation Hospital - San Francisco	0.6%	0.7%	0.7%	0.8%	↗
Washington Hospital - Fremont	0.6%	0.6%	0.6%	0.7%	→
Santa Clara Valley Medical Center	0.5%	0.5%	0.5%	0.6%	→
Seton Medical Center	0.9%	0.7%	0.7%	0.6%	↘
Saint Francis Memorial Hospital	0.4%	0.5%	0.4%	0.4%	→
St. Mary's Medical Center	0.6%	0.4%	0.4%	0.4%	→
California Pacific Med Ctr-Davies Campus	0.3%	0.3%	0.4%	0.3%	→
Chan & Zuckerberg San Francisco General Hospital	0.2%	0.2%	0.3%	0.3%	→
Good Samaritan Hospital-San Jose	0.4%	0.3%	0.4%	0.3%	→
All Other	4.0%	3.7%	4.0%	4.2%	→
Total Percentage	100%	100%	100%	100%	
Total Discharges	41,543	39,708	40,696	39,829	↘

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of discharges in Sequoia Hospital’s service area has decreased by 4.1% from 41,543 inpatient discharges in CY 2013 to 39,829 discharges in CY 2016;
- Sequoia Hospital consistently ranked fifth in overall market share for its service area based on inpatient discharges (10.8% in CY 2016); and
- In CY 2016, Stanford Health Care and Mills-Peninsula Medical Center both had the greatest market share, 18.8% market share for both hospitals.

Market Share by Payer Type

The following table shows inpatient market share by hospital and payer type for Sequoia Hospital’s service area for CY 2016.

SEQUOIA HOSPITAL HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Stanford Health Care	Mills-Peninsula Medical Center	Lucile Salter Packard Children’s Hosp. At Stanford	Kaiser Foundation Hospital – Redwood City	Sequoia Hospital	San Mateo Medical Center	El Camino Hospital	Kaiser Foundation Hospital – Santa Clara	All Others	Total
Private Coverage	16,144	10.6%	17.9%	17.4%	16.5%	13.4%	0.5%	3.8%	3.2%	16.7%	100%
Medicare	14,711	25.8%	24.9%	0.0%	13.2%	12.6%	4.4%	5.0%	1.9%	12.1%	100%
Medi-Cal	6,610	20.4%	10.3%	31.6%	3.8%	2.7%	18.9%	1.2%	0.5%	10.7%	100%
All Other	1,628	22.4%	2.8%	40.8%	0.2%	3.1%	9.5%	3.3%	0.3%	17.6%	100%
Self-Pay	736	35.5%	26.4%	0.7%	6.5%	5.2%	3.8%	3.1%	1.5%	17.4%	100%
Total Percentage		18.8%	18.8%	14.0%	12.3%	10.8%	5.4%	3.8%	2.1%	14.1%	100%
Total Discharges	39,829	7,486	7,468	5,566	4,914	4,283	2,158	1,514	842	5,598	

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

- The largest payer categories of service area inpatient discharges are Private Coverage with 16,144 inpatient discharges (41%), followed by Medicare with 14,711 inpatient discharges (37%) and Medi-Cal with 6,610 inpatient discharges (17%);
- Sequoia Hospital is not the inpatient market share leader across any payer; and
- Stanford Health Care is the inpatient market share leader for Medicare (26%) and Self-Pay (36%).

Market Share by Service Line

The following table shows inpatient market share by hospital and service line for Sequoia Hospital’s service area for CY 2016.

