

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 Santa Barbara County and San Luis Obispo County

Prepared for the Office of the California Attorney General

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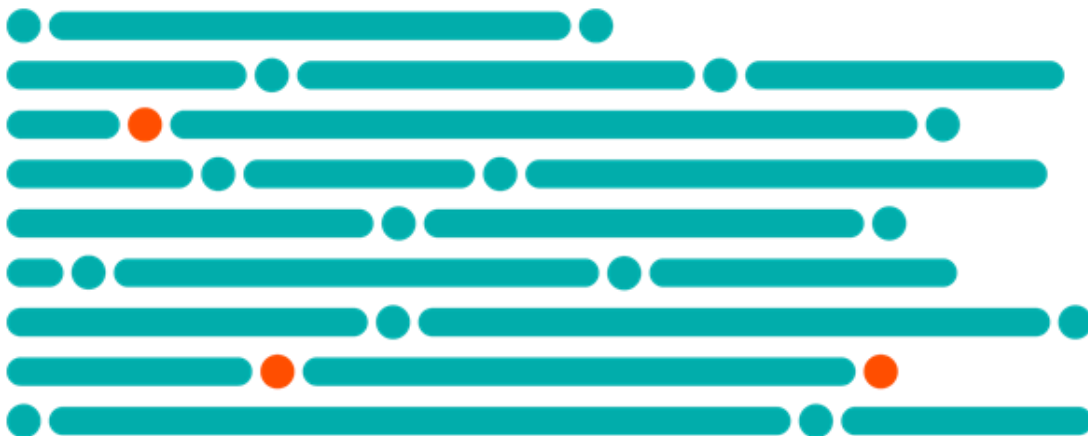


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Introduction & Purpose

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

The two hospitals located in Santa Barbara County are Marian Regional Medical Center and Marian Regional Medical Center West¹, both of which are located in the City of Santa Maria. The two hospitals located in San Luis Obispo County are Marian Regional Medical Center, Arroyo Grande located in the City of Arroyo Grande, and French Hospital Medical Center located in the City of San Luis Obispo.

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 person² within the meaning of Canon Law and the canonical sponsor³ of CHI.

While Dignity Health is not a Catholic organization, its Catholic hospitals are sponsored by six congregations of Women Religious⁴. Dignity Health owns and operates 31 general acute care hospitals in California⁵. Nineteen of the 31 California hospitals are Catholic and 12 are non-Catholic hospitals (also referred to as community hospitals). Four of the 12 non-Catholic general acute care hospitals are owned by separately incorporated California nonprofit public benefit

¹ According to Dignity Health, Marian Regional Medical Center West has 35 beds, all are currently in suspense and are not being operated.

²A 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.

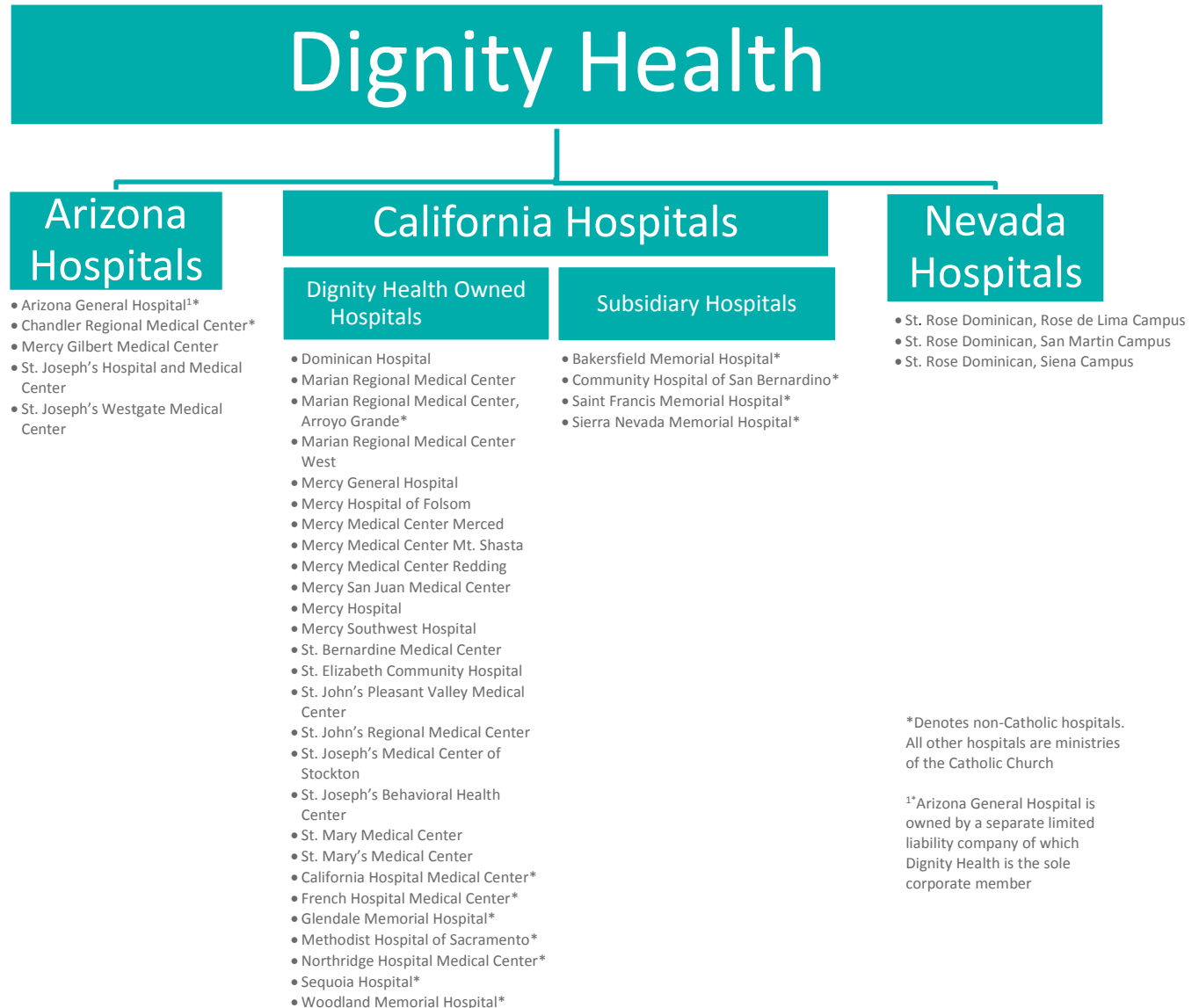
³The Catholic Health Association has defined canonical sponsorship of a healthcare ministry as a formal relationship between an authorized Catholic organization and a legally formed system, hospital, clinic, nursing home (or other institution) entered into for the sake of promoting and sustaining Christ's healing ministry to people in need.

⁴A 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.

⁵The California Department of Public Health has issued twenty-eight general acute care hospital licenses with respect to these 31 facilities. Marian Regional Medical Center, Arroyo Grande and Marian Regional Medical Center West operate under a consolidated license issued to Marian Regional Medical Center, and Mercy Southwest Hospital operates under a consolidated license issued to Mercy Hospital (in Bakersfield).

corporations that have Dignity Health as their sole corporate member⁶. Dignity Health also owns and operates five hospitals in Arizona and three hospitals in Nevada.

The following summary chart is a list of Dignity Health owned and operated hospitals⁷.



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

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

⁷St. 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%.

operate Mark Twain Medical Center, a 25-bed critical access hospital⁸ located at 768 Mountain Ranch Road, San Andreas, California. Mark Twain Medical Center is leased by Mark Twain Medical Center Corporation from the Mark Twain Healthcare District. The current lease agreement with Mark Twain Healthcare District expires on December 31, 2019. On June 6, 2018, the voters in the Healthcare District approved Ballot Measure A to enter into a new 30-year lease for Mark Twain Medical Center.

⁸A 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 Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center.

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

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

Background & Description of the Transaction

Background

Dignity Health was formerly known as Catholic Healthcare West. Catholic Healthcare West was founded in 1986 when the Sisters of Mercy Burlingame Regional Community and the Sisters of Mercy Auburn Regional Community merged their healthcare ministries. In 2009, the United States Conference of Catholic Bishops changed the Ethical and Religious Directives⁹ (ERDs) regarding partnerships between community and Catholic organizations. As a result of the changes to the ERDs, Catholic Healthcare West went through a process, between 2009 and 2011, to review its governance structure and its relationship to its owned and controlled non-Catholic community hospitals. In 2012, as a result of this review and based on discussions with its canonical sponsors, Catholic Healthcare West reorganized its governance structure and changed its name to Dignity Health. Dignity Health was no longer recognized as a Catholic organization, although many of its hospitals are Catholic. The restructure was designed to satisfy the requirements of the United States Conference of Catholic Bishops regarding partnerships with non-Catholic community hospitals while allowing Dignity Health to maintain its Catholic and non-Catholic hospitals under a single organization.

Following the 2012 reorganization, the six congregations of Women Religious began the exploration of alternatives models for sponsorship of Dignity Health's Catholic hospitals, including the possibility for Dignity Health being recognized as a Catholic ministry. To facilitate this process, the Sponsors engaged a canon lawyer¹⁰ to help explore all of the options, such as the creation of a new public juridic person or a merger with a Catholic healthcare system sponsored by an existing public juridic person. As further described below, the alignment discussions between Dignity Health and CHI revealed many significant potential strategic benefits for both organizations, including CHI's current sponsorship by a public juridic person known as Catholic Health Care Federation.

Strategic Rationale, Transaction Process & Timing

The leadership of Dignity Health and CHI had numerous partnership discussions over the previous ten years. In 2013, they explored potential affiliations between the two health systems. Dignity Health and CHI identified several opportunities to collaborate on programs and services, including telehealth, micro-hospitals, and precision medicine¹¹. In September 2016, they formed a joint-venture named the Precision Medicine Alliance, LLC to create a large precision medicine program.

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

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

¹¹Precision 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 paper¹² 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;

¹²The 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 analysis¹³ from several Catholic theologians for the purposes of obtaining a *nihil obstat*¹⁴ 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.

¹³A formal report by a Catholic theologian on the appropriate application of Catholic moral teachings.

¹⁴A Roman Catholic Church certification by an official censor that something is not objectionable on doctrinal or moral grounds.

The *nilhil 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 Date¹⁵ 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 Date¹⁶ 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 hospitals¹⁷ 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 Values¹⁸ or Designated Procedures¹⁹ 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.

¹⁵The 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.

¹⁶As of 12:00:01am on the day immediately after the "Closing Date".

¹⁷Marian Regional Medical Center, Arroyo Grande is and will remain a non-Catholic general acute care hospital. It operates under a consolidated license issued to a Catholic general acute care hospital, Marian Regional Medical Center. Marian Regional Medical Center, Arroyo Grande will not be transferred to IHO.

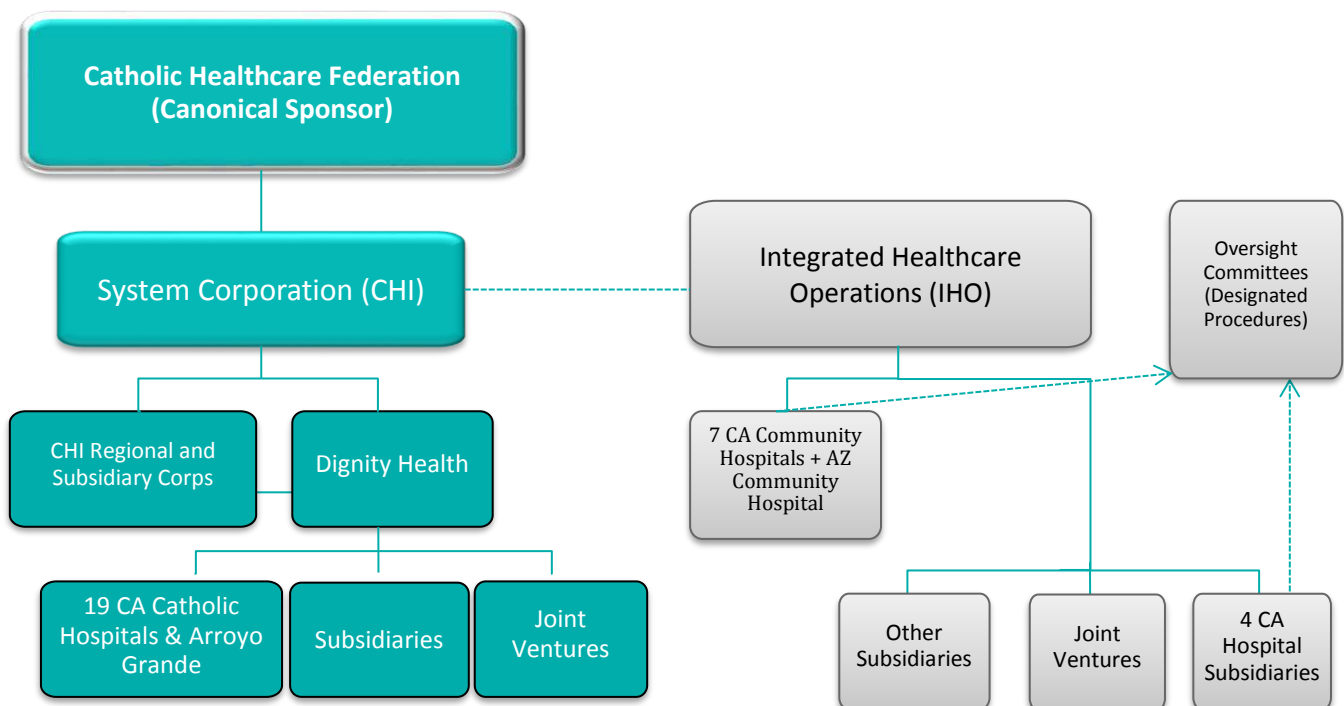
¹⁸Dignity Health's Statement of Common Values prohibits direct abortions, in-vitro fertilizations, and provider or physician-assisted suicide or aid in dying. The most common medical procedure performed in hospitals that is prohibited by the ERDs is tubal ligation (a surgical procedure for female sterilization that involves severing and tying the fallopian tubes). Tubal ligations are not prohibited by Dignity Health's Statement of Common Values.

¹⁹Designated 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 Corporations²⁰.

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 Corporations²¹. 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.

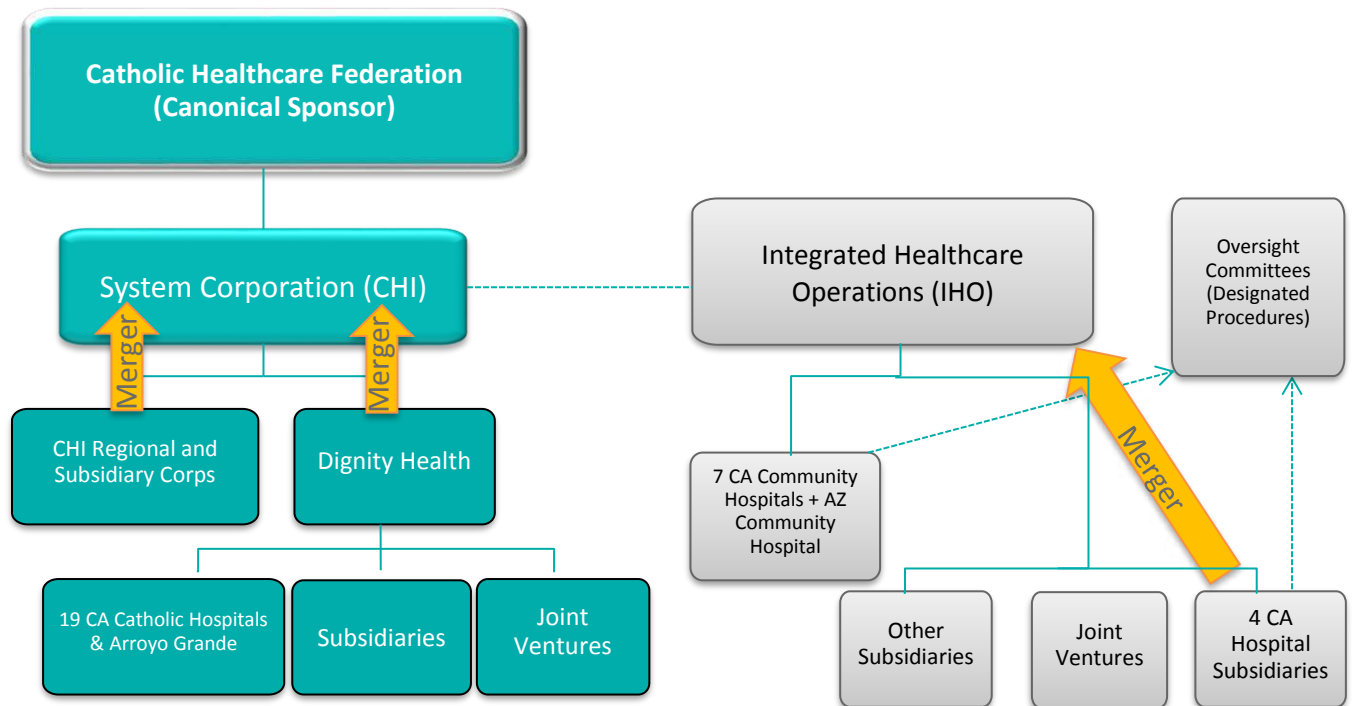


²⁰Both Dignity Health's and IHO's local hospital community boards associated with each owned hospital, as well as the boards associated with the four subsidiary hospitals, will continue to exist.

²¹The majority of CHI hospitals are organized into eight regional corporations.

System Corporation Post Debt Consolidation (Within 36 Months)

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



Major Provisions of the Ministry Alignment Agreement

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

Structures and Responsibilities

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

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

Regional Medical Center, a Catholic hospital. Marian Regional Medical Center, Arroyo Grande will not adhere to the ERDs. It will adopt or retain Dignity Health's Statement of Common Values. It does not offer obstetrics or women's healthcare services.