SEQUOIA HOSPITAL HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Stanford Health Care	Mills-Peninsula Medical Center	Lucile Salter Packard Children's Hosp. At Stanford	Kaiser Foundation Hospital - Redwood City	Sequoia Hospital	San Mateo Medical Center	El Camino Hospital	Kaiser Foundation Hospital - Santa Clara	All Others	Total
General Medicine	10,040	23.8%	20.8%	5.3%	14.0%	10.5%	9.3%	3.9%	1.8%	10.6%	100%
Obstetrics	6,923	0.7%	16.6%	37.4%	16.8%	15.3%	0.1%	3.7%	1.8%	7.5%	100%
Orthopedics	3,559	21.9%	17.2%	1.4%	12.3%	15.6%	3.9%	3.6%	1.7%	22.4%	100%
Neonatology	3,501	0.0%	13.3%	49.3%	13.4%	12.5%	0.0%	1.4%	2.1%	7.9%	100%
Cardiac Services	3,314	28.7%	22.2%	1.3%	11.3%	13.6%	5.1%	4.3%	4.0%	9.4%	100%
General Surgery	3,267	25.9%	20.0%	5.0%	11.0%	6.8%	8.5%	4.0%	2.4%	16.6%	100%
Behavioral Health	2,763	13.1%	28.7%	2.1%	1.5%	0.5%	12.6%	4.3%	0.1%	37.1%	100%
Neurology	1,670	26.2%	18.4%	3.6%	14.6%	7.5%	5.0%	6.1%	1.3%	17.2%	100%
Oncology/Hematology (Medical)	1,259	35.3%	12.8%	14.9%	9.5%	4.6%	3.8%	2.8%	3.0%	13.3%	100%
Other	712	37.9%	13.2%	4.2%	8.0%	6.0%	1.8%	4.9%	4.6%	19.2%	100%
Spine	616	33.4%	12.8%	2.1%	6.0%	10.4%	1.9%	4.9%	1.0%	27.4%	100%
Urology	487	18.3%	18.5%	3.5%	11.3%	12.9%	7.6%	6.8%	7.0%	14.2%	100%
Neurosurgery	443	54.0%	4.1%	4.7%	13.5%	0.9%	0.7%	1.1%	1.6%	19.4%	100%
Vascular Services	442	26.5%	24.0%	1.6%	10.0%	17.0%	6.6%	3.8%	3.2%	7.5%	100%
Gynecology	370	32.7%	14.1%	0.8%	8.4%	11.9%	7.3%	7.3%	4.1%	13.5%	100%
ENT	364	39.0%	10.7%	17.3%	5.8%	2.5%	6.9%	1.6%	2.7%	13.5%	100%
No-match-found	66	36.4%	25.8%	0.0%	4.5%	7.6%	6.1%	1.5%	3.0%	15.2%	100%
Ophthalmology	31	41.9%	12.9%	9.7%	0.0%	3.2%	6.5%	0.0%	6.5%	19.4%	100%
Total Percentage		18.8%	18.8%	14.0%	12.3%	10.8%	5.4%	3.8%	2.1%	14.0%	100%
Total Discharges	39,829	7,486	7,468	5,566	4,914	4,283	2,158	1,514	842	5,594	

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

- Sequoia Hospital is not a leader in any service line;
- Mills Peninsula Medical Center is the service line leader in behavioral health (28.7%) and urology (18.5%);
- Stanford Health Care is a service line leader in 13 out of the 18 service lines:
 - General Medicine (23.8%);
 - Orthopedics (21.9%);
 - Cardiac Services (28.7%);
 - General Surgery (25.9%);
 - Neurology (26.2%);
 - Oncology/Hematology (Medical) (35.3%);
 - Spine (33.4%);
 - Neurosurgery (54.0%);
 - Vascular Services (26.5%);

- Gynecology (32.7%);
- ENT (39.0%); and
- Ophthalmology (41.9%).

Market Share by ZIP Code

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

SEQUOIA HOSPITAL HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Stanford Health Care	Mills-Peninsula Medical Center	Lucile Salter Packard Children's Hosp. At Stanford	Kaiser Foundation Hospital - Redwood City	Sequoia Hospital	San Mateo Medical Center	El Camino Hospital	Kaiser Foundation Hospital - Santa Clara	All Others	Total
94303	Palo Alto	4,560	45.1%	1.7%	23.8%	8.2%	2.5%	5.4%	3.6%	2.0%	7.7%	100%
94403	San Mateo	3,155	5.7%	33.5%	8.8%	17.3%	7.3%	9.6%	1.0%	2.3%	14.5%	100%
94401	San Mateo	2,915	4.4%	38.8%	14.3%	12.6%	3.0%	11.3%	0.9%	1.2%	13.6%	100%
94010	Burlingame	2,787	6.2%	52.1%	5.5%	6.3%	2.1%	2.5%	0.5%	1.1%	23.7%	100%
94061	Redwood City	2,696	15.6%	4.7%	15.8%	20.8%	23.7%	5.1%	2.4%	2.3%	9.8%	100%
94025	Menlo Park	2,679	33.6%	2.3%	24.6%	9.7%	11.2%	3.0%	3.2%	1.8%	10.5%	100%
94063	Redwood City	2,495	12.2%	3.9%	25.1%	19.5%	11.1%	15.3%	1.4%	1.9%	9.6%	100%
94404	San Mateo	2,007	8.9%	31.9%	7.1%	17.6%	11.8%	3.4%	2.2%	1.6%	15.3%	100%
94070	San Carlos	1,962	10.2%	8.5%	10.3%	18.9%	33.0%	3.2%	1.9%	1.8%	12.1%	100%
94002	Belmont	1,842	9.6%	19.9%	7.4%	16.3%	20.9%	6.9%	2.3%	2.2%	14.4%	100%
94402	San Mateo	1,840	5.7%	41.7%	7.6%	13.7%	5.7%	6.2%	0.9%	1.6%	16.9%	100%
94030	Millbrae	1,825	5.0%	51.1%	2.1%	4.8%	1.3%	3.1%	0.5%	0.9%	31.1%	100%
94062	Redwood City	1,801	17.2%	5.8%	10.3%	14.2%	30.8%	3.9%	2.6%	2.2%	13.0%	100%
94306	Palo Alto	1,529	36.7%	2.1%	16.5%	4.8%	5.0%	0.0%	17.1%	6.1%	11.6%	100%
94022	Los Altos	1,231	24.3%	1.1%	12.9%	1.1%	4.5%	0.0%	36.1%	7.7%	12.3%	100%
94019	Half Moon Bay	1,214	13.1%	23.4%	9.6%	13.1%	7.3%	7.3%	1.1%	0.7%	24.4%	100%
94301	Palo Alto	1,060	46.2%	2.3%	15.7%	6.8%	7.2%	0.1%	6.5%	1.6%	13.7%	100%
94065	Redwood City	619	10.8%	16.5%	12.4%	16.8%	24.6%	1.0%	1.9%	2.6%	13.4%	100%
94027	Atherton	395	43.0%	3.3%	10.4%	7.3%	17.0%	1.0%	3.8%	1.0%	13.2%	100%
94028	Portola Valley	389	46.0%	2.1%	11.6%	7.7%	11.8%	0.0%	6.4%	0.8%	13.6%	100%
94304	Palo Alto	341	43.7%	0.0%	31.4%	4.7%	5.3%	0.0%	7.0%	2.6%	5.3%	100%
94305	Stanford	288	41.3%	0.7%	33.3%	1.4%	7.3%	0.0%	7.6%	1.4%	6.9%	100%
94020	La Honda	121	45.5%	1.7%	2.5%	15.7%	7.4%	2.5%	5.8%	6.6%	12.4%	100%
94064	Redwood City	78	17.9%	6.4%	11.5%	11.5%	23.1%	6.4%	0.0%	1.3%	21.8%	100%
Total Percentage			18.8%	18.8%	14.0%	12.3%	10.8%	5.4%	3.8%	2.1%	14.1%	100.0%
Total Discharges		39,829	7,485	7,468	5,565	4,914	4,283	2,158	1,514	842	5,600	

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

- Stanford Health Care is the inpatient market share leader in nine of the 24 service area ZIP Codes; and
- Mills-Peninsula Medical Center is the inpatient market share leader in seven of the 24 service area ZIP Codes; and

- Sequoia Hospital is the inpatient market share leader in six of the 24 service area ZIP Codes located in the Cities of Redwood City, San Carlos, and Belmont.

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 a General Acute Care Hospital

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining Sequoia Hospital as a licensed acute care hospital for five years after the Effective Date. The Hospital provides a significant amount of healthcare services to the communities served as shown by their inpatient volume and market share.

Sequoia Hospital

In FY 2017, the hospitals located within Sequoia Hospital’s service area had a combined total of 2,098 licensed beds with an aggregate average occupancy rate of 62%. In FY 2017, Sequoia Hospital had 208 licensed beds that operated at an occupancy rate of 26%. In CY 2016, Sequoia Hospital had 11% market share of the service area inpatient discharges. Furthermore, of the hospitals located within Sequoia Hospital’s service area, Sequoia Hospital had 8% of the total inpatient discharges, representing 4% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Sequoia Hospital	Redwood City	208	5,506	19,618	54	26%	-
San Mateo Medical Center	San Mateo	509	3,762	132,162	362	71%	2.3
Kaiser Foundation Hospitals - Redwood City	Redwood City	149	8,099	26,728	73	49%	5.5
Stanford Health Care	Stanford	613	25,763	154,538	423	69%	7.2
Lucile Packard Children's Hospital	Palo Alto	302	13,145	83,115	228	75%	11.3
Menlo Park Surgical Hospital	Menlo Park	16	186	281	1	5%	11.4
Mills-Peninsula Medical Center	Burlingame	301	12,178	57,721	158	53%	15.1
Total		2,098	68,639	474,163	1,299	62%	

Source: OSHPD Disclosure Reports, Google Maps

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

While Sequoia Hospital is an important provider of inpatient services, most of the hospitals within its service area have more licensed beds and a higher average daily census. Furthermore, all other service area hospitals have significant additional capacity.