- Dignity Health's nineteen Catholic hospitals shall remain a ministry of the Catholic Church and subject to the ERDs;
 - System Corporation (after the transfers of the community hospitals to IHO) shall become the sole corporate member of Dignity Health; and
 - Dignity Health shall be governed by a board consisting of the same individuals who are serving as the board for System Corporation and are also the members of CHCF.
- Integrated Healthcare Operations
 - IHO was formed by Dignity Health prior to the signing date without involvement, input, or direction from CHI. IHO shall continue to be a Colorado nonprofit corporation;
 - IHO and its subsidiaries shall not become ministries of the Catholic Church, shall not use the name "Catholic" for their respective public businesses, shall not be subject to the ERDs, and shall operate consistent with Dignity Health's Statement of Common Values;
 - IHO shall be governed by a board of directors consisting of individuals who shall:
 - Be initially appointed by Dignity Health and then nominated by the board of directors of IHO or a committee thereof;
 - Serve in their individual capacities and not in any manner as a representative of System Corporation; and
 - Not contemporaneously serve; as a CHCF Member, or on the board of System Corporation, Dignity Health, nor any other subsidiary of System Corporation.
 - After the Effective Date, a majority of the members of the IHO Board who are subject to nomination or re-appointment shall be nominated by the IHO Board then in effect, subject to the acceptance (or rejection) of a majority of such nominees by the board of System Corporation;

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

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

Dignity Health Commitments

- Licensed Acute Care Hospital Commitments
 - For a period of five years from the Effective Date of the transaction:
 - The System Corporation and Dignity Health shall continue to operate and maintain each Dignity Health owned hospital as a licensed general acute care hospital;
 - IHO shall continue to operate and maintain each IHO owned hospital as a licensed general acute care hospital; and
 - IHO and each IHO subsidiary shall continue to operate and maintain the IHO subsidiary hospital as a licensed general acute care hospital.
- Licensed Specialty Service Commitments and Additional Specialty Services Commitments
 - For a period of five years from the Effective Date of the transaction:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals shall continue to operate, provide and maintain the following services at each California hospital:
 - Twenty-four-hour emergency medical services at current licensure, with the current number of emergency treatment stations, the current types and levels of emergency medical services, and the current designations or certifications associated with such emergency medical services;
 - Core specialty and additional specialty healthcare services at current licensure and designation with current minimum types and/or levels of services²²; and
 - Additional specialty healthcare services at current licensure and designation with current types and/or levels of services.

²²See 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 Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center.

- Women's Healthcare Services Commitments
 - For a period of five years from the Effective Date:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall continue to provide women's healthcare services; and
 - Those Dignity Health California hospitals that are non-Catholic shall retain their identity as community hospitals and shall not become ministries of the Catholic Church, nor be subject to the ERDs. In addition, they will retain or adopt Dignity Health's Statement of Common Values.
- Medicare & Medi-Cal Commitment
 - For a period of five years from the Effective Date of the transaction:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall:
 - Continue to be certified to participate in the Medicare program;
 - Continue to be certified to participate in the Medi-Cal program; and
 - Continue to have and maintain their respective Medi-Cal Managed Care contracts in effect as of the signing date.
- City/County Contract Commitment:
 - For a period of five years from the Effective Date of the transaction:
 - System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, shall maintain healthcare-related services contracts, with any city or county in the State of California as of the signing date.
- Charity Care Commitment
 - For the six fiscal years from the Effective Date, System Corporation and Dignity Health, with respect to the Dignity Health owned hospitals, IHO owned hospitals, and the IHO subsidiary hospitals, in California shall:

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

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

Use of Net Sale Proceeds

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

Profile of Catholic Health Initiatives

Overview

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

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

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

Source: 2017 CHI Annual Report

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

Source: 2017 CHI Annual Report

Key Statistics

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

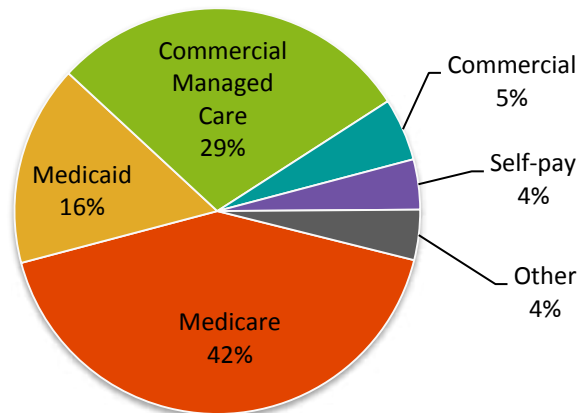
CHI STATISTICAL HIGHLIGHTS FY 2016 – FY 2017			
<i>Fiscal Year ended June 30, 2017</i>	FY 2016	FY 2017	Change
Acute Patient Days	2,382,402	2,366,980	-0.6%
Acute Average Daily Census	6,527	6,485	-0.6%
Acute Admissions	498,464	504,593	1.2%
Acute Average Length of Stay, in days	4.8	4.7	-2.1%
Outpatient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

Source: CHI 2017 Annual Report

Payer Mix

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

Gross Revenue By Payer



Source: CHI Annual Report

Financial Profile

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

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

Source: CHI Audited Financial Statements

- Net Patient Service Revenue (less provision for bad debts) of \$14.5 billion in FY 2017 represents a net increase of approximately \$600 million, or 4.4%, as compared to FY 2016. Total operating revenues increased by \$358 million, or 2.4%, from \$15.2 billion in FY 2016 to \$15.5 billion in FY 2017;
- Total expenses increased by 3.7% from \$15.6 billion in FY 2016 to \$16.1 billion in FY 2017. CHI's salaries, wages and employee benefits expense accounted for 46% of total expenses;
- In FY 2017, CHI realized a non-operating gain of approximately \$714 million, a substantial increase from the non-operating loss of \$204 million loss in FY 2016; and

- Excess revenue over expenses increased from a loss of approximately \$576 million in FY 2016 to a gain of approximately \$128 million in FY 2017. This is mainly due to an increase in non-operating revenue.

Profile of Dignity Health

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

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



Payer Mix

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

DIGNITY HEALTH TOTAL PAYER MIX COMPARISON FY 2016 ²³				
	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.

²³Fiscal Year from July 1 through June 30.

Financial Profile

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

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

Source: Dignity Health Audited Financial Statements

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

Dignity Health's California Hospitals Overview

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

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

Source: Dignity Health

Analysis of Dignity Health's Hospital Market Share in Santa Barbara County and San Luis Obispo County

Santa Barbara County has approximately 450,500 residents and encompasses over 2,700 square miles. San Luis Obispo County has approximately 287,800 residents and encompasses over 3,200 square miles. The map below shows the location and the service areas of Dignity Health's three hospitals: Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande (formerly known as Arroyo Grande Community Hospital), and French Hospital Medical Center.



The following tables list hospitals where Santa Barbara County and San Luis Obispo County residents received inpatient care in calendar year (CY) 2016, the most recent data available from OSHPD, and their respective market share. Profiles of the three Dignity Health Hospitals are described in the following sections.

Santa Barbara County:

SANTA BARBARA COUNTY MARKET SHARE BY HOSPITAL CY 2016		
Hospital	CY 2016 Discharges	Market Share
Santa Barbara Cottage Hospital	14,831	42.8%
Marian Regional Medical Center¹	11,271	32.5%
Lompoc Valley Medical Center	2,616	7.5%
Goleta Valley Cottage Hospital	1,348	3.9%
Aurora Vista Del Mar Hospital	682	2.0%
Ronald Reagan UCLA Medical Center	475	1.4%
Marian Regional Medical Center, Arroyo Grande ¹	346	1.0%
All Other Hospitals	3,105	9.0%
All Non-Dignity Health Discharges	22,788	65.7%
All Dignity Health of California Discharges	11,886	34.3%
Total Discharges	34,674	100%

Source: CY 2016 OSHPD Discharge Database

Note: Excludes normal newborns

¹Dignity Health hospital

- Marian Regional Medical Center has the second largest market share (32.5%) of Santa Barbara County inpatient discharges;
- Santa Barbara Cottage Hospital is the inpatient market share leader (42.8%) of Santa Barbara County inpatient discharges; and
- “All Dignity Health of California Discharges” includes residents of the Santa Barbara County that received inpatient care at Dignity Health hospitals located outside of Santa Barbara County.

San Luis Obispo County:

SAN LUIS OBISPO COUNTY MARKET SHARE BY HOSPITAL CY 2016		
Hospital	CY 2016 Discharges	Market Share
Sierra Vista Regional Medical Center	5,001	23.6%
Twin Cities Community Hospital	4,114	19.4%
French Hospital Medical Center¹	3,942	18.6%
Marian Regional Medical Center, Arroyo Grande¹	2,348	11.1%
Marian Regional Medical Center ¹	1,661	7.8%
Santa Barbara Cottage Hospital	714	3.4%
All Other Hospitals	3,417	16.1%
All Non-Dignity Health Discharges	13,147	62.0%
All Dignity Health of California Discharges	8,050	38.0%
Total Discharges	21,197	100.0%

Source: CY 2016 OSHPD Discharge Database

Note: Excludes normal newborns

¹Dignity Health hospital

- French Hospital Medical Center has the third-largest market share (18.6%) of San Luis Obispo County inpatient discharges;
- Marian Regional Medical Center, Arroyo Grande has the fourth largest market share (11.1%) of San Luis Obispo County inpatient discharges;
- Sierra Vista Regional Medical Center is the inpatient market share leader (23.6%);
- “All Dignity Health of California Discharges” includes residents of the San Luis Obispo County that received inpatient care at Dignity Health hospitals located outside of San Luis Obispo County.

Profile of Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande

Overview

Marian Regional Medical Center, founded in 1940, is a Catholic general acute care hospital located at 1400 East Church Street in Santa Maria, California.

Marian Regional Medical Center, Arroyo Grande, founded in 1961, is a non-Catholic general acute care hospital located at 345 South Halcyon Road in Arroyo Grande, California. In FY 2014, Marian Regional Medical Center, Arroyo Grande began operating under the consolidated acute care hospital license issued to Marian Regional Medical Center²⁴.

The two hospitals have a combined 13 surgical operating rooms, with ten located at Marian Regional Medical Center and three at Marian Regional Medical Center, Arroyo Grande. Both hospitals operate basic emergency departments with a combined 43 treatment stations. Marian Regional Medical Center operates 32 emergency treatment stations and is a Primary Stroke Center, STEMI Receiving Center, and Level III Trauma Center. Marian Regional Medical Center, Arroyo Grande operates 11 emergency treatment stations and is a Primary Stroke Center. According to their current hospital license, the two hospitals are licensed for 388 beds as shown below.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
MARIAN REGIONAL MEDICAL CENTER	
General Acute Care Beds	
Perinatal	42
Neonatal Intensive Care	21
Coronary Care	20
Pediatric	8
Unspecified General Acute Care	135
Total General Acute Care Beds	226
Skilled Nursing (D/P)	95
Total Licensed Beds	321
MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE	
General Acute Care Beds	
Rehabilitation	20
Intensive Care	8
Unspecified General Acute Care	39
Total General Acute Care Beds	67
Total Licensed Beds	67
Total Licensed Beds at Marian Regional Medical Center & Marian Regional Medical Center, Arroyo Grande	388

¹ Source: 2018 Hospital License

²⁴ Marian Regional Medical Center, and Marian Regional Medical Center, Arroyo Grande report most hospital statistics on a consolidated basis, while some hospital statistics are still reported on an individual basis.

Key Statistics

Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande reported 15,996 inpatient discharges, 92,519 patient days, and an average daily census of 253 patients (approximately 65% occupancy) for FY 2017.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE* KEY STATISTICS FY 2015 - FY 2017¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	15,019	15,404	15,996
Licensed Beds	502	388	388
Patient Days	86,487	92,357	92,519
Average Daily Census	237	253	253
Occupancy	47.2%	65.2%	65.3%
Average Length of Stay	5.8	6.0	5.8
Marian Regional Medical Center, Arroyo Grande -Emergency Service Visits ²	25,630	29,553	27,456
Marian Regional Medical Center- Emergency Service Visits ²	76,375	80,192	75,250
Marian Regional Medical Center - Total Live Births	2,799	3,029	2,970

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

*Includes Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande volumes.

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

² Emergency Service Visits are reported on a calendar year and is unaudited.

- Since FY 2015, inpatient discharges have grown by 2.6%;
- Between FY 2015 and FY 2017, the number of emergency service visits at Marian Regional Medical Center fluctuated with over 75,000 reported in FY 2017;
- In FY 2017, 27,456 emergency service visits were reported at Marian Regional Medical Center, Arroyo Grande, a 7% increase from FY 2015;
- From FY 2015 to FY 2017, total live births at Marian Regional Medical Center have grown by 8.2%, with an average of 2,933 live births annually.

Patient Utilization Trends

The following table shows FY 2013 - FY 2017 patient volume trends at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE					
SERVICE VOLUMES FY 2013 - FY 2017 ³					
PATIENT DAYS	FY 2013 ¹	FY 2014	FY 2015	FY 2016	FY 2017
Medical/Surgical ²	27,090	30,511	33,002	36,542	34,747
Neonatal Intensive Care	3,555	3,848	4,100	4,889	4,856
Intensive Care	4,044	5,391	5,718	5,891	5,395
Obstetrics	7,888	8,510	5,871	5,948	8,125
Physical Rehabilitation Care	2,154	5,900	5,451	5,726	5,944
Pediatrics Acute	1,169	1,325	1,345	1,207	1,382
Skilled Nursing	30,887	30,304	31,000	32,154	32,070
Total	76,787	85,789	86,487	92,357	92,519
DISCHARGES					
Medical/Surgical ²	8,476	8,943	9,514	9,767	10,143
Neonatal Intensive Care	287	284	318	293	304
Intensive Care	352	487	589	647	672
Obstetrics	2,947	3,151	2,923	3,230	3,354
Physical Rehabilitation Care	180	504	543	514	534
Pediatrics Acute	441	587	602	504	523
Skilled Nursing	555	701	530	449	466
Total	13,238	14,657	15,019	15,404	15,996
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.2	3.4	3.5	3.7	3.4
Neonatal Intensive Care	12.4	13.5	12.9	16.7	16
Intensive Care	11.5	11.1	9.7	9.1	8
Obstetrics	2.7	2.7	2	1.8	2.4
Physical Rehabilitation Care	12	11.7	10	11.1	11.1
Pediatrics Acute	2.7	2.3	2.2	2.4	2.6
Skilled Nursing	55.7	43.2	58.5	71.6	68.8
Total	5.8	5.9	5.8	6	5.8
AVERAGE DAILY CENSUS					
Medical/Surgical ²	74.2	83.6	90.4	100.1	95.2
Neonatal Intensive Care	9.7	10.5	11.2	13.4	13.3
Intensive Care	11.1	14.8	15.7	16.1	14.8
Obstetrics	21.6	23.3	16.1	16.3	22.3
Physical Rehabilitation Care	5.9	16.2	14.9	15.7	16.3
Pediatrics Acute	3.2	3.6	3.7	3.3	3.8
Skilled Nursing	84.6	83	84.9	88.1	87.9
Total	210	235	237	253	253
OTHER SERVICES					
Inpatient Surgeries	3,729	4,164	3,575	4,863	3,538
Outpatient Surgeries	2,915	3,115	3,400	3,483	3,601
Marian Regional Medical Center, Arroyo Grande -Emergency Service Visits ⁴	22,058	22,592	25,630	29,553	27,456
Marian Regional Medical Center- Emergency Service Visits ⁴	66,684	69,829	76,375	80,192	75,250
Marian Regional Medical Center - Total Live Births	2,825	3,107	2,799	3,029	2,970

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹ FY 2013 excludes Marian Regional Medical Center, Arroyo Grande volumes.

² Includes Definitive Observation Beds

³ FY 2013 to FY 2016 Hospital data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

⁴ Emergency Service Visits are reported on a calendar year and is unaudited.

A review of Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's historical utilization trends from FY 2013 to FY 2017 supports the following conclusions:

- Total patient days and inpatient discharges have increased by 21%; and

- The average daily census increased by 21% from 210 patients to 253 patients.

Financial Profile

Over the last five fiscal years, Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's net income has fluctuated, however increased from \$5.7 million in FY 2013 to \$36.2 million in FY 2017. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 68% and 67% respectively. Over the same period, Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's operating expenses increased by 59% from \$314.2 million in FY 2013 to \$500.5 million in FY 2017. Other operating revenue²⁵ increased over the five-year period by 12% from \$5.3 million to \$5.9 million.

Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's current ratio²⁶ has increased over the last four years from 2.04 in FY 2013 to 3.45 in FY 2017. The California average in FY 2016 was 1.56. Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's percentage of bad debt is equal to that of the state average (0.8%).

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE						
FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ²						
	FY 2013 ¹	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	76,787	85,789	86,487	92,357	92,519	-
Discharges	13,238	14,657	15,019	15,404	15,996	-
ALOS	5.8	5.9	5.8	6.0	5.8	-
Net Patient Revenue	\$314,981,823	\$383,852,195	\$496,459,135	\$513,965,942	\$528,944,118	-
Other Operating Revenue	\$5,267,208	\$7,198,660	\$5,959,668	\$6,906,012	\$5,880,645	-
Total Operating Revenue	\$320,249,031	\$391,050,855	\$502,418,803	\$520,871,954	\$534,824,763	-
Operating Expenses	\$314,159,975	\$394,091,257	\$449,315,068	\$480,749,926	\$500,519,789	-
Net from Operations	\$6,089,056	(\$3,040,402)	\$53,103,735	\$40,122,028	\$34,304,974	-
Net Non-Operating Revenues and Expenses	(\$434,109)	\$343,191	(\$12,905,300)	(\$23,984,585)	\$1,930,979	-
Net Income	\$5,654,947	(\$2,697,211)	\$40,198,435	\$16,137,443	\$36,235,953	-
						2016 California Average ³
Current Ratio	2.04	1.64	2.23	2.44	3.45	1.56
Days in A/R	70.0	77.8	56.9	52.9	56.9	57.1
Bad Debt Rate	2.2%	2.4%	1.3%	1.1%	0.8%	0.8%
Operating Margin	1.90%	-0.78%	10.57%	7.70%	6.41%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

¹FY 2013 excludes Marian Regional Medical Center, Arroyo Grande volume.