Emergency Services

Sequoia Hospital is an important provider of emergency services to the residents of its surrounding communities. In FY 2017, Sequoia Hospital (a Primary Stroke Center and STEMI Receiving Center) reported 20,291 emergency service visits to its 17 emergency treatment stations, operating at 60% capacity²⁷.

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

In the Ministry Alignment Agreement, Dignity Health and CHI committed to maintaining the emergency services at all Dignity Health owned hospitals, IHO owned hospitals, and IHO subsidiary hospitals at current types and levels of services and current designations for five years after the Effective Date of the Ministry Alignment Agreement as shown below:

The five-year commitments to Sequoia Hospital's existing emergency services include:

- 11 Treatment Stations²⁸;
- Certified Primary Stroke Center; and
- STEMI Receiving Center.

As a result of healthcare reform, aging demographics, and the growing shortage of primary care physicians, emergency service utilization is expected to continue to increase within the Hospital's service area. Maintaining Sequoia Hospital's emergency department open with at least their current number of emergency department stations and current designations is critical to providing emergency services within the Hospital's service area.

Reproductive Health Services

Sequoia Hospital is an important provider of healthcare services to women. The Hospital averaged 1,529 live births between FY 2015 and FY 2017.

Sequoia Hospital is a non-Catholic Hospital and is not subject to the ERDs. According to Dignity Health representatives, the Hospital has operated under the Statement of Common Values since it first affiliated with Dignity Health. The Dignity Health Statement of Common Values identifies certain procedures that cannot be performed at a community hospital affiliated with

²⁷Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station, per year, to estimate the capacity.

²⁸ Dignity Health committed to maintain all current emergency services. Sequoia Hospital has 17 treatment stations; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health erroneously states that the Hospital has 11 treatment stations.

Dignity Health. These procedures are direct abortion, in-vitro fertilization, and physician assisted suicide. The Ministry Alignment Agreement states that Dignity Health’s non-Catholic hospitals that will transition to IHO will not be subject to the ERDs and will adopt the Statement of Common Values. Because Sequoia Hospital is already subject to the Statement of Common Values and not the ERDs, the transaction is not expected to result in any reductions in the availability or accessibility of reproductive health services at Sequoia Hospital.

The following table shows recorded inpatient reproductive service procedures in CY 2016 at Sequoia Hospital.

CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
Diagnostic Related Group	Sequoia Hospital
767-Vaginal Delivery W Sterilization &/Or D&C ¹	19
778-Threatened Abortion	4
777-Ectopic Pregnancy	3
779-Abortion W/O D&C ¹	3
Total Discharges:	29

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
Sequoia Hospital	\$1,102,686	\$1,027,892	\$1,064,803	\$1,164,780

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

Sequoia Hospital participates in the Medicare and Medi-Cal programs, and contracts with Medi-Cal Managed Care plans and provides services to other 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 Mateo County, qualified low-income patients are able to access the County-owned clinics and hospitals. As a result, 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 Mateo County has a County Organized Health Systems model that offers one managed care plan. In the County Organized Health Systems model, the Department of Health Care Services contracts with a health plan created by the County Board of Supervisors. The percentage of San Mateo 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 Mateo County, the County Organized Health Systems is provided by Health Plan of San Mateo to provide services for Medi-Cal Managed Care patients.

In the Ministry Alignment Agreement Dignity Health and CHI commit to continued participation in the Medi-Cal and Medicare program for a period of five years after the Effective Date. The table shows the current contract that exists at Sequoia Hospital.

DIGNITY HEALTH SAN MATEO COUNTY MEDI-CAL CONTRACT	
Dignity Health Hospital	Health Plan
Sequoia Hospital	• Health Plan of San Mateo

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

Sequoia Hospital supports 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 table shows the annual average for both the three and five fiscal years at Sequoia Hospital.

SAN MATEO COUNTY COMMUNITY BENEFIT		
	FY 2015 - FY 2017*	FY 2013 – FY 2017*
Sequoia Hospital	\$2,949,134	\$2,992,098

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

While the Hospital offers 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
Sequoia Hospital	<ul style="list-style-type: none"> • Community Grants Program • Diabetes Education, Screenings and Self-Management Programs • Health & Wellness Center, including education and support groups • Health Professions Education: Nursing • Health Screenings

Effects on Hospital Licensed Services

Sequoia Hospital is an important provider of inpatient services to the residents of its community. 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 Sequoia Hospital:

- Obstetric services, including a minimum of 21 licensed perinatal beds; and
- Intensive care services, including a minimum of 16 licensed intensive care 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 Sequoia Hospital for at least five years as a result of the Ministry Alignment Agreement.