²FY 2013 to FY 2016 Hospital data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

³FY 2017 California data was not available when the data was collected to prepare this report.

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

²⁶The 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

Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's operating cost of services includes both inpatient and outpatient care. In FY 2017, 45% of total costs were associated with Medicare, followed by 28% with Medi-Cal, and 26% with Third-Party.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ²					
	FY 2013 ¹	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$314,159,975	\$394,091,257	\$449,315,068	\$480,749,926	\$500,519,789
Cost of Services By Payer:					
Medicare	\$145,335,541	\$183,494,646	\$199,144,593	\$211,399,963	\$225,268,268
Medi-Cal	\$80,031,936	\$85,758,167	\$123,419,813	\$134,828,913	\$138,835,253
County Indigent	\$3,500,718	\$2,659,024	\$58,351	\$68,681	\$14,956
Third-Party	\$70,367,786	\$102,865,068	\$119,224,054	\$127,776,993	\$130,997,297
Other Indigent	\$1,338,095	\$3,086,015	\$2,495,226	\$1,673,794	\$2,197,583
All Other Payers	\$13,585,898	\$16,228,336	\$4,973,032	\$5,001,582	\$3,206,432

Source: OSHPD Disclosure Reports, FY 2013 – FY 2017

¹FY 2013 excludes Marian Regional Medical Center, Arroyo Grande.

²FY 2013 to FY 2016 Hospital 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 Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 2.6% and greater than the four-year statewide average of 2.5%. According to OSHPD, "...the determination of what is classified as charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE CHARITY CARE COMPARISON FY 2013 - FY 2017 ² (In Thousands)										
	FY 2013 ¹		FY 2014		FY 2015		FY 2016		FY 2017	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ³
Gross Patient Revenue	\$1,249,257	\$320,382,471	\$1,623,455	\$338,322,364	\$1,854,015	\$365,501,463	\$2,031,686	\$396,427,743	\$2,184,104	-
Charity	\$21,578	\$6,563,487	\$20,727	\$5,113,965	\$17,280	\$3,441,227	\$11,405	\$3,457,868	\$13,821	-
Bad Debt	\$27,046	\$5,891,632	\$38,561	\$4,365,936	\$24,301	\$3,262,642	\$21,477	\$3,108,971	\$16,431	-
Total Charity & Bad Debt	\$48,624	\$12,455,119	\$59,289	\$9,479,902	\$41,581	\$6,703,869	\$32,882	\$6,566,839	\$30,252	-
Charity Care as a % of Gross Patient Revenue	1.7%	2.0%	1.3%	1.5%	0.9%	0.9%	0.6%	0.9%	0.6%	-
Bad Debt as a % of Gross Patient Revenue	2.2%	1.8%	2.4%	1.3%	1.3%	0.9%	1.1%	0.8%	0.8%	-
Total as a % of Gross Patient Revenue	3.9%	3.9%	3.7%	2.8%	2.2%	1.8%	1.6%	1.7%	1.4%	-
Uncompensated Care										
Cost to Charge Ratio	24.7%	24.5%	23.8%	23.6%	23.9%	24.1%	23.3%	23.8%	22.6%	-
Charity	\$5,335	\$1,608,711	\$4,940	\$1,207,919	\$4,132	\$828,647	\$2,660	\$822,627	\$3,130	-
Bad Debt	\$6,687	\$1,444,039	\$9,190	\$1,031,234	\$5,811	\$785,644	\$5,009	\$739,624	\$3,721	-
Total	\$12,023	\$3,052,750	\$14,129	\$2,239,153	\$9,943	\$1,614,292	\$7,669	\$1,562,251	\$6,851	-

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

¹ FY 2013 excludes Marian Regional Medical Center, Arroyo Grande.

² FY 2013 to FY 2016 Hospital data is from audited OSHPD Disclosure Reports whereas FY 2017 is from unaudited.

³ FY 2017 California data was not available when the data was collected to prepare this report

The table below shows Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's historical costs for charity care as reported to OSHPD. Charity care costs have decreased from \$5.3 million in FY 2013 to \$3.1 million in FY 2017. The average cost of charity care for the last five-year period was \$4.0 million, while the three-year average cost of charity care was \$3.3 million.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE 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	\$13,821,467	22.6%	\$3,130,180
FY 2016	\$11,405,409	23.3%	\$2,660,049
FY 2015	\$17,280,093	23.9%	\$4,132,234
FY 2014	\$20,727,471	23.8%	\$4,939,652
FY 2013	\$21,577,791	24.7%	\$5,335,349
FY 2015 - FY 2017 Average			\$3,307,488
FY 2013 - FY 2017 Average			\$4,039,493

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

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

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

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$1,112,445	\$1,039,474	\$483,087	\$2,635,006
Visits/Discharges	80	2,152	919	
FY 2016:				
Cost of Charity	\$2,427,284	\$1,738,362	\$838,724	\$5,004,370
Visits/Discharges	96	1,959	880	
FY 2015:				
Cost of Charity	\$2,005,628	\$820,591	\$496,388	\$3,322,607
Visits/Discharges	161	1,831	971	
FY 2014:				
Cost of Charity	\$2,672,383	\$1,016,670	\$640,808	\$4,329,861
Visits/Discharges	221	2,364	1,315	
FY 2013:				
Cost of Charity	\$2,545,410	\$1,355,974	\$832,062	\$4,733,446
Visits/Discharges	226	3,255	1,842	

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, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande have provided significant contributions for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three fiscal years has been \$10.1 million. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$8.5 million.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE COMMUNITY BENEFIT SERVICES FY 2013 – FY 2017							
COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015 - FY 2017 Average	FY 2013 - FY 2017 Average
Benefits for Living in Poverty	\$4,394,247	\$2,704,380	\$4,027,322	\$4,790,083	\$4,428,982	\$4,415,462	\$4,069,003
Benefits for Broader Community	\$2,120,994	\$2,327,150	\$4,684,460	\$6,975,415	\$5,570,050	\$5,743,308	\$4,335,614
Totals	\$7,580,935	\$5,702,254	\$11,475,266	\$11,765,498	\$9,999,032	\$11,079,932	\$9,304,597
Medi-Cal Provider Fee CHFT Grant Expense	(\$969,923)	(\$246,187)	(\$1,283,389)	(\$934,831)	(\$605,037)		
Adjusted Totals	\$6,611,012	\$5,456,067	\$10,191,877	\$10,830,667	\$9,393,995	\$10,138,846	\$8,496,724

Source: Dignity Health, Marian Regional Medical Center Community Benefit Reports and Plans

- The Hospitals' combined five-year average cost of community benefit services for persons living in poverty is \$4.1 million per year; and
- The Hospitals' combined five-year average cost of community benefit services for the broader community is \$4.3 million per year; and
- Over the five-year period, the Hospitals' adjusted combined total cost of the community benefit services increased from \$6.6 million in FY 2013 to \$9.4 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.

MARIAN REGIONAL MEDICAL CENTER & MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE CAMPUS					
COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Services over \$10,000 in cost in FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Community Benefit Operations	\$164,754	\$197,274	\$320,310	\$280,837	\$292,223
AGCH-Cancer Awareness Education, Information and Referral	\$131,714	\$91,119	\$123,192	\$176,700	\$40,381
Patient Navigator Care Transitions Program - Poor	-	-	-	\$628,683	\$481,963
Community Health Education	\$8,034	\$13,627	\$9,849	\$34,009	\$74,164
Diabetes Prevention and Management	\$254,884	\$308,235	\$348,740	\$404,906	\$200,538
Exercise Class	\$16,530	\$36,287	\$60,925	\$46,681	\$55,783
Healthy for Life Nutrition Workshop Series	\$55,612	\$10,102	\$81,537	\$226,604	\$81,261
Healthier Living; Take Care of Yourself- Chronic Disease Self-Management Program	\$12,015	\$9,680	\$57,330	\$102,696	\$90,215
Internships and Job Shadowing	-	\$216,655	\$263,412	\$444,142	\$189,762
Osteoporosis-Community Health Education	\$81,382	\$43,028	\$39,629	\$42,814	\$29,980
Nursing student clinical rotations	\$381,488	\$512,173	\$1,180,040	\$1,074,747	\$1,236,844
Allan Hancock/Cuesta and other Nursing Programs	\$200,400	\$215,000	\$202,223	\$210,002	\$200,070
Dignity Health Community Grants Program	\$109,159	\$117,501	\$132,075	\$187,442	\$176,110
Family Caregiver Support and Services	-	-	-	\$27,519	\$163,016
Grief and Stroke Community Support Groups	\$5,971	\$6,397	\$22,904	\$30,549	\$20,052
Health Professions Education - Marian Residency Program	\$805,001	\$777,547	\$2,085,013	\$4,292,476	\$3,125,022
Health Promotion and Screenings	\$17,294	\$15,996	\$21,970	\$36,144	\$59,119
In Kind Food Donations	\$31,094	\$16,909	\$29,881	\$104,685	\$82,611
Marian Cancer Center - Education	\$469,109	\$294,442	\$736,156	\$563,600	\$830,416
Marian Cancer Center - Information and Referral	\$1,398,482	\$1,108,892	\$1,261,471	\$1,271,668	\$1,130,466
Marian Cancer Center - Self-help	\$36,658	\$17,308	\$14,957	\$222,454	\$78,372
Marian Cancer Center - Support Groups	\$83,738	\$35,143	\$39,658	\$206,003	\$157,069
Oaxacan Health Care Support	\$37,033	\$59,008	\$89,998	\$70,121	\$90,618
Post-Partum Depression Program	-	-	-	-	\$102,799
Transportation	\$3,231	\$11,495	\$10,687	\$13,213	\$38,860

Source: Dignity Health

- **Community Benefit Operations:** Provides staffing to programs and includes costs associated with developing and implementing the community benefit strategy;
- **AGCH-Cancer Awareness Education, Information and Referral:** Provides education, presentations, workshops, and symposiums including dietary support to encourage prevention, early detection of disease, and disability management for cancer patients;
- **Patient Navigator Care Transitions Program – Poor:** 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, and medical system barriers. Clients are followed up with educational services to ensure continuity of care and to decrease severity of illness;
- **Community Health Education:** Lectures on health-related topics offered at locations in the community favorable to the underserved/underinsured. Topics include nutrition, disease prevention, and mental health for children;

- **Diabetes Prevention and Management:** Provides patients with education and access to a registered dietician or nurse specializing in diabetes management;
- **Exercise classes:** Classes such as Zumba and yoga are offered at locations where underserved and poor live;
- **Healthy for Life Nutrition Workshop Series:** Provides nutrition education in English and Spanish that incorporates nutrition, family physical activity;
- **Healthier Living Take Care of Yourself - Chronic Disease Self-Management Program:** Classes for community members affected by chronic disease(s). Topics include distinguishing between acute and chronic conditions and managing symptoms;
- **Internships and Job Shadowing:** Clinical setting for undergraduate training and internships for dietary professionals, technicians, physical therapist, social workers, pharmacists, and other health professionals from universities and colleges. Offers high school job shadowing of various departments;
- **Osteoporosis-Community Health Education:** Provides lectures, presentations, and workshops to promote bone health among service area residents, as well as referral for appropriate medical care for osteoporosis;
- **Nursing Student Clinical Rotations:** A clinical setting for training nursing students;
- **Allan Hancock/Cuesta and other Nursing Programs:** Money donated to underwrite faculty positions in school of nursing in response to the shortage of nurses in the Santa Maria Valley;
- **Dignity Health Community Grants Program:** The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the communities served. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations, and to help reduce disparities;
- **Family Caregiver Support and Services:** Provides intensive support and counseling for family members who care for medically fragile adults;
- **Grief and Stroke Community Support Groups:** Support groups for patients, families and the community to address social, psychological, or emotional issues;
- **Health Professions Education - Marian Residency Program:** A clinical setting, training and supervision for new physicians;

- Health Promotion and Screenings: Cardiac/stroke screenings, flu shot immunizations, and cancer screenings for lung, prostate, colon, skin, breast, and genetic risk to determine cancer risk levels and refer high-risk screenings for follow-up;
- In Kind Food Donations: Food donations including to meals on wheels and homeless shelters;
- Marian Cancer Center – Education: Cancer-focused lectures, workshops, presentations and symposiums offered to cancer patients and the broader community;
- Marian Cancer Center - Information and Referral: Activities include survivorship care plans with one-on-one nurse navigation support, referrals for additional care services, and follow-up or psycho-social assessments with subsequent referrals to support services that are offered in English or Spanish;
- Marian Cancer Center - Self-help Wellness and Health Promotion Programs: Offers classes such as exercise, stress management, and mindfulness to cancer patients, caregivers and families;
- Marian Cancer Center - Support Groups: Support groups provided in English and Spanish that offer social, psychological, or emotional support related to cancer diagnoses or occurrences in the greater cancer community;
- Oaxacan Health Care Support: Inpatient interpretation services for Oaxacan community members;
- Post-Partum Depression Program: Postpartum depression toolkit for community health works that includes community action plans, web-based resource directories, and a process for data sharing and training materials to support new families dealing with postpartum depression; and
- Transportation: Provides transportation services to cancer patients and those who do not have or cannot afford their own transportation to medical appointments.

Reproductive Health

The following tables list inpatient reproductive health services by diagnostic related group (DRG) for CY 2016 at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande.

Marian Regional Medical Center²⁷:

MARIAN REGIONAL MEDICAL CENTER CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
778-Threatened Abortion	33
767-Vaginal Delivery W Sterilization &/Or D&C ¹	20
777-Ectopic Pregnancy	16
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	12
779-Abortion W/O D&C ¹	10
Total Discharges:	91

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

- For CY 2016, Marian Regional Medical Center reported 91 inpatient discharges related to reproductive services; and
- Out of the five diagnostic related groups, DRG 778-Threatened Abortions has the highest number of reproductive service inpatient discharges at Marian Regional Medical Center.

Marian Regional Medical Center, Arroyo Grande²⁸:

Marian Regional Medical Center, Arroyo Grande does not provide obstetric services; however, it reported the following inpatient reproductive health services for CY 2016.

MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
778-Threatened Abortion	N/A
767-Vaginal Delivery W Sterilization &/Or D&C ¹	N/A
777-Ectopic Pregnancy	N/A
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	N/A
779-Abortion W/O D&C ¹	1
Total Discharges:	1

Source: CY 2016 OSHPD Patient Discharge Database

¹D&C is an abbreviation for Dilation and Curettage

²⁷Marian Regional Medical Center is a Catholic hospital and is subject to the Catholic ERDs that prohibit direct abortions. Although the Catholic ERDs prohibit direct abortions, these procedures are performed at the Hospital when the pathology is determined to present a medical need and/or a clear and present danger to the patient.

²⁸Marian Regional Medical Center, Arroyo Grande 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.

According to Dignity Health representatives, the following tables indicate whether the two hospitals perform the listed women's reproductive health services.

Marian Regional Medical Center:

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

Source: Dignity Health

Marian Regional Medical Center, Arroyo Grande:

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

Source: Dignity Health

Analysis of Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's Service Areas

Service Area Definition

The following tables list Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas that are based on CY 2016 inpatient discharges.

Marian Regional Medical Center:

Marian Regional Medical Center's service area is comprised of 14 ZIP Codes from which 93.7% of its inpatient discharges originated in CY 2016. Approximately 75% of Marian Regional Medical Center's inpatient discharges originated from the top three ZIP Codes, all are in the City of Santa Maria, and 84.8% in the top five ZIP Codes. In CY 2016, the Hospital's market share in the service area was 52.7%.

MARIAN REGIONAL MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
93458	Santa Maria	3,822	29.1%	29.1%	4,497	85.0%
93454	Santa Maria	3,225	24.6%	53.7%	3,900	82.7%
93455	Santa Maria	2,772	21.1%	74.8%	3,657	75.8%
93444	Nipomo	843	6.4%	81.2%	1,751	48.1%
93434	Guadalupe	466	3.5%	84.8%	576	80.9%
93436	Lompoc	439	3.3%	88.1%	5,299	8.3%
93420	Arroyo Grande	288	2.2%	90.3%	2,466	11.7%
93456	Santa Maria	149	1.1%	91.4%	203	73.4%
93437	Lompoc	144	1.1%	92.5%	237	60.8%
93440	Los Alamos	69	0.5%	93.1%	124	55.6%
93457	Santa Maria	34	0.3%	93.3%	44	77.3%
93427	Buellton	26	0.2%	93.5%	450	5.8%
93438	Lompoc	13	0.1%	93.6%	119	10.9%
93429	Casmalia	8	0.1%	93.7%	13	61.5%
Subtotal		12,298	93.7%	93.7%	23,336	52.7%
Other ZIPs		829	6.3%	100%		
Total Discharges		13,127	100%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Marian Regional Medical Center, Arroyo Grande:

Marian Regional Medical Center, Arroyo Grande's service area is comprised of 17 ZIP Codes from which 85.6% of its inpatient discharges originated in CY 2016. Approximately 50% of the Hospital's discharges originated from the top two ZIP Codes that are in the Cities of Arroyo Grande and Grover Beach. In CY 2016, the Hospital's market share in the service area was 11.3%.

MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE						
PATIENT ORIGIN CY 2016						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
93420	Arroyo Grande	981	34.1%	34.1%	2,466	39.8%
93433	Grover Beach	361	12.6%	46.7%	1,058	34.1%
93444	Nipomo	243	8.5%	55.1%	1,751	13.9%
93449	Pismo Beach	211	7.3%	62.5%	653	32.3%
93445	Oceano	160	5.6%	68.1%	523	30.6%
93455	Santa Maria	126	4.4%	72.4%	3,657	3.4%
93454	Santa Maria	88	3.1%	75.5%	3,900	2.3%
93458	Santa Maria	72	2.5%	78.0%	4,497	1.6%
93401	San Luis Obispo	57	2.0%	80.0%	1,986	2.9%
93421	Arroyo Grande	39	1.4%	81.4%	110	35.5%
93483	Grover Beach	31	1.1%	82.4%	79	39.2%
93448	Pismo Beach	28	1.0%	83.4%	96	29.2%
93434	Guadalupe	25	0.9%	84.3%	576	4.3%
93475	Oceano	20	0.7%	85.0%	54	37.0%
93456	Santa Maria	11	0.4%	85.4%	203	5.4%
93424	Avila Beach	7	0.2%	85.6%	89	7.9%
93429	Casmalia	1	0.0%	85.6%	13	7.7%
Total Percentage		2,461	85.6%	85.6%	21,711	11.3%
Other ZIPs		413	14.4%	100%		
Total Discharges		2,874	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas have over 335,000 residents. There are two other hospitals located within their combined service areas, French Hospital Medical Center and Lompoc Valley Medical Center.



Hospital Market Share

The tables below provide the inpatient market share for each of Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas separately.

Marian Regional Medical Center:

MARIAN REGIONAL MEDICAL CENTER SERVICE AREA MARKET SHARE BY HOSPITAL CY 2013 – CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Marian Regional Medical Center	50.6%	50.4%	51.9%	52.7%	↗
Santa Barbara Cottage Hospital	13.5%	13.1%	12.0%	12.4%	↘
Lompoc Valley Medical Center	11.2%	11.9%	11.4%	11.0%	↘
Marian Regional Medical Center, Arroyo Grande	6.7%	6.9%	6.9%	6.7%	→
Sierra Vista Regional Medical Center	4.0%	3.4%	3.1%	3.1%	↘
French Hospital Medical Center	3.1%	3.0%	2.8%	3.0%	→
Aurora Vista Del Mar Hospital	1.6%	1.9%	1.7%	1.6%	↘
Ronald Reagan UCLA Medical Center	1.0%	1.2%	1.3%	1.2%	→
Goleta Valley Cottage Hospital	0.8%	0.7%	0.9%	0.9%	→
Santa Barbara Psychiatric Health Facility	0.7%	0.5%	0.7%	0.6%	→
Stanford Health Care	0.6%	0.6%	0.6%	0.5%	→
San Luis Obispo Co Psychiatric Health Facility	0.7%	0.7%	0.5%	0.4%	↘
Santa Ynez Valley Cottage Hospital	0.2%	0.3%	0.4%	0.4%	↗
Valley Children's Hospital	0.3%	0.2%	0.3%	0.3%	→
Cedars Sinai Medical Center	0.3%	0.4%	0.3%	0.3%	→
Keck Hospital of USC	0.4%	0.4%	0.4%	0.3%	→
All Other	4.3%	4.4%	4.8%	4.6%	↗
Total Percentage	100%	100%	100%	100%	
Total Discharges	22,209	22,585	23,280	23,336	↗

Source: OSHPD Discharge Database, CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of inpatient discharges in Marian Regional Medical Center's service area have increased by 5.1% from 22,209 inpatient discharges in CY 2013 to 23,336 inpatient discharges in CY 2016;
- Marian Regional Medical Center has consistently ranked first in terms of overall market share for its service based on inpatient discharges (52.7% in CY 2016); and
- Santa Barbara Cottage Hospital ranked second in market share (12.4%), followed by Lompoc Valley Medical Center (11.0%).

Marian Regional Medical Center, Arroyo Grande:

MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE MARKET SHARE BY HOSPITAL CY 2013 - CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Marian Regional Medical Center	51.3%	52.1%	53.7%	54.8%	↗
Marian Regional Medical Center, Arroyo Grande	11.1%	11.3%	11.4%	11.3%	→
French Hospital Medical Center	9.5%	9.3%	8.6%	8.9%	↘
Sierra Vista Regional Medical Center	9.6%	8.6%	8.6%	8.4%	↘
Santa Barbara Cottage Hospital	5.6%	5.1%	4.6%	4.3%	↘
Aurora Vista Del Mar Hospital	1.5%	1.7%	1.5%	1.4%	↘
San Luis Obispo Co Psychiatric Health Facility	2.5%	2.2%	1.4%	1.3%	↘
Ronald Reagan UCLA Medical Center	0.9%	1.1%	1.1%	1.1%	→
Stanford Health Care	0.8%	0.9%	1.1%	0.7%	↘
Goleta Valley Cottage Hospital	0.4%	0.4%	0.5%	0.5%	→
Santa Barbara Psychiatric Health Facility	0.6%	0.4%	0.5%	0.5%	→
Valley Children's Hospital	0.3%	0.2%	0.3%	0.4%	→
UCSF Medical Center	0.4%	0.4%	0.4%	0.4%	→
Keck Hospital of USC	0.4%	0.4%	0.4%	0.4%	→
Cedars Sinai Medical Center	0.4%	0.4%	0.3%	0.3%	→
Santa Monica - UCLA Med. Ctr. and Orthopedic Hosp.	0.2%	0.3%	0.4%	0.3%	→
Children's Hospital of Los Angeles	0.3%	0.3%	0.2%	0.3%	→
All Other	4.2%	4.8%	4.9%	4.7%	→
Total Percentage	100%	100%	100%	100%	
Total Discharges	21,266	20,983	21,745	21,711	→

Source: OSHPD Discharge Database CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of inpatient discharges in Marian Regional Medical Center, Arroyo Grande's service area has remained constant; and
- From CY 2013 to CY 2016, Marian Regional Medical Center, Arroyo Grande consistently ranked second in overall market share for its service area based on inpatient discharges (11.3% in CY 2016).

Market Share by Payer Type

The following tables show inpatient market share by hospital and payer type for Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas for CY 2016.

Marian Regional Medical Center:

MARIAN REGIONAL MEDICAL CENTER MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Marian Regional Medical Center	Santa Barbara Cottage Hospital	Lompoc Valley Medical Center	Marian Regional Medical Center, Arroyo Grande	Sierra Vista Regional Medical Center	French Hospital Medical Center	Aurora Vista Del Mar Hospital	Ronald Reagan UCLA Medical Center	All Others	Total
Medicare	8,711	48.3%	12.9%	12.3%	11.5%	1.8%	3.8%	0.7%	1.0%	7.9%	100.0%
Medi-Cal	7,611	65.4%	9.5%	10.4%	2.8%	2.4%	1.2%	0.8%	1.3%	6.2%	100.0%
Private Coverage	5,353	48.4%	12.4%	8.9%	5.8%	6.4%	4.6%	1.1%	1.6%	10.7%	100.0%
All Other	1,480	30.9%	23.7%	15.3%	2.5%	2.6%	1.8%	12.4%	0.2%	10.5%	100.0%
Self-Pay	181	35.4%	22.7%	6.1%	3.3%	1.1%	1.7%	0.0%	5.0%	24.9%	100.0%
Total Percentage		52.7%	12.4%	11.0%	6.7%	3.1%	3.0%	1.6%	1.2%	8.3%	100.0%
Total Discharges	23,336	12,298	2,898	2,573	1,564	720	699	367	279	1,938	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area discharges are Medicare with 8,711 inpatient discharges (37%), Medi-Cal with 7,611 inpatient discharges (33%), and Private Coverage with 5,353 inpatient discharges (23%); and
- Marian Regional Medical Center is the inpatient market share leader for all payers.

Marian Regional Medical Center, Arroyo Grande:

MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016										
Payer Type	Total Discharges	Marian Regional Medical Center	Marian Regional Medical Center, Arroyo Grande	French Hospital Medical Center	Sierra Vista Regional Medical Center	Santa Barbara Cottage Hospital	Aurora Vista Del Mar Hospital	San Luis Obispo Psychiatric Facility	Ronald Regan UCLA Medical Center	All Other
Medicare	8,333	49.60%	18.60%	12.40%	5.30%	3.70%	0.70%	0.40%	0.80%	8.50%
Medi-Cal	6,995	70.10%	5.30%	3.90%	7.50%	3.70%	0.80%	1.80%	1.10%	5.70%
Private Coverage	5,364	47.40%	8.70%	10.50%	14.30%	4.70%	1.20%	0.50%	1.70%	11.00%
All Other	862	30.60%	7.20%	6.40%	8.60%	13.20%	13.30%	8.90%	0.50%	11.30%
Self-Pay	157	40.10%	7.60%	4.50%	6.40%	7.00%	0.00%	9.60%	5.70%	19.10%
Total Percentage		54.80%	11.30%	8.90%	8.40%	4.30%	1.40%	1.30%	1.10%	8.40%
Total Discharges	21,711	11,907	2,461	1,929	1,826	943	296	278	244	1,827

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area inpatient discharges are Medicare with 8,333 inpatient discharges (38%), Medi-Cal with 6,995 inpatient discharges (32%), and Private Coverage with 5,364 inpatient discharges (25%); and
- Marian Regional Medical Center, Arroyo Grande is not an inpatient market share leader for any payer.

Market Share by Service Line

The following tables show inpatient market share by hospital and service line for Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas for CY 2016.

Marian Regional Medical Center:

MARIAN REGIONAL MEDICAL CENTER MARKET SHARE BY SERVICE LINE CY 2016										
Service Line	Total Discharges	Marian Regional Medical Center	Santa Barbara Cottage Hospital	Lompoc Valley Medical Center	Marian Regional Medical Center, Arroyo Grande	Sierra Vista Regional Medical Center	French Hospital Medical Center	Aurora Vista Del Mar Hospital	Ronald Reagan UCLA Medical Center	All Others
General Medicine	6,731	54.8%	9.5%	15.7%	9.9%	1.4%	2.7%	0.0%	0.7%	5.2%
Obstetrics	4,237	73.0%	7.6%	8.9%	0.0%	6.7%	3.1%	0.0%	0.1%	0.5%
General Surgery	2,539	56.8%	18.1%	8.1%	5.1%	1.5%	1.3%	0.0%	2.2%	6.8%
Cardiac Services	1,971	53.1%	13.3%	12.9%	6.0%	0.5%	7.1%	0.0%	1.7%	5.5%
Orthopedics	1,964	34.4%	10.1%	10.8%	17.6%	3.4%	4.9%	0.0%	0.5%	18.3%
Behavioral Health	1,137	7.5%	12.0%	2.2%	1.6%	0.0%	0.2%	32.3%	0.0%	44.2%
Neonatology	1,126	65.6%	10.6%	12.3%	0.0%	6.4%	3.3%	0.0%	0.4%	1.3%
Neurology	1,068	44.1%	17.9%	9.6%	16.7%	1.4%	0.8%	0.0%	2.0%	7.6%
Oncology/Hematology (Medical)	520	37.9%	27.5%	12.3%	4.0%	1.7%	2.5%	0.0%	3.5%	10.6%
Spine	339	39.5%	21.2%	2.1%	3.2%	17.4%	0.3%	0.0%	0.6%	15.6%
Urology	304	49.3%	12.2%	3.3%	2.6%	9.5%	7.6%	0.0%	3.0%	12.5%
Vascular Services	298	38.9%	33.9%	5.0%	4.7%	2.0%	4.0%	0.0%	3.0%	8.4%
Other	275	44.4%	20.4%	4.4%	5.1%	3.6%	2.5%	0.0%	3.6%	16.0%
ENT	271	37.6%	7.7%	20.3%	3.3%	1.1%	0.4%	0.0%	12.5%	17.0%
Gynecology	261	61.7%	19.9%	3.1%	1.1%	6.1%	3.4%	0.0%	0.8%	3.8%
Neurosurgery	191	20.9%	40.8%	0.0%	1.0%	4.7%	0.5%	0.0%	6.8%	25.1%
Rehabilitation	39	0.0%	0.0%	43.6%	56.4%	0.0%	0.0%	0.0%	0.0%	0.0%
No-match-found	36	44.4%	8.3%	13.9%	0.0%	0.0%	0.0%	0.0%	13.9%	19.4%
Total Percentage		52.8%	12.4%	11.0%	6.7%	3.1%	3.0%	1.6%	1.2%	8.2%
Total Discharges	23,307	12,298	2,898	2,573	1,564	720	699	367	279	1,909

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Marian Regional Medical Center is the service line leader in 13 service lines: general medicine (54.8%), obstetrics (73.0%), general surgery (56.8%), cardiac services (53.1%), orthopedics (34.4%), neonatology (65.6%), neurology (44.1%), oncology/hematology (37.9%), spine (39.5%), urology (49.3%), vascular services (38.9%), ENT (37.6%), and gynecology (61.7%);
- Aurora Vista Del Mar Hospital is the service area inpatient service line leader for behavioral health (32.3%);
- Marian Regional Medical Center, Arroyo Grande is the service area inpatient service line leader for rehabilitation (56.4%); and
- Santa Barbara Cottage Hospital is the service area inpatient service line leader in neurosurgery (40.8%).

Marian Regional Medical Center, Arroyo Grande:

MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Marian Regional Medical Center	Marian Regional Medical Center, Arroyo Grande	French Hospital Medical Center	Sierra Vista Regional Medical Center	Santa Barbara Cottage Hospital	Aurora Vista Del Mar Hospital	San Luis Obispo Co Psychiatric Health Facility	Ronald Reagan UCLA Medical Center	All Others	Total
General Medicine	6,274	58.1%	18.1%	9.9%	4.8%	2.9%	0.0%	0.0%	0.7%	5.4%	100.0%
Obstetrics	3,881	74.9%	0.1%	7.1%	16.6%	0.5%	0.0%	0.0%	0.2%	0.7%	100.0%
General Surgery	2,297	62.3%	9.1%	5.8%	4.7%	7.1%	0.0%	0.0%	2.4%	8.6%	100.0%
Orthopedics	1,960	33.7%	23.9%	12.7%	8.9%	4.4%	0.0%	0.0%	0.5%	15.9%	100.0%
Cardiac Services	1,717	57.7%	10.2%	20.3%	1.6%	1.6%	0.0%	0.0%	1.3%	7.3%	100.0%
Behavioral Health	1,202	6.7%	2.4%	0.9%	1.0%	11.7%	24.6%	23.1%	0.1%	29.4%	100.0%
Neurology	1,046	44.1%	25.6%	6.1%	5.7%	8.6%	0.0%	0.0%	1.3%	8.5%	100.0%
Neonatology	954	71.2%	0.0%	7.8%	17.5%	1.2%	0.0%	0.0%	0.6%	1.8%	100.0%
Oncology/Hematology (Medical)	415	48.9%	8.9%	9.2%	7.2%	9.4%	0.0%	0.0%	3.4%	13.0%	100.0%
Spine	369	36.0%	4.6%	0.8%	31.7%	9.5%	0.0%	0.0%	0.3%	17.1%	100.0%
Urology	296	48.0%	5.4%	11.8%	15.2%	1.4%	0.0%	0.0%	3.4%	14.9%	100.0%
Other	291	43.3%	7.9%	5.8%	15.5%	5.8%	0.0%	0.0%	2.4%	19.2%	100.0%
Gynecology	287	57.5%	1.4%	5.9%	16.4%	10.8%	0.0%	0.0%	1.4%	6.6%	100.0%
Vascular Services	256	43.4%	9.8%	12.1%	5.9%	15.2%	0.0%	0.0%	2.3%	11.3%	100.0%
ENT	205	49.8%	6.3%	2.9%	4.4%	2.0%	0.0%	0.0%	14.1%	20.5%	100.0%
Neurosurgery	184	22.8%	1.6%	1.1%	12.0%	28.3%	0.0%	0.0%	6.5%	27.7%	100.0%
Rehabilitation	31	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
No-match-found	25	60.0%	0.0%	4.0%	0.0%	0.0%	0.0%	0.0%	12.0%	24.0%	100.0%
Total Percentage		54.9%	11.3%	8.9%	8.4%	4.3%	1.4%	1.3%	1.1%	8.3%	100.0%
Total Discharges	21,690	11,907	2,461	1,929	1,826	943	296	278	244	1,806	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Marian Regional Medical Center, Arroyo Grande is the service line leader in rehabilitation (100%); and
- Marian Regional Medical Center is the service line leader in 14 of the 18 service lines.

Market Share by ZIP Code

The following tables show hospital market share by ZIP Code in Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service areas for CY 2016.