Effects on Programs and Services

Sequoia Hospital is an important provider of inpatient and outpatient programs and services to the residents of its 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 Sequoia Hospital:

- Cardiovascular services, including cardiovascular surgery 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;
- Outpatient services – Physical Therapy;
- Outpatient services – Health and Wellness Service;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
 - Outpatient services – Radiology;
- Laboratory services;
- Occupational therapy services;
- Physical therapy services;
- Podiatry services;
- Respiratory care services;
- Social services; and
- Speech pathology services.

Since Dignity Health and CHI have committed to maintaining these additional licensed services and programs for five years after the Effective Date at Sequoia Hospital, no negative impacts on the accessibility 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 Sequoia Hospital:

- American Federation of State, County and Municipal Employees (AFSCME);
- California Nurses Association (CNA);
- (CPTR L217);
- Engineers and Scientists of California (ENGR L39); 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 Sequoia Hospital as a result of the Ministry Alignment Agreement.

Effects on Medical Staff

Dignity Health and CHI have committed to maintaining privileges for the current medical staff members of each Dignity Health California Hospital who are in good standing as of the Effective Date of the Ministry Alignment Agreement. Since Dignity Health committed to maintain the medical staff's privileges, no reductions in the medical staff at Sequoia Hospital are expected.

Effects on City and County Contracts

Sequoia Hospital has a number of contracts with San Mateo 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:

Sequoia Hospital

1. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall continue to operate as a general acute care hospital;
2. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. 17 Treatment Stations;
 - b. Certified Primary Stroke Center; and
 - c. STEMI Receiving Center.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Obstetric services, including a minimum of 21 licensed perinatal beds; and
 - b. Intensive care services, including a minimum of 16 licensed intensive care beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:
 - a. Cardiovascular services, including cardiovascular surgery 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, radiation therapy services;
 - d. Orthopedic surgery services;
 - e. Outpatient services – Physical Therapy;
 - f. Outpatient services – Health and Wellness Service;
 - g. Nuclear medicine services;
 - h. Imaging and radiology services (inpatient and outpatient);
 - i. Outpatient services – Radiology;
 - i. Laboratory services;
 - j. Occupational therapy services;
 - k. Physical therapy services;
 - l. Podiatry services;
 - m. Respiratory care services;
 - n. Social services; and
 - o. Speech pathology services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain currently provided women’s healthcare services as well as the following clinics:
- a. Women’s Health Services- Maternity Health Services currently located at 749 Brewster Avenue, Redwood City, California, 94063; and
 - b. Sequoia Hospital Breast and Diagnostic Center currently located at 2900 Whipple Avenue, Suite 100, Redwood City, California 94062.
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law, and Sequoia Hospital shall provide an annual amount of charity care equal to or greater than \$1,164,780 (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, Sequoia Hospital’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$1,064,803. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Sequoia Hospital in connection with the operations and provision of services at Sequoia Hospital. The definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index from a U.S. Bureau of Labor Statistics;

7. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall continue to expend no less than \$2,992,098 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. Community Grants Program;
 - b. Diabetes Education, Screenings and Self-Management Programs;
 - c. Health & Wellness Center, including education and support groups;
 - d. Health Professions Education: Nursing; and
 - e. Health Screenings.

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

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

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

11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Sequoia Hospital shall maintain its current city/county contracts for the programs listed below:
 - a. Agreement for Designation as a STEMI Receiving Center.

12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Sequoia Hospital until January 1, 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as

amended by the California Hospital Facilities Seismic Safety Act (Health & Safety Code, § 129675-130070); and

13. Sequoia Hospital shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

Sequoia Hospital License

License: 220000045
 Effective: 01/01/2018
 Expires: 12/31/2018
 Licensed Capacity: 208

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Dignity Health

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

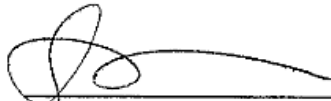
SEQUOIA HOSPITAL
 170 Alameda De Las Pulgas
 Redwood City, CA 94062-2751

Bed Classifications/Services
 208 General Acute Care
 21 Perinatal
 16 Intensive Care
 171 Unspecified General Acute Care

Other Approved Services
 Basic Emergency Medical
 Cardiovascular Surgery
 Nuclear Medicine
 Occupational Therapy
 Outpatient Services - Health and Wellness
 Service at 749 Brewster Avenue, Redwood City
 Outpatient Services - Physical Therapy at 633
 Veterans Boulevard, Redwood City
 Outpatient Services - Radiology at 2900
 Whipple Avenue, Suites 100 & 110,
 Redwood City
 Physical Therapy
 Podiatry Service
 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


 Stephanie Devlin, Manager

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

POST IN A PROMINENT PLACE