Marian Regional Medical Center:

MARIAN REGIONAL MEDICAL CENTER HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Marian Regional Medical Center	Santa Barbara Cottage Hospital	Lompoc Valley Medical Center	Marian Regional Medical Center, Arroyo Grande	Sierra Vista Regional Medical Center	French Hospital Medical Center	Aurora Vista Del Mar Hospital	Ronald Reagan UCLA Medical Center	All Others	Total
93436	Lompoc	5,299	8.3%	33.4%	46.0%	0.2%	0.3%	0.2%	2.0%	1.5%	8.2%	100.0%
93458	Santa Maria	4,497	85.0%	4.4%	0.2%	1.6%	0.9%	0.5%	1.2%	0.8%	5.2%	100.0%
93454	Santa Maria	3,900	82.7%	3.7%	0.2%	2.3%	1.3%	1.2%	1.2%	1.3%	6.1%	100.0%
93455	Santa Maria	3,657	75.8%	5.5%	0.3%	3.4%	1.8%	1.8%	1.9%	1.0%	8.4%	100.0%
93420	Arroyo Grande	2,466	11.7%	3.5%	0.0%	39.8%	14.0%	16.6%	0.8%	1.2%	12.4%	100.0%
93444	Nipomo	1,751	48.1%	4.9%	0.0%	13.9%	10.3%	7.5%	1.1%	1.5%	12.7%	100.0%
93434	Guadalupe	576	80.9%	4.0%	0.2%	4.3%	2.1%	0.9%	1.7%	0.9%	5.0%	100.0%
93427	Buellton	450	5.8%	63.6%	4.2%	0.2%	0.0%	0.0%	1.8%	1.6%	22.9%	100.0%
93437	Lompoc	237	60.8%	10.1%	11.8%	0.0%	2.1%	1.3%	6.8%	0.4%	6.8%	100.0%
93456	Santa Maria	203	73.4%	10.3%	0.0%	5.4%	0.5%	0.5%	3.9%	1.5%	4.4%	100.0%
93440	Los Alamos	124	55.6%	26.6%	2.4%	1.6%	0.0%	0.0%	0.8%	1.6%	11.3%	100.0%
93438	Lompoc	119	10.9%	18.5%	46.2%	1.7%	0.0%	0.0%	4.2%	0.0%	18.5%	100.0%
93457	Santa Maria	44	77.3%	6.8%	0.0%	2.3%	4.5%	2.3%	0.0%	4.5%	2.3%	100.0%
93429	Casmalia	13	61.5%	0.0%	23.1%	7.7%	0.0%	0.0%	0.0%	7.7%	0.0%	100.0%
Total Percentage			52.7%	12.4%	11.0%	6.7%	3.1%	3.0%	1.6%	1.2%	8.3%	100.0%
Total Discharges			23,336	12,298	2,898	2,573	1,564	720	699	367	279	1,938

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Marian Regional Medical Center is the inpatient market share leader in ten of the 14 service area ZIP Codes;
- Marian Regional Medical Center, Arroyo Grande is the inpatient market share leader in one service area ZIP Codes in the City of Arroyo Grande; and
- Lompoc Valley Medical Center is the inpatient market share leader in two service area ZIP Codes in the City of Lompoc.

Marian Regional Medical Center, Arroyo Grande:

MARIAN REGIONAL MEDICAL CENTER, ARROYO GRANDE HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Marian Regional Medical Center	Marian Regional Medical Center, Arroyo Grande	French Hospital Medical Center	Sierra Vista Regional Medical Center	Santa Barbara Cottage Hospital	Aurora Vista Del Mar Hospital	San Luis Obispo Co Psychiatric Health	Ronald Reagan UCLA Medical Center	All Others	Total
93458	Santa Maria	4,497	85.0%	1.6%	0.5%	0.9%	4.4%	1.2%	0.1%	0.8%	5.4%	100.0%
93454	Santa Maria	3,900	82.7%	2.3%	1.2%	1.3%	3.7%	1.2%	0.1%	1.3%	6.2%	100.0%
93455	Santa Maria	3,657	75.8%	3.4%	1.8%	1.8%	5.5%	1.9%	0.1%	1.0%	8.6%	100.0%
93420	Arroyo Grande	2,466	11.7%	39.8%	16.6%	14.0%	3.5%	0.8%	1.7%	1.2%	10.8%	100.0%
93401	San Luis Obispo	1,986	1.9%	2.9%	41.4%	28.9%	4.1%	1.4%	5.5%	1.0%	12.9%	100.0%
93444	Nipomo	1,751	48.1%	13.9%	7.5%	10.3%	4.9%	1.1%	2.8%	1.5%	9.9%	100.0%
93433	Grover Beach	1,058	10.2%	34.1%	13.1%	22.4%	3.5%	1.3%	2.7%	1.6%	11.0%	100.0%
93449	Pismo Beach	653	8.4%	32.3%	20.1%	15.8%	4.1%	1.4%	2.3%	0.9%	14.7%	100.0%
93434	Guadalupe	576	80.9%	4.3%	0.9%	2.1%	4.0%	1.7%	0.0%	0.9%	5.2%	100.0%
93445	Oceano	523	15.1%	30.4%	14.5%	23.1%	2.3%	2.7%	3.4%	1.5%	6.9%	100.0%
93456	Santa Maria	203	73.4%	5.4%	0.5%	0.5%	10.3%	3.9%	0.0%	1.5%	4.4%	100.0%
93421	Arroyo Grande	110	15.5%	35.5%	13.6%	20.9%	5.5%	0.0%	0.9%	1.8%	6.4%	100.0%
93448	Pismo Beach	96	14.6%	29.2%	12.5%	20.8%	8.3%	0.0%	2.1%	1.0%	11.5%	100.0%
93424	Avila Beach	89	3.4%	7.9%	39.3%	24.7%	4.5%	1.1%	1.1%	1.1%	16.9%	100.0%
93483	Grover Beach	79	19.0%	39.2%	5.1%	22.8%	5.1%	0.0%	0.0%	1.3%	7.6%	100.0%
93475	Oceano	54	9.3%	37.0%	14.8%	20.4%	7.4%	1.9%	0.0%	0.0%	9.3%	100.0%
93429	Casmalia	13	61.5%	7.7%	0.0%	0.0%	0.0%	0.0%	0.0%	7.7%	23.1%	100.0%
Total Percentage			54.80%	11.30%	8.90%	8.40%	4.30%	1.40%	1.30%	1.10%	8.40%	100.00%
Total Discharges			21,711	11,907	2,460	1,929	1,826	943	296	278	244	1,828

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- Marian Regional Medical Center, Arroyo Grande is the inpatient market share leader in eight of the 17 service area ZIP Codes;
- Marian Regional Medical Center, Arroyo Grande is the inpatient market share leader in eight of the 14 service area ZIP Codes in the Cities of Santa Maria, Nipomo, Guadalupe and Casmalia; and
- French Hospital Medical Center is the inpatient market share leader in two service area ZIP Codes in the Cities of San Luis Obispo and Avila Beach.

Profile of French Hospital Medical Center

Overview

French Hospital Medical Center, established in 1946, is located at 1911 Johnson Avenue, in San Luis Obispo, California.

French Hospital Medical Center offers a range of healthcare services that includes a STEMI Receiving Center and orthopedics. The Hospital has eight surgical operating rooms and a “basic” emergency department with 14 emergency treatment stations. According to French Hospital Medical Center’s current hospital license, it is licensed for 98 beds as shown below.

FRENCH HOSPITAL MEDICAL CENTER LICENSED BED DISTRIBUTION 2018	
Licensed Bed Type	Number of Beds ¹
General Acute Care Beds	
Intensive Care	11
Perinatal	9
Unspecified General Acute Care	78
Total General Acute Care Beds	98
Total Licensed Beds	98

¹ 2018 Hospital License

Key Statistics

French Hospital Medical Center reported 4,655 inpatient discharges, 17,458 patient days, and an average daily census of 48 patients for FY 2017.

FRENCH HOSPITAL MEDICAL CENTER KEY STATISTICS FY 2015 - FY 2017 ¹			
	FY 2015	FY 2016	FY 2017
Inpatient Discharges	4,195	4,145	4,655
Licensed Beds	106	111	98
Patient Days	15,439	16,809	17,458
Average Daily Census	42	46	48
Occupancy	39.9%	41.5%	48.8%
Average Length of Stay	3.7	4.1	3.8
Cardiac Catheterization Procedures	6,017	6,555	8,653
Emergency Service Visits	27,949	20,433	21,339
Total Live Births	534	502	468

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2017

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

- Since FY 2015, inpatient discharges have increased by 11%, while patient days increased by 13%;
- In FY 2017, 21,339 emergency service visits were reported, a 24% decrease from FY 2015; and
- From FY 2015 to FY 2017, total live births decreased by 14%, with an average of 501 live births annually.

Patient Utilization Trends

The following table shows FY 2013 – FY 2017 patient volume trends at French Hospital Medical Center.

FRENCH HOSPITAL MEDICAL CENTER SERVICE VOLUMES FY 2013 - FY 2017 ¹					
PATIENT DAYS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 ¹
Medical/Surgical ²	10,686	10,535	11,843	12,131	12,468
Intensive Care	1,947	2,114	2,276	2,356	2,604
Obstetrics	1,408	1,444	1,320	2,322	2,386
Pediatrics Acute	161	-	-	-	-
Total	14,202	14,093	15,439	16,809	17,458
DISCHARGES					
Medical/Surgical ²	3,538	3,322	3,445	3,432	3,325
Intensive Care	139	200	191	195	694
Obstetrics	547	561	559	518	636
Pediatrics Acute	40	-	-	-	-
Total	4,264	4,083	4,195	4,145	4,655
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	3.0	3.2	3.4	3.5	3.7
Intensive Care	14.0	10.6	11.9	12.1	3.8
Obstetrics	2.6	2.6	2.4	4.5	3.8
Pediatrics Acute	4.0	-	-	-	-
Total	3.3	3.5	3.7	4.1	3.8
AVERAGE DAILY CENSUS					
Medical/Surgical ²	29.3	28.9	32.4	33.2	34.2
Intensive Care	5.3	5.8	6.2	6.5	7.1
Obstetrics	3.9	4.0	3.6	6.4	6.5
Pediatrics Acute	.4	-	-	-	-
Total	39	39	42	46	48
OTHER SERVICES					
Inpatient Surgeries	1,145	1,485	1,354	1,281	1,157
Outpatient Surgeries	2,165	2,239	1,976	2,034	1,831
Emergency Services Visits	17,051	16,908	27,949	20,433	21,339
Total Live Births	587	615	534	502	468

Sources: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

² Includes Definitive Observation Beds

A review of French Hospital Medical Center's historical utilization trends between FY 2013 and FY 2017 supports the following conclusions:

- Total patient days have increased by 23%;
- Inpatient discharges have increased by 9%; and
- The average daily census increased by 23% from 39 patients in FY 2013 to 48 patients in FY 2017.

Financial Profile

Over the last five fiscal years, French Hospital Medical Center's net income has remained relatively constant, and the Hospital generated the same net income in FY 2017 as it did in FY 2013, \$4.5 million. Between FY 2013 and FY 2017, net patient revenue and total operating revenue increased by 48% and 46% respectively. Over the same period, the Hospital's operating expenses increased by 50% from \$98.2 million in FY 2013 to \$147.5 million in FY 2017. Other operating revenue decreased over the five-year period by 12% from \$3.0 million in FY 2013 to \$2.6 million in FY 2017.

The Hospital's current ratio has decreased over the last five years from 2.66 in FY 2013 to 2.45 in FY 2017. The California average in FY 2016 was 1.56. The Hospital's percentage of bad debt is 1.0% and higher than the state average of 0.8%.

FRENCH HOSPITAL MEDICAL CENTER FINANCIAL AND RATIO ANALYSIS FY 2013 - FY 2017 ¹						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Patient Days	14,202	14,093	15,439	16,809	17,458	-
Discharges	4,264	4,083	4,195	4,145	4,655	-
ALOS	3.3	3.5	3.7	4.1	3.8	-
Net Patient Revenue	\$98,642,799	\$97,923,895	\$126,722,814	\$142,388,875	\$145,986,535	-
Other Operating Revenue	\$2,973,912	\$4,677,450	\$2,127,803	\$4,434,660	\$2,631,923	-
Total Operating Revenue	\$101,616,711	\$102,601,345	\$128,850,617	\$146,823,535	\$148,618,458	-
Operating Expenses	\$98,211,805	\$98,510,277	\$122,414,314	\$140,700,539	\$147,535,020	-
Net from Operations	\$3,404,906	\$4,091,068	\$6,436,303	\$6,122,996	\$1,083,438	-
Net Non-Operating Revenues and Expenses	\$1,050,502	\$51,156	\$15,681	(\$92,689)	\$3,372,174	-
Net Income	\$4,455,408	\$4,142,224	\$6,451,984	\$6,030,307	\$4,455,612	-
						2016 California Average ²
Current Ratio	2.66	2.23	1.10	1.81	2.45	1.56
Days in A/R	55.2	71.1	54.1	54.4	51.4	57.1
Bad Debt Rate	1.4%	1.5%	0.8%	0.6%	1.0%	0.8%
Operating Margin	3.35%	3.99%	5.00%	4.17%	0.73%	2.74%

Source: OSHPD Disclosure Reports, FY 2013 - FY 2017

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

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

Cost of Hospital Services

French Hospital Medical Center's operating cost of services includes both inpatient and outpatient care. In FY 2017, 60% of total costs were associated with Medicare, followed by 11% with Medi-Cal, and 27% with Third-Party.

FRENCH HOSPITAL MEDICAL CENTER OPERATING EXPENSES BY PAYER CATEGORY FY 2013 - FY 2017 ¹					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Operating Expenses	\$98,211,805	\$98,510,277	\$122,414,314	\$140,700,539	\$147,535,020
Cost of Services By Payer:					
Medicare	\$58,642,056	\$57,557,035	\$70,095,596	\$81,568,532	\$88,347,631
Medi-Cal	\$8,090,451	\$9,181,910	\$15,270,288	\$16,952,739	\$16,743,915
County Indigent	\$2,195,187	\$885,523	\$66,691	\$24,648	\$16,977
Third-Party	\$26,347,972	\$26,761,261	\$35,188,390	\$40,547,855	\$40,448,475
Other Indigent	\$305,769	\$913,924	\$224,779	\$177,795	\$464,614
All Other Payers	\$2,630,369	\$3,210,623	\$1,568,569	\$1,428,970	\$1,513,407

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 French Hospital Medical Center to all general acute care hospitals in the State of California. The five-year (FY 2013 – FY 2017) average of charity care and bad debt, as a percentage of gross patient revenue, was 1.6% and lower 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."

FRENCH HOSPITAL MEDICAL CENTER CHARITY CARE COMPARISON FY 2013 - FY 2017 ¹ (In Thousands)									
	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	CA ²
Gross Patient Revenue	\$507,901	\$320,382,471	\$520,431	\$338,322,364	\$603,054	\$365,501,463	\$697,775	\$396,427,743	\$677,530
Charity	\$3,508	\$6,563,487	\$6,688	\$5,113,965	\$1,771	\$3,441,227	\$1,638	\$3,457,868	\$2,605
Bad Debt	\$6,863	\$5,891,632	\$7,666	\$4,365,936	\$5,089	\$3,262,642	\$3,903	\$3,108,971	\$6,691
Total Charity & Bad Debt	\$10,371	\$12,455,119	\$14,354	\$9,479,902	\$6,860	\$6,703,869	\$5,541	\$6,566,839	\$9,296
Charity Care as a % of Gross Patient Revenue	0.7%	2.0%	1.3%	1.5%	0.3%	0.9%	0.2%	0.9%	0.4%
Bad Debt as a % of Gross Patient Revenue	1.4%	1.8%	1.5%	1.3%	0.8%	0.9%	0.6%	0.8%	1.0%
Total as a % of Gross Patient Revenue	2.0%	3.9%	2.8%	2.8%	1.1%	1.8%	0.8%	1.7%	1.4%
Uncompensated Care									
Cost to Charge Ratio	18.8%	24.5%	18.0%	23.6%	19.9%	24.1%	19.5%	23.8%	21.4%
Charity	\$658	\$1,608,711	\$1,206	\$1,207,919	\$353	\$828,647	\$320	\$822,627	\$557
Bad Debt	\$1,287	\$1,444,039	\$1,382	\$1,031,234	\$1,015	\$785,644	\$762	\$739,624	\$1,431
Total	\$1,945	\$3,052,750	\$2,588	\$2,239,153	\$1,368	\$1,614,292	\$1,082	\$1,562,251	\$1,988

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 \$657,822 in FY 2013 to \$557,113 in FY 2017. The average cost of charity care for the last five-year period was \$618,809, while the three-year average cost of charity care was \$410,110.

FRENCH HOSPITAL MEDICAL CENTER COST OF CHARITY CARE FY 2013 - FY 2017 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2017	\$2,604,918	21.4%	\$557,113
FY 2016	\$1,637,968	19.5%	\$319,873
FY 2015	\$1,771,483	19.9%	\$353,344
FY 2014	\$6,688,332	18.0%	\$1,205,896
FY 2013	\$3,508,150	18.8%	\$657,822
FY 2015 - FY 2017 Average			\$410,110
FY 2013 - FY 2017 Average			\$618,809

Source: OSHPD Disclosure Reports FY 2013 - FY 2017

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

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

FRENCH HOSPITAL MEDICAL CENTER COST OF CHARITY CARE BY SERVICE FY 2013 - FY 2017				
	Inpatient	Outpatient	Emergency Room	Total Costs
FY 2017:				
Cost of Charity	\$308,235	\$125,918	\$34,148	\$468,301
Visits/Discharges	20	227	56	
FY 2016:				
Cost of Charity	\$144,950	\$144,185	\$36,610	\$325,745
Visits/Discharges	10	215	60	
FY 2015:				
Cost of Charity	\$344,657	\$176,546	\$49,225	\$570,428
Visits/Discharges	25	262	85	
FY 2014:				
Cost of Charity	\$494,017	\$229,089	\$67,914	\$791,020
Visits/Discharges	41	412	128	
FY 2013:				
Cost of Charity	\$386,032	\$340,667	\$110,987	\$837,686
Visits/Discharges	30	688	184	

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, French Hospital Medical has provided significant contributions for community benefit services. As shown in the table below, the adjusted average annual cost of the community benefit services over the last three fiscal years has been \$1.9 million. The adjusted average annual cost of the community benefit services over the last five fiscal years has been \$1.6 million.

FRENCH HOSPITAL MEDICAL CENTER COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017							
Community Benefit Programs	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2015 - FY 2017 Average	FY 2013 - FY 2017 Average
Benefits for Living in Poverty	\$830,830	\$453,993	\$678,188	\$839,881	\$754,853	\$757,641	\$711,549
Benefits for Broader Community	\$360,894	\$542,669	\$1,524,569	\$1,058,797	\$980,432	\$1,187,933	\$893,472
Totals	\$1,191,724	\$996,662	\$2,202,757	\$1,898,678	\$1,735,285	\$1,945,573	\$1,605,021
Medi-Cal Provider Fee CHFT Grant Expense	-	-	(\$60,800)	-	(\$33,708)	-	-
Adjusted Totals	\$1,191,724	\$996,662	\$2,141,957	\$1,898,678	\$1,701,577	\$1,914,071	\$1,586,120

Source: Dignity Health

- The Hospital's five-year average cost of community benefit services for persons living in poverty is \$711,549 per year;
- The Hospital's five-year average cost of community benefit services for the broader community is \$893,472 per year; and
- Over the five-year period, the Hospital's combined adjusted total cost of the community benefit services increased from \$1.2 million in FY 2013 to \$1.7 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.

FRENCH HOSPITAL MEDICAL CENTER COST OF COMMUNITY BENEFIT SERVICES FY 2013 - FY 2017					
Community Benefit Services over \$10,000 in cost in FY 2017:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Breast Feeding Clinic - Poor/Spanish	\$168,121	\$16,291	\$41,294	\$41,406	\$70,867
Patient Navigation Care Transition Program - Poor	-	-	-	\$233,886	\$157,925
Cash Donations- Hearst Cancer Resource Center	\$43,858	\$37,456	\$45,363	\$59,131	\$69,291
Cash Donations to support Outreach Programs-Poor	\$11,833	\$9,587	\$98,876	\$83,713	\$57,125
Community Benefit Operations	\$81,948	\$99,879	\$126,061	\$141,415	\$138,118
Community Health Education-Poor	\$1,141	\$10,280	\$14,908	\$39,115	\$46,040
Diabetes Prevention and Management	\$13,957	\$3,179	\$6,009	\$8,010	\$11,898
Dignity Health Community Grants Program	\$48,021	\$41,051	\$46,235	\$46,793	\$58,146
Health Fairs and Screenings	\$11,745	\$8,899	\$8,435	\$7,304	\$12,028
Health Professions Education -Nursing	\$54,095	\$64,868	\$577,363	\$19,053	\$29,306
Healthier Living: Take Care of Yourself	\$7,489	\$4,242	\$6,565	\$30,846	\$15,838
Hearst Cancer Resource Center-Info, Referral, Self-Help	\$251,933	\$318,660	\$394,164	\$816,027	\$674,932
In-Kind Assistance -Services for Organizations	\$3,823	\$3,533	\$3,708	\$10,159	\$52,420
Health Professions Education: Internships and Job Shadowing	-	\$116,519	\$282,135	\$167,411	\$231,529
Maternal Outreach for Moms (MOM) - Poor/Spanish	\$75,870	\$39,918	\$41,144	\$40,847	\$41,054
Meals on Wheels/ Prado Day Center/ Peoples Kitchen	\$28,363	\$25,397	\$4,954	\$21,734	\$10,725
Nursing Education Faculty Support	-	-	\$83,742	\$104,179	\$21,377

Source: Dignity Health

- Breast Feeding Clinic - Poor/Spanish: Provides breastfeeding consultations and support to new mothers in Spanish;
- Patient Navigator Care Transitions Program – Poor: 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, and medical system barriers. Clients are followed up with educational services to ensure continuity of care and to decrease severity of illness;
- Cash Donations- Hearst Cancer Resource Center: Cash assistance to poor and vulnerable cancer patients, allowing for uninterrupted cancer treatments;
- Cash Donations to support Outreach Programs-Poor: Funds, grants, or in-kind services donated to community organizations or to the community at large;
- Community Benefit Operations: Provides staffing to programs, and includes costs associated with community benefit strategy, conducting a community health needs assessment, creating an implementation strategy, and preparing community benefit reports;

- Community Health Education-Poor: Lectures and support groups designed to increase community awareness of healthcare issues;
- Diabetes Prevention and Management: Disease management program provided by a registered dietitian and/or nurse specializing in diabetes management;
- Dignity Health Community Grants Program: The Hospital actively partners with nonprofit organizations working to improve health status and quality of life in the communities served. Grant funds are used to deliver services and strengthen service systems, to improve the health and well-being of vulnerable and underserved populations, and to help reduce disparities;
- Health Fairs and Screenings: Provides screenings and immunizations for community members;
- Health Professions Education -Nursing: A clinical setting for training nursing students, including instruction and mentoring;
- Healthier Living: A program to help people manage and cope with ongoing health issues and chronic disease(s);
- Hearst Cancer Resource Center-Info, Referral, Self-Help: Offers community education and workshops for people and their families affected by cancer;
- In-Kind Assistance - Services for Organizations: In-kind services donated to community organizations or to the community at large;
- Health Professions Education: Internships and Job Shadowing: Clinical setting for undergraduate training and internships for dietary professionals, technicians, physical therapists, social workers, pharmacists, and other health professionals from universities and colleges;
- Maternal Outreach for Moms (MOM) - Poor/Spanish: Provides post-partum education and support groups to new parents and family members;
- Meals on Wheels/Prado Day Center/Peoples Kitchen: Provides meals to needy; and
- Nursing Education Faculty Support: Money donated to underwrite faculty positions in school of nursing in response to the shortage of nurse in the San Luis Obispo service area.

Reproductive Health

For CY 2016, French Hospital Medical Center reported nine inpatient discharges related to reproductive health services²⁹. The following table lists inpatient reproductive health services by diagnostic related group (DRG) for CY 2016.

FRENCH HOSPITAL MEDICAL CENTER CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP	
	Discharges
767-Vaginal Delivery W Sterilization &/Or D&C ¹	8
778-Threatened Abortion	1
777-Ectopic Pregnancy	-
779-Abortion W/O D&C ¹	-
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	-
Total Discharges:	9

Source: 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 at French Hospital Medical Center.

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

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

Source: Dignity Health

²⁹ French Hospital Medical Center 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 French Hospital Medical Center

Service Area Definition

French Hospital Medical Center's service area is comprised of 31 ZIP Codes from which 91.5% of its inpatient discharges originated in CY 2016. Approximately 50% of French Hospital Medical Center's inpatient discharges originated from the top five ZIP Codes that are in the Cities of San Luis Obispo, Arroyo Grande, Atascadero, Los Osos and Paso Robles. Additionally, 75.3% of the inpatient discharges originated from the top ten ZIP Codes. In CY 2016, the Hospital's market share in the service area was 18.9%.

FRENCH HOSPITAL MEDICAL CENTER PATIENT ORIGIN CY 2016						
ZIP Code	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
93401	San Luis Obispo	822	19.2%	19.2%	1,986	41.4%
93420	Arroyo Grande	410	9.6%	28.8%	2,466	16.6%
93422	Atascadero	371	8.7%	37.4%	2,471	15.0%
93402	Los Osos	365	8.5%	46.0%	1,142	32.0%
93446	Paso Robles	329	7.7%	53.7%	3,456	9.5%
93405	San Luis Obispo	285	6.7%	60.3%	1,010	28.2%
93442	Morro Bay	233	5.4%	65.8%	880	26.5%
93433	Grover Beach	139	3.2%	69.0%	1,058	13.1%
93428	Cambria	136	3.2%	72.2%	497	27.4%
93444	Nipomo	132	3.1%	75.3%	1,751	7.5%
93449	Pismo Beach	131	3.1%	78.3%	653	20.1%
93465	Templeton	93	2.2%	80.5%	729	12.8%
93430	Cayucos	80	1.9%	82.4%	249	32.1%
93445	Oceano	76	1.8%	84.1%	523	14.5%
93453	Santa Margarita	60	1.4%	85.5%	256	23.4%
93423	Atascadero	48	1.1%	86.7%	277	17.3%
93424	Avila Beach	35	0.8%	87.5%	89	39.3%
93447	Paso Robles	26	0.6%	88.1%	332	7.8%
93406	San Luis Obispo	25	0.6%	88.7%	98	25.5%
93443	Morro Bay	19	0.4%	89.1%	70	27.1%
93421	Arroyo Grande	15	0.4%	89.5%	110	13.6%
93409	San Luis Obispo	13	0.3%	89.8%	90	14.4%
93432	Creston	12	0.3%	90.0%	96	12.5%
93412	Los Osos	12	0.3%	90.3%	37	32.4%
93448	Pismo Beach	12	0.3%	90.6%	96	12.5%
93403	San Luis Obispo	10	0.2%	90.8%	119	8.4%
93452	San Simeon	10	0.2%	91.1%	24	41.7%
93475	Oceano	8	0.2%	91.3%	54	14.8%
93483	Grover Beach	4	0.1%	91.4%	79	5.1%
93435	Harmony	2	0.0%	91.4%	4	50.0%
93408	San Luis Obispo	2	0.0%	91.5%	6	33.3%
Total Percentage		3,915	91.5%	91.5%	20,708	18.9%
Other ZIPs		366	8.5%	100%		
Total Discharges		4,281	100.0%			

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

Service Area Map

French Hospital Medical Center's service area has approximately 276,000 residents. There are three other hospitals located within the Hospital's service area: Sierra Vista Regional Medical Center, Twin Cities Community Hospital, and Marian Regional Medical Center, Arroyo Grande. There is only one other hospital located within 30 miles of French Hospital Medical Center. French Hospital Medical Center is the inpatient market share leader in the service area.



Hospital Market Share

The table below provides the inpatient market share French Hospital Medical Center's service area.

FRENCH HOSPITAL MEDICAL CENTER SERVICE AREA MARKET SHARE BY HOSPITAL CY 2013 – CY 2016					
Hospital	CY 2013	CY 2014	CY 2015	CY 2016	Trend
Sierra Vista Regional Medical Center	23.5%	22.7%	23.4%	23.7%	↗
French Hospital Medical Center	18.9%	18.7%	18.9%	18.9%	→
Twin Cities Community Hospital	20.9%	19.8%	18.7%	18.6%	↘
Marian Regional Medical Center, Arroyo Grande	10.8%	10.9%	11.3%	11.3%	↗
Marian Regional Medical Center	5.3%	6.5%	7.6%	8.0%	↗
Santa Barbara Cottage Hospital	3.6%	3.7%	3.4%	3.4%	↘
San Luis Obispo Co Psychiatric Health Facility	4.7%	4.2%	3.2%	2.8%	↘
Stanford Health Care	1.7%	1.9%	2.0%	1.7%	→
Aurora Vista Del Mar Hospital	1.5%	1.2%	1.2%	1.1%	↘
Ronald Reagan UCLA Medical Center	0.6%	0.7%	0.8%	1.0%	↗
UCSF Medical Center	0.7%	0.8%	0.6%	0.7%	→
Keck Hospital Of USC	0.5%	0.6%	0.7%	0.6%	→
Valley Children's Hospital	0.4%	0.4%	0.4%	0.4%	→
Cedars Sinai Medical Center	0.4%	0.4%	0.4%	0.4%	→
Lucile Salter Packard Children's Hosp. At Stanford	0.4%	0.5%	0.4%	0.3%	↘
Community Regional Medical Center-Fresno	0.2%	0.2%	0.3%	0.3%	→
Santa Monica - UCLA Medical Center and Orthopedic Hospital	0.2%	0.2%	0.3%	0.3%	→
Goleta Valley Cottage Hospital	0.1%	0.2%	0.2%	0.3%	↗
Aurora Behavioral Healthcare-Santa Rosa, LLC	0.1%	0.2%	0.3%	0.2%	→
Children's Hospital of Los Angeles	0.3%	0.3%	0.2%	0.2%	→
Providence Saint John's Health Center	0.1%	0.1%	0.1%	0.2%	→
All Other	5.2%	5.7%	5.6%	5.6%	→
Total Percentage	100%	100%	100%	100%	
Total Discharges	20,690	20,205	20,753	20,708	→

Source: OSHPD Discharge Database CY 2013 - CY 2016

Note: Excludes normal newborns

- The number of inpatient discharges in French Hospital Medical Center's service area has remained constant;
- From CY 2013 to CY 2016, French Hospital Medical Center consistently ranked second in overall market share for its service area based on inpatient discharges (18.9% in CY 2016); and
- Sierra Vista Regional Medical Center has consistently ranked first in overall market share for its service based on inpatient discharges (23.7% in CY 2016).

Market Share by Payer Type

The following table shows inpatient market share by hospital and payer type for French Hospital Medical Center's service area for CY 2016.

FRENCH HOSPITAL MEDICAL CENTER HOSPITAL MARKET SHARE BY PAYER TYPE CY 2016											
Payer Type	Total Discharges	Sierra Vista Regional Medical Center	French Hospital Medical Center	Twin Cities Community Hospital	Marian Regional Medical Center, Arroyo Grande	Marian Regional Medical Center	Santa Barbara Cottage Hospital	San Luis Obispo Co Psychiatric Health Facility	Stanford Health Care	All Others	Total
Medicare	9,371	17.3%	23.5%	20.2%	16.0%	7.1%	3.0%	0.9%	2.3%	9.6%	100.0%
Private Coverage	5,993	30.2%	18.1%	14.1%	7.4%	8.4%	3.7%	0.9%	1.7%	15.4%	100.0%
Medi-Cal	4,112	30.1%	12.1%	20.9%	8.0%	10.5%	2.1%	6.2%	0.5%	9.6%	100.0%
All Other	1,041	19.6%	10.7%	21.5%	5.9%	3.7%	10.0%	15.0%	0.6%	13.2%	100.0%
Self-Pay	191	15.7%	11.0%	18.8%	6.8%	6.3%	3.7%	16.8%	2.6%	18.3%	100.0%
Total Percentage		23.7%	18.9%	18.6%	11.3%	8.0%	3.4%	2.8%	1.7%	11.5%	100.0%
Total Discharges	20,708	4,906	3,915	3,859	2,344	1,655	705	585	350	2,389	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- The largest payer categories of service area inpatient discharges are Medicare with 9,371 inpatient discharges (45%), Private Coverage with 5,993 inpatient discharges (29%), and Medi-Cal with 4,112 inpatient discharges (20%);
- French Hospital Medical Center is the inpatient market share leader for Medicare (23.5%);
- Sierra Vista Regional Medical Center is the inpatient market share leader for Medi-Cal (30.1%) and Private Coverage (30.2%); and
- Twin Cities Community Hospital is the inpatient market share leader for Self-Pay (18.8%).

Market Share by Service Line

The following table shows inpatient market share by hospital and service line for French Hospital Medical Center's service area for CY 2016.

FRENCH HOSPITAL MEDICAL CENTER HOSPITAL MARKET SHARE BY SERVICE LINE CY 2016											
Service Line	Total Discharges	Sierra Vista Regional Medical Center	French Hospital Medical Center	Twin Cities Community Hospital	Marian Regional Medical Center, Arroyo Grande	Marian Regional Medical Center	Santa Barbara Cottage Hospital	San Luis Obispo Co Psychiatric Health Facility	Stanford Health Care	All Others	Total
General Medicine	6,130	19.9%	20.3%	26.1%	17.8%	7.5%	1.5%	0.0%	0.6%	6.3%	100.0%
Orthopedics	2,558	17.8%	21.7%	20.4%	17.4%	4.6%	2.0%	0.0%	3.0%	13.1%	100.0%
Obstetrics	2,497	48.8%	17.9%	22.2%	0.1%	8.8%	0.2%	0.0%	0.1%	1.9%	100.0%
General Surgery	1,864	19.5%	14.4%	16.7%	10.8%	17.3%	4.8%	0.0%	3.2%	13.4%	100.0%
Cardiac Services	1,701	7.2%	49.2%	13.4%	9.9%	8.2%	0.9%	0.0%	1.8%	9.3%	100.0%
Behavioral Health	1,553	2.9%	1.4%	3.9%	1.7%	0.6%	14.3%	37.7%	0.6%	37.0%	100.0%
Neurology	1,027	19.1%	11.6%	17.8%	24.1%	8.0%	6.1%	0.0%	1.0%	12.4%	100.0%
Neonatology	688	54.5%	16.6%	15.7%	0.0%	9.3%	0.4%	0.0%	0.0%	3.5%	100.0%
Spine	558	57.3%	2.5%	7.7%	2.3%	6.5%	3.6%	0.0%	5.4%	14.7%	100.0%
Oncology/Hematology (Medical)	464	23.9%	19.4%	16.2%	8.4%	9.7%	2.8%	0.0%	5.0%	14.7%	100.0%
Other	332	41.3%	9.9%	9.0%	6.3%	9.0%	3.0%	0.0%	3.0%	18.4%	100.0%
Gynecology	310	32.6%	14.5%	15.2%	1.6%	16.8%	6.5%	0.0%	2.3%	10.6%	100.0%
Vascular Services	285	18.6%	21.8%	10.9%	9.1%	4.9%	11.9%	0.0%	3.5%	19.3%	100.0%
Urology	281	26.7%	14.9%	13.5%	5.3%	12.8%	0.7%	0.0%	5.3%	20.6%	100.0%
Neurosurgery	205	39.0%	1.0%	0.0%	1.5%	3.4%	26.3%	0.0%	6.3%	22.4%	100.0%
ENT	179	20.1%	8.9%	12.3%	5.6%	8.4%	2.2%	0.0%	7.8%	34.6%	100.0%
No-match-found	32	6.3%	9.4%	18.8%	0.0%	9.4%	3.1%	0.0%	6.3%	46.9%	100.0%
Rehabilitation	31	0.0%	0.0%	0.0%	93.5%	0.0%	0.0%	0.0%	0.0%	6.5%	100.0%
Total Percentage		23.7%	18.9%	18.6%	11.3%	8.0%	3.4%	2.8%	1.7%	11.5%	100.0%
Total Discharges	20,708	4,908	3,915	3,860	2,344	1,655	702	585	350	2,389	

Note: Excludes normal newborns

Source: CY 2016 OSHPD Patient Discharge Database

- French Hospital Medical Center is the service line leader in three service lines: cardiac services (49.2%), vascular services (21.8%) and orthopedics (21.7%);
- Sierra Vista Regional Medical Center is the service line leader in nine service lines: spine (57.3%), neonatology (54.5%), obstetrics (48.8%), gynecology (32.6%), neurosurgery (39.0%), urology (26.7%), oncology/hematology (23.9%), ENT (20.1%) and general surgery (19.5%); and
- Marian Regional Medical Center, Arroyo Grande is the service line leader in two service lines: neurology (24.1%) and rehabilitation (93.5%).

Market Share by ZIP Code

The following table shows hospital market share by ZIP Code in French Hospital Medical Center's service area for CY 2016.

FRENCH HOSPITAL MEDICAL CENTER HOSPITAL MARKET SHARE BY ZIP CODE CY 2016												
ZIP Code	Community	Total Discharges	Sierra Vista Regional Medical Center	French Hospital Medical Center	Twin Cities Community Hospital	Marian Regional Medical Center, Arroyo Grande	Marian Regional Medical Center	Santa Barbara Cottage Hospital	San Luis Obispo Co Psychiatric Health Facility	Stanford Health Care	All Others	Total
93446	Paso Robles	3,456	15.8%	9.5%	54.9%	1.2%	1.2%	2.9%	2.3%	2.2%	10.0%	100%
93422	Atascadero	2,471	22.5%	15.0%	39.4%	1.6%	1.5%	3.5%	3.7%	1.9%	10.9%	100%
93420	Arroyo Grande	2,466	14.0%	16.6%	0.1%	39.8%	11.7%	3.5%	1.7%	1.5%	11.2%	100%
93401	San Luis Obispo	1,986	28.9%	41.4%	0.8%	2.9%	1.9%	4.1%	5.5%	1.3%	13.3%	100%
93444	Nipomo	1,751	10.3%	7.5%	0.2%	13.9%	48.1%	4.9%	2.8%	1.5%	10.8%	100%
93402	Los Osos	1,142	42.8%	32.0%	1.0%	2.8%	2.5%	3.2%	2.4%	1.8%	11.6%	100%
93433	Grover Beach	1,058	22.4%	13.1%	0.2%	34.1%	10.2%	3.5%	2.7%	0.6%	13.1%	100%
93405	San Luis Obispo	1,010	48.8%	28.2%	0.8%	2.8%	1.6%	3.1%	3.6%	1.5%	9.7%	100%
93442	Morro Bay	880	47.8%	26.5%	1.7%	2.7%	1.7%	2.3%	3.6%	1.7%	11.9%	100%
93465	Templeton	729	16.0%	12.8%	46.8%	1.5%	1.2%	2.6%	2.9%	4.0%	12.2%	100%
93449	Pismo Beach	653	15.8%	20.1%	0.2%	32.3%	8.4%	4.1%	2.3%	1.2%	15.6%	100%
93445	Oceano	523	23.1%	14.5%	0.2%	30.6%	15.1%	2.3%	3.4%	0.4%	10.3%	100%
93428	Cambria	497	34.0%	27.4%	13.9%	1.6%	1.4%	2.4%	2.0%	3.0%	14.3%	100%
93447	Paso Robles	332	15.4%	7.8%	54.5%	2.7%	2.4%	2.4%	0.0%	1.2%	13.6%	100%
93423	Atascadero	277	13.4%	17.3%	53.1%	0.7%	1.4%	1.4%	0.0%	2.5%	10.1%	100%
93453	Santa Margarita	256	35.5%	23.4%	18.8%	0.8%	3.1%	1.2%	2.0%	2.3%	12.9%	100%
93430	Cayucos	249	39.8%	32.1%	3.6%	2.0%	2.0%	4.0%	3.2%	1.6%	11.6%	100%
93403	San Luis Obispo	119	57.1%	8.4%	21.8%	1.7%	3.4%	1.7%	0.8%	0.0%	5.0%	100%
93421	Arroyo Grande	110	20.9%	13.6%	0.0%	35.5%	15.5%	5.5%	0.9%	0.9%	7.3%	100%
93406	San Luis Obispo	98	37.8%	25.5%	1.0%	1.0%	3.1%	4.1%	3.1%	3.1%	21.4%	100%
93432	Creston	96	19.8%	12.5%	40.6%	0.0%	1.0%	3.1%	1.0%	1.0%	20.8%	100%
93448	Pismo Beach	96	20.8%	12.5%	4.2%	29.2%	14.6%	8.3%	2.1%	0.0%	8.3%	100%
93409	San Luis Obispo	90	8.9%	14.4%	62.2%	0.0%	0.0%	2.2%	0.0%	0.0%	12.2%	100%
93424	Avila Beach	89	24.7%	39.3%	0.0%	7.9%	3.4%	4.5%	1.1%	0.0%	19.1%	100%
93483	Grover Beach	79	22.8%	5.1%	0.0%	39.2%	19.0%	5.1%	0.0%	0.0%	8.9%	100%
93443	Morro Bay	70	45.7%	27.1%	2.9%	4.3%	2.9%	10.0%	0.0%	1.4%	5.7%	100%
93475	Oceano	54	20.4%	14.8%	0.0%	37.0%	9.3%	7.4%	0.0%	1.9%	9.3%	100%
93412	Los Osos	37	37.8%	32.4%	5.4%	0.0%	0.0%	2.7%	2.7%	0.0%	18.9%	100%
93452	San Simeon	24	16.7%	41.7%	16.7%	0.0%	0.0%	4.2%	0.0%	8.3%	12.5%	100%
93408	San Luis Obispo	6	50.0%	33.3%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	100%
93435	Harmony	4	25.0%	50.0%	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	100%
Total Percentage			23.7%	18.9%	18.6%	11.3%	8.0%	3.4%	2.8%	1.7%	11.5%	100%
Total Discharges			20,708	4,908	3,915	3,860	2,344	1,655	705	584	350	2,387

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

- French Hospital Medical Center is the inpatient market share leader in four of the 31 ZIP Codes that are located within the Cities of San Luis Obispo, Avila Beach, San Simeon and Harmony;
- Sierra Vista Regional Medical Center the inpatient market share leader in 11 service area ZIP Codes within the Cities of Los Osos, San Luis Obispo, Morro Bay, Cambria, Santa Margarita and Cayucos; and
- Twin Cities Community Hospital is the inpatient market share leader in seven of the 31 ZIP Codes that are within the Cities of Paso Robles, Atascadero, Templeton, Creston and San Luis Obispo.

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

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

Continuation as General Acute Care Hospitals

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

Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande:

In FY 2017, the hospitals located within Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's service area had a combined total of 820 licensed beds with an aggregate average occupancy rate of 59%. In FY 2017, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande had 388 licensed beds that operated at an occupancy rate of 65%. Furthermore, of the hospitals located within Marian Regional Medical Center's and Marian Regional Medical Center, Arroyo Grande's combined service area, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande had 55% of the total inpatient discharges, representing 52% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
Marian Regional Medical Center & Marian Regional Medical Center, Arroyo Grande¹	Santa Maria & Arroyo Grande	388	15,996	92,519	253	65%	-
Lompoc Valley Medical Center	Lompoc	170	2,653	44,394	122	72%	30.7
French Hospital Medical Center	San Luis Obispo	98	4,655	17,458	48	49%	33
Sierra Vista Regional Medical Center	San Luis Obispo	164	5,650	23,594	65	39%	32.5
Total		820	28,954	177,965	488	59%	

Source: OSHPD Discharge Reports, Google Maps

¹ Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande operate under a consolidated license. Individual Hospital inpatient discharges report not available.

Since Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande have the second-highest occupancy rate (65%), and together they have the most licensed beds of the hospitals located within the combined service area, they are very important providers of healthcare services to the community.

French Hospital Medical Center:

In FY 2017, the hospitals located within French Hospital Medical Center’s service area had a combined total of 772 licensed beds with an aggregate average occupancy rate of 53%. In FY 2017, French Hospital Medical Center had 98 licensed beds that operated at an occupancy rate of 49%. In CY 2016, French Hospital Medical Center was second in market share with 19% of the service area inpatient discharges. Furthermore, of the hospitals located within French Hospital Medical Center’s service area, French Hospital Medical Center had 15.1% of the total inpatient discharges, representing 11.7% of the patient days.

SERVICE AREA HOSPITAL DATA							
Hospital	City	Licensed Beds	Inpatient Discharges	Patient Days	Average Daily Census	Percent Occupied	Miles From Hospital
French Hospital Medical Center	San Luis Obispo	98	4,655	17,458	48	49%	-
Sierra Vista Regional Medical Center	San Luis Obispo	164	5,650	23,594	65	39%	1.5
Twin Cities Community Hospital	Templeton	122	4,355	15,668	43	35%	23.5
Marian Regional Medical Center & Marian Regional Medical Center, Arroyo Grande Hospital ¹	Santa Maria & Arroyo Grande	388	15,996	92,519	253	65%	30.4/17
Total		772	30,656	149,239	409	53%	

Source: OSHPD Discharge Reports , Google Maps

¹ Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande operate under a consolidated license. Individual Hospital inpatient discharge report not available.

Since French Hospital Medical Center has the second-highest occupancy rate (49%) and has 19% market share of the hospitals located within the service area, it is an important provider of healthcare services to the community.

Emergency Services

Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center are important providers of emergency services to the residents of their respective surrounding communities. In FY 2017, Marian Regional Medical Center (Primary Stroke Center, STEMI Receiving Center, and Level III Trauma Center) reported 75,250 to its 32 emergency treatment stations, operating at 118% capacity³⁰. During that same time period, Marian Regional Medical Center, Arroyo Grande (Primary Stroke Center) reported 27,456 visits to its 11 emergency treatment stations, operating at 125% capacity. In FY 2017, French Hospital Medical Center (STEMI Receiving Center) reported 21,339 visits to its 14 emergency treatment stations, operating at 76% capacity.

As a result of the Affordable Care Act (ACA) and California’s participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. This influx of newly insured individuals, combined with the growing shortage of primary care physicians, is expected to increase emergency service utilization. Keeping Marian Regional Medical Center’s, Marian Regional Medical Center, Arroyo Grande’s, and French Hospital Medical Center’s emergency departments open is important for providing area residents access to emergency services within their respective service areas.

³⁰ Industry sources, including the American College of Emergency Physicians, use a benchmark of 2,000 visits per emergency station, per year, to estimate the capacity.

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 Marian Regional Medical Center's existing emergency services include:

- 32 Treatment Stations;
- Paramedic Base Station;
- Level III Trauma Center;
- STEMI Receiving Center; and
- Certified Primary Stroke Center.

The five-year commitments to Marian Regional Medical Center, Arroyo Grande's existing emergency services include:

- 11 Treatment Stations;
- Paramedic Base Station; and
- Certified Primary Stroke Center.

The five-year commitments to French Hospital Medical Center's existing emergency services include:

- 28 Treatment Stations³¹;
- Paramedic Base Station; and
- STEMI Receiving Center.

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

³¹Dignity Health committed to maintain all current emergency services. French Hospital Medical Center has 14 emergency treatment stations; however, in the Ministry Alignment Agreement, Exhibit L, Dignity Health states that the Hospital has 28 treatment stations.

Reproductive Health Services

Marian Regional Medical Center and French Hospital Medical Center are important providers of reproductive healthcare services to women. Between FY 2015 and FY 2017, Marian Regional Medical Center averaged 2,933 live births, while French Hospital Medical Center averaged 501 live births. Marian Regional Medical Center, Arroyo Grande does not offer obstetrics.

Marian Regional Medical Center, Arroyo Grande and French Hospital Medical Center are non-Catholic hospitals and are not subject to the ERDs. According to Dignity Health representatives, the hospitals have 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 Dignity Health. These procedures are direct abortion, in-vitro fertilization, and physician assisted suicide. Additionally, French Hospital Medical Center does perform sterilization with both vaginal and caesarean deliveries. 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 French Hospital Medical Center and Marian Regional Medical Center, Arroyo Grande are 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 Marian Regional Medical Center, Arroyo Grande and French Hospital Medical Center.

Marian Regional Medical Center is a Catholic hospital and currently subject to the ERDs and will continue to be subject to the ERDs after the Effective Date.

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

No future reductions in the availability and accessibility of reproductive health services are expected at Marian Regional Medical Center as a result of the Ministry Alignment Agreement.

The following table shows recorded inpatient reproductive service procedures in CY 2016 at Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center.

CY 2016 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP			
Diagnostic Related Group	Marian Regional Medical Center	Marian Regional Medical Center, Arroyo Grande	French Hospital Medical Center
767-Vaginal Delivery W Sterilization &/Or D&C ¹	20	-	8
770-Abortion W D&C ¹ , Aspiration Curettage Or Hysterotomy	12	-	-
779-Abortion W/O D&C ¹	10	1	-
777-Ectopic Pregnancy	16	-	-
778-Threatened Abortion	33	-	1
Total Discharges:	91	1	9

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	
	Three-year Average	Five-year Average	Three-year Average	Five-year Average
Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande	\$3,653,994	\$3,686,842	\$3,307,488	\$4,039,493
French Hospital Medical Center	\$454,824	\$598,636	\$410,110	\$618,809

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

Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital each participate in the Medicare and Medi-Cal programs, contract with Medi-Cal Managed Care plans, and provide services to other indigent, county indigent, and private pay patients.

As a result of the expansion of Medi-Cal and the ACA, fewer low-income individuals and families are uninsured. As a result, the number of county indigent and other indigent patients have decreased. While these patients can still access the emergency departments of Dignity Health hospitals, the number of patients served has decreased.

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

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

Santa Barbara County and San Luis Obispo County both have a County Organized Health Systems model that offers one managed care plan. The percentage of Santa Barbara County and San Luis Obispo 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 Santa Barbara County and San Luis Obispo County, the County Organized Health Systems plan is provided by CenCal Health Plan. Currently, Dignity Health is contracted with CenCal Health Plan to provide healthcare services for Medi-Cal Managed Care patients in both Santa Barbara County and San Luis Obispo County.

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 Medi-Cal Managed Care contract that exists at Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center.

Dignity Health Santa Barbara County and San Luis Obispo County Medi-Cal Contract	
Dignity Health Hospital	Health Plan
Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande	• CenCal Health Plan
French Hospital Medical Center	• CenCal Health Plan

Source: Dignity Health

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

Effects on Community Benefit Programs

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

SANTA BARBARA COUNTY AND SAN LUIS OBISPO COUNTY COMMUNITY BENEFIT		
	FY 2015 – FY 2017*	FY 2013 – FY 2017*
Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande	\$10,566,036	\$8,963,066
French Hospital Medical Center	\$1,914,071	\$1,586,120

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

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

COMMITTED COMMUNITY BENEFIT SERVICES AND PROGRAMS	
Hospital Name	Community Benefit Service and Program Name
Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande	<ul style="list-style-type: none"> • Healthy for Life Nutrition Program • Healthier Living Take Care of Yourself (Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande) • Dignity Health Community Grants Program • Health Professions Education - Marian Residency Program • Health Promotion and Screenings
French Hospital Medical Center	<ul style="list-style-type: none"> • Community Health Education-Poor • Dignity Health Community Grant Program • Health Fairs and Screenings • Health Professions Education -Nursing • Healthier Living: Take Care of Yourself

Effects on Hospital Licensed Services

Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center are important providers of inpatient services to the residents of their respective communities. Dignity Health and CHI committed to maintaining all licensed services at current types and levels of services and current designations for five years after the Effective Date of the Ministry Alignment Agreement as follows:

Licensed Service Commitments for Marian Regional Medical Center:

- Obstetrics services, including a minimum of 42 licensed perinatal beds;
- Intensive Care Newborn Nursery services, including a minimum of 21 licensed Neonatal Intensive Care Unit beds;
- Coronary care, including a minimum of 20 licensed coronary care beds;
- Pediatric services, including a minimum of 8 licensed pediatric beds; and
- Skilled Nursing services, including a minimum of 95 licensed distinct part skilled nursing beds (Marian Extended Care Center).

Licensed Service Commitments for Marian Regional Medical Center, Arroyo Grande:

- Rehabilitation services, including a minimum of 20 licensed rehabilitation beds; and
- Intensive Care services, including a minimum of 8 licensed intensive care beds.

Licensed Service Commitments for French Hospital Medical Center:

- Intensive care services, including a minimum of 11 licensed intensive care beds; and
- Obstetrics services, including a minimum of 9 licensed perinatal 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 Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center for at least five years as a result of the Ministry Alignment Agreement.

Effects on Programs and Services

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

Programs and Services Commitments for Marian Regional Medical Center:

- Oncology services, including inpatient medical and surgical oncology services;
 - Outpatient Services-Infusion Center of San Luis Obispo, and
 - Outpatient Services-Mission Hope Infusion Center;
- Cardiology services;
 - Interventional cardiology services,
 - Electrophysiology services,

- General cardiology services, and
 - Outpatient Services – Cardiopulmonary Rehab;
- Neuroscience services, including neurosurgery services;
- Orthopedic surgery services, including total joint replacements;
- General surgery services;
- Outpatient Services-Dignity Health Perinatal Center;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
 - Outpatient Services-Breast Imaging at Marian Breast Imaging Center,
 - Outpatient Services-Diagnostic Imaging at Plaza Diagnostic Imaging,
 - Outpatient Services-Lab and Imaging at Parkway Imaging & Lab Center, and
 - Outpatient Services-PET/CT at Mission Hope Cancer Center;
- Laboratory services;
- Outpatient Services-Dignity Health Laboratory and Diagnostics;
- Outpatient Services-Pain Management;
- Outpatient Services-Occupational, Physical and Speech Therapy at Marian Wellness Center;
- Outpatient Clinics – urgent care;
- Occupational therapy services;
- Physical therapy services;
- Respiratory care services;
- Social services; and
- Speech pathology services.

Programs and Services Commitments for Marian Regional Medical Center, Arroyo Grande:

- Oncology services, including inpatient medical and surgical oncology services;
- Orthopedic surgery services;
- General surgery services, including bariatric surgery;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
 - Outpatient Services-Mobile MRI;
 - Outpatient Services-Coastal Diagnostic Imaging Center;
- Podiatry services;
- Mobile Unit-Lithotripsy;
- Laboratory services;
- Occupational therapy services; and
- Physical therapy services.

Programs and Services Commitments for French Hospital Medical Center:

- Coronary care and cardiovascular services;
 - Cardiac catheterization laboratory services;
 - Interventional radiology services;
 - Cardiovascular surgery services;
 - Electrophysiology services;
 - General cardiology services;
- Neuroscience services, including neurosurgery services;
- Oncology services, including inpatient medical and surgical oncology services;
- Orthopedic surgery services, including total joint replacements;
- General surgery services, including Outpatient Services – Surgery;
- Outpatient Services – French Hospital Women’s Health and Imaging Center;
- Outpatient Services – San Luis Diagnostic Center;
- Nuclear medicine services;
- Imaging and radiology services (inpatient and outpatient);
- Laboratory services;
- Occupational therapy services;
- Physical therapy services;
- Respiratory care services;
- Social services; and
- Speech pathology services.

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

Effects on Staffing & Employee Rights

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

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

Union Contracts for Marian Regional Medical Center:

- Committee of Interns and Residents- Service Employees International Union (CIR SEIU); and
- California Nurses Association (CNA).

Union Contracts for Marian Regional Medical Center, Arroyo Grande:

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

Union Contracts for French Hospital Medical Center:

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

It is anticipated that no reductions in the number of non-executive employees are expected at Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center as a result of the Ministry Alignment Agreement.

Effects on Medical Staff

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

Effects on City and County Contracts

Marian Regional Medical Center, Marian Regional Medical Center, Arroyo Grande, and French Hospital Medical Center have a number of contracts with Santa Barbara County and San Luis Obispo 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:

Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande:

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall continue to operate as general acute care hospitals;
2. For at least ten years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande 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:

Marian Regional Medical Center:

- a. 32 Treatment Stations (Main Campus);
- b. Paramedic Base Station;
- c. Level III Trauma Center;
- d. STEMI Receiving Center; and
- e. Certified Primary Stroke Center.

Marian Regional Medical Center, Arroyo Grande:

- a. 11 Treatment Stations (Arroyo Grande);
- b. Paramedic Base Station; and
- c. Certified Primary Stroke Center.

3. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall maintain the following services at current licensure, types, and/or levels of services:

Marian Regional Medical Center:

- a. Obstetrics services, including a minimum of 42 licensed perinatal beds;
- b. Intensive Care Newborn Nursery services, including a minimum of 21 licensed Neonatal Intensive Care Unit beds;
- c. Coronary care, including a minimum of 20 licensed coronary care beds;
- d. Pediatric services, including a minimum of 8 licensed pediatric beds; and
- e. Skilled Nursing services, including a minimum of 95 licensed distinct part skilled nursing beds (Marian Extended Care Center).

Marian Regional Medical Center, Arroyo Grande:

- a. Rehabilitation services, including a minimum of 20 licensed rehabilitation beds; and
- b. Intensive Care services, including a minimum of 8 licensed intensive care beds.

4. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:

Marian Regional Medical Center:

- a. Oncology services, including inpatient medical and surgical oncology services;
 - a. Outpatient Services-Infusion Center of San Luis Obispo, and
 - b. Outpatient Services-Mission Hope Infusion Center;
- b. Cardiology services;
 - a. Interventional cardiology services,
 - b. Electrophysiology services,
 - c. General cardiology services, and
 - d. Outpatient Services – Cardiopulmonary Rehab;
- c. Neuroscience services, including neurosurgery services;
- d. Orthopedic surgery services, including total joint replacements;
- e. General surgery services;
- f. Outpatient Services-Dignity Health Perinatal Center;
- g. Nuclear medicine services;
- h. Imaging and radiology services (inpatient and outpatient);
 - a. Outpatient Services-Breast Imaging at Marian Breast Imaging Center,
 - b. Outpatient Services-Diagnostic Imaging at Plaza Diagnostic Imaging,

- c. Outpatient Services-Lab and Imaging at Parkway Imaging & Lab Center, and
- d. Outpatient Services-PET/CT at Mission Hope Cancer Center;
- i. Laboratory services;
- j. Outpatient Services-Dignity Health Laboratory and Diagnostics;
- k. Outpatient Services-Pain Management;
- l. Outpatient Services-Occupational, Physical and Speech Therapy at Marian Wellness Center;
- m. Outpatient Clinics – urgent care;
- n. Occupational therapy services;
- o. Physical therapy services;
- p. Respiratory care services;
- q. Social services; and
- r. Speech pathology services.

Marian Regional Medical Center, Arroyo Grande:

- a. Oncology services, including inpatient medical and surgical oncology services;
 - b. Orthopedic surgery services;
 - c. General surgery services, including bariatric surgery;
 - d. Nuclear medicine services;
 - e. Imaging and radiology services (inpatient and outpatient);
 - o Outpatient Services-Mobile MRI;
 - o Outpatient Services-Coastal Diagnostic Imaging Center;
 - f. Podiatry services;
 - g. Mobile Unit-Lithotripsy;
 - h. Laboratory services;
 - i. Occupational therapy services; and
 - j. Physical therapy services.
5. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall maintain currently provided women’s healthcare services, as well as the following clinics:
- a. Marian Breast Imaging Center
1325 E. Church Street Suite 201
Santa Maria, California; and
 - b. Coastal Diagnostic Center
921 Oak Park Boulevard Suite 100-B
Pismo Beach, California.

6. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande 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 Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall provide an annual amount of charity care equal to or greater than \$4,039,493 (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, Marian Regional Medical Center’s and Marian Regional Medical Center, Arroyo Grande’s combined required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$3,307,488. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande in connection with the operations and provision of services at Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande. The definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index from the U.S. Bureau of Labor Statistics;

7. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall continue to expend no less than \$8,963,066 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the U.S Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from the Closing Date;
 - a. Health for Life Nutrition Program;
 - b. Healthier Living Take Care of Yourself;
 - c. Dignity Health Community Grants Program;
 - d. Health Professions Education - Marian Residency Program; and
 - e. Health Promotion and Screenings.

8. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande 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, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande 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, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande 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: CenCal Health or its successor.
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall maintain its current city/county contracts for the programs listed below:

Marian Regional Medical Center:

- a. Operational Agreement (North County Intervention Program);
- b. Data Use Agreement (Get with The Guidelines-Stroke Program);
- c. Operational Agreement (Trial Study for Direct Communication);
- d. Designation as ST-Segment Elevation Myocardial Infarction (STEMI) Receiving Center;
- e. Agreement for Services for Level III Trauma Center Designation;
- f. Partnership Agreement (Child Development, Health Linkages Program);
- g. Paramedic Base Hospital Agreement; and
- h. Laboratory Services Purchase Agreement.

Marian Regional Medical Center, Arroyo Grande:

- a. Paramedic Base Hospital Agreement; and
- b. Partnership Agreement (Child Development, Health Linkage Program).

12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Marian Regional Medical Center, and Marian Regional Medical Center, Arroyo Grande 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. Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

French Hospital Medical Center:

1. For at least ten years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall continue to operate as a general acute care hospital;
2. For at least ten years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain 24-hour emergency services at no less than current licensure and designation with the same types and/or levels of services, including the following:
 - a. 14 Treatment Stations;
 - b. Paramedic Base Station; and
 - c. STEMI Receiving Center.
3. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain the following services at current licensure, types, and/or levels of services:
 - a. Intensive care services, including a minimum of 11 licensed intensive care beds; and
 - b. Obstetrics services, including a minimum of 9 licensed perinatal beds.
4. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain the following services as committed to Attachment D in Exhibit L of the Ministry Alignment Agreement:
 - a. Coronary care and cardiovascular services;
 - i. Cardiac catheterization laboratory services,
 - ii. Interventional radiology services,
 - iii. Cardiovascular surgery services,

- iv. Electrophysiology services, and
 - v. General cardiology services;
 - b. Neuroscience services, including neurosurgery services;
 - c. Oncology services, including inpatient medical and surgical oncology services;
 - d. Orthopedic surgery services, including total joint replacements;
 - e. General surgery services, including Outpatient Services – Surgery;
 - f. Outpatient Services – French Hospital Women’s Health and Imaging Center;
 - g. Outpatient Services – San Luis Diagnostic Center;
 - h. Nuclear medicine services;
 - i. Imaging and radiology services (inpatient and outpatient);
 - j. Laboratory services;
 - k. Occupational therapy services;
 - l. Physical therapy 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, French Hospital Medical Center shall maintain currently provided women’s healthcare services, as well as the following clinics:
- a. Women’s Health & Imaging Center
1941 Johnson Avenue Suite 104
San Luis Obispo, California; and
 - b. San Luis Diagnostic Center
1100 Monterey Street Suite 210
San Luis Obispo, California.
6. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law, and French Hospital Medical Center shall provide an annual amount of charity care equal to or greater than \$618,809 (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, French Hospital Medical Center’s required Minimum Charity Care amount using the three-year rolling average from FY 2015 to FY 2017 would be \$410,110. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by San Luis Obispo County in connection with the operations and provision of services at San Luis Obispo County. The

definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index from the U.S. Bureau of Labor Statistics;

7. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall continue to expend no less than \$1,586,120 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index from the U.S Bureau of Labor Statistics. In addition, the following community benefit programs shall continue to be offered for at least five years from the Closing Date;
 - a. Community Health Education-Poor;
 - b. Dignity Health Community Grant Program;
 - c. Health Fairs and Screenings;
 - d. Health Professions Education -Nursing; and
 - e. Healthier Living: Take Care of Yourself.
8. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number;
9. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall be certified to participate in the Medi-Cal program, providing the same type, and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries;
10. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain its participation in the Medi-Cal Managed Care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service, or decrease of quality, or gap in contracted hospital coverage, including continuation of the following contract:
 - a. County Organized Health Systems plan: CenCal Health or its successor.
11. For at least five years from the Closing Date of the Ministry Alignment Agreement, French Hospital Medical Center shall maintain its current city/county contracts for the programs listed below:

- a. Designation as ST-Segment Elevation Myocardial Infarction (STEMI) Receiving Center
 - b. Contract for Behavioral Health Services;
 - c. Contract for Special Services (Participation in hospital preparedness drills and other emergency preparedness activities);
 - d. Paramedic Base Station Agreement; and
 - e. Laboratory Services Purchase Agreement.
12. Dignity Health and CHI shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at French Hospital Medical Center until January 1, 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act (Health & Safety Code, § 129675-130070); and
13. French Hospital Medical Center shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals.

Marian Regional Medical Center and Marian Regional Medical Center, Arroyo Grande License

License: 050000040
Effective: 11/26/2017
Expires: 11/25/2018
Licensed Capacity: 388

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**

Marian Regional Medical Center

Marian Regional Medical Center, Arroyo Grande

Marian Regional Medical Center
1400 E Church St
Santa Maria, CA 93454-5906

Bed Classifications/Services

226 General Acute Care
42 Perinatal
21 Intensive Care Newborn Nursery
20 Coronary Care
8 Pediatric
135 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical - ER services
Cardiac Catheterization Laboratory Services - heart
Cardiovascular Surgery
Nuclear Medicine - radiation svcs
Occupational Therapy
Outpatient Clinics - Urgent Care (PCC)
Outpatient Services at 220 S. Palisade Drive, Suite #200-B, Santa Maria
Outpatient Services at Dignity Health Laboratory and Diagnostics, 116 S. Palisade Suite #100, Santa Maria
Outpatient Services at Dignity Health Perinatal Center, 116 S. Palisade, Suite #102, Santa Maria
Outpatient Services at Infusion Center of San Luis Obispo, 715 Tank Farm Road, Suite B, San Luis Obispo
Outpatient Services at Mission Hope Infusion Center, 1325 E. Church Street, Suite #303, Santa Maria
Outpatient Services - Breast Imaging at Marian Breast Imaging Center, 1325 E. Church Street, Suite #201, Santa Maria

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, Ventura District Office, 1889 N. Rice Ave., Suite 200, Oxnard, CA 93036, (805)604-2926

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 050000040
 Effective: 11/26/2017
 Expires: 11/25/2018
 Licensed Capacity: 388

Marian Regional Medical Center (Continued)
 1400 E Church St
 Santa Maria, CA 93454-5906

Other Approved Services (cont'd)

Outpatient Services - Cardiopulmonary Rehab
 at 1207 Main Street, Santa Maria
 Outpatient Services - Diagnostic Imaging at
 Plaza Diagnostic Imaging, 525 E. Plaza
 Drive, Ste. 100, Santa Maria
 Outpatient Services - Lab and Imaging at
 Parkway Imaging & Lab Center, 2342
 Professional Parkway, Ste. 210, Santa Maria
 Outpatient Services - OT, PT, Speech Therapy
 at Marian Wellness Center, 1207 Main
 Street, Santa Maria
 Outpatient Services - Pain Management
 Services at 525 E. Plaza Drive, Suite#
 204B, Santa Maria
 Outpatient Services - PET/CT at Mission Hope
 Cancer Center, 1325 E. Church Street,
 Suite #201, Santa Maria
 Physical Therapy
 Respiratory Care Services
 Social Services
 Speech Pathology

Marian Regional Medical Center, Arroyo Grande
 345 S Halcyon Rd
 Arroyo Grande, CA 93420-3817

Bed Classifications/Services

67 General Acute Care
 20 Rehabilitation
 8 Intensive Care
 39 Unspecified General Acute Care

Other Approved Services

Basic Emergency Medical
 Mobile Unit - Lithotripsy
 Mobile Unit - MRI
 Nuclear Medicine
 Occupational Therapy
 Outpatient Services at Coastal Diagnostic
 Imaging Center, 921 Oak Park Blvd. Suite
 #100B, Pismo Beach
 Outpatient Services - Mobile MRI
 Physical Therapy

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
 Ventura District Office, 1889 N. Rice Ave., Suite 200, Oxnard, CA 93036, (805)604-2926

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 050000040
 Effective: 11/26/2017
 Expires: 11/25/2018
 Licensed Capacity: 388

Marian Regional Medical Center, Arroyo Grande (Continued)
 345 S Halcyon Rd
 Arroyo Grande, CA 93420-3817

Other Approved Services (cont'd)

Podiatry Service
 Respiratory Care Services
 Social Services
 Speech Pathology

Marian Regional Medical Center DP/SNF
 1530 Cypress Way
 Santa Maria, CA 93454-5900

Bed Classifications/Services
 95 Skilled Nursing

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:

Consolidated license
 Outpatient Physical Therapy, Occupational Therapy and Speech Pathology Services are now provided at: 336 South Halcyon Road, Suite #140 Arroyo Grande, CA
 Consolidated License.
 The Temporary Computerized Axial Tomography Scanner (CT Scanner) is located on-site.
 MRI Suite is now Located On-site.
 Freestanding Modular Bldg. located at 1400 East Church Street, Santa Maria provides Outpatient Primary Care Clinic Services.
 Outpatient Svcs: Cardiopulmonary Rehab at: 1207 Main Street. Radiology Svcs at: 525 E. Plaza Dr., #100. Pain Management Svcs at: 525 E. Plaza Drive, Suite# 204B, Santa Maria. PCC is provided in a Freestanding Modular Bldg. on-site. OT/PT/SP are Provider-Based Satellites of the Hospital located at: 1207 Main Street. The 35 Bed Inpt Med Unit located at: 505 E. Plaza Dr., is in Suspense effective, 5/15/2017 through 5/14/2018.
 The Mobile MRI Unit is located at: 345 S. Halcyon Road, Arroyo Grande.
 Outpatient Services: Orcutt Laboratory and Imaging located at: 1102 E. Clark Avenue, Suite #120B, Santa Maria, CA 93454.
 8 Intensive Care Beds are Interchangeable as Coronary Care Beds.

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, Ventura District Office, 1889 N. Rice Ave., Suite 200, Oxnard, CA 93036, (805)604-2926

POST IN A PROMINENT PLACE

French Hospital Medical Center License

State of California
Department of Public Health

License: 050000031
Effective: 06/01/2018
Expires: 05/31/2019
Licensed Capacity: 98

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**

FRENCH HOSPITAL MEDICAL CENTER

1911 Johnson Ave
San Luis Obispo, CA 93401-4131

Bed Classifications/Services

98 General Acute Care
11 Intensive Care
9 Perinatal
78 Unspecified General Acute Care

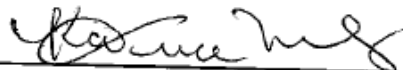
Other Approved Services

Basic Emergency Medical - ER services
Cardiac Catheterization Laboratory Services -
Interventional Radiology
Cardiovascular Surgery
Mobile Unit - MRI - Outpatient Services,
License #4RP3512
Nuclear Medicine
Occupational Therapy
Outpatient Services at French Hospital
Women's Health & Imaging Center, 1941
Johnson Avenue, Suite #103A, San Luis
Obispo
Outpatient Services at San Luis Diagnostic
Center, 1100 Monterey Street, Suite #210,
San Luis Obispo
Outpatient Services - surgery
Physical Therapy
Respiratory Care Services
Social Services
Speech Pathology

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
One (1) Perinatal bed has been placed in Suspense for a period on One (1) year, effective, 11/29/2016 through 11/28/2017.
4 Perinatal beds and 4 Unspecified General Acute Care beds have been placed in Suspense for a period of One (1) year. Effective, September 21, 2016 through September 20, 2017.
11 INTENSIVE CARE BEDS INTERCHANGEABLE AS CORONARY CARE BEDS. Approved Outpatient Surgery Services are provided On-Site.

Karen L. Smith, MD, MPH

Director and State Public Health Officer



Katrice Miller, Staff Services Manager I

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification,
Ventura District Office, 1889 N. Rice Ave., Suite 200, Oxnard, CA 93036, (805)604-2926