

Effect of the Asset Purchase Agreement between Verity Health and AHMC Healthcare, Inc. on the Availability and Accessibility of Healthcare Services to the Communities Served by Seton Medical Center and Seton Coastside

Prepared for the Office of the California Attorney General

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Introduction & Purpose

JD Healthcare, Inc. was retained by the Office of the California Attorney General to assess the potential impact of the proposed Asset Purchase Agreement (“APA”) by and between the Verity Health System of California, Inc., a California nonprofit public benefit corporation, and Verity Holdings, LLC¹, a California limited liability company (collectively “Verity Health”), Seton Medical Center, a California nonprofit public benefit corporation (collectively “Sellers”), and AHMC Healthcare, Inc., a California corporation, and one or more of its affiliates or assignees (collectively “AHMC”), on the availability and accessibility of healthcare services to the communities served by Seton Medical Center and Seton Coastside (collectively “Hospital”)².

Verity Health is the owner and operator of the Hospital, a general acute care hospital licensed for 478 beds, located in Daly City, California. The Hospital is a recipient of Hospital Quality Assurance Fee (QAF)³ funds.

On August 31, 2018, Verity Health and its Affiliated Hospitals⁴ filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code with the United States Bankruptcy Court for the Central District of California, Los Angeles Division. The Sellers and AHMC intend to effectuate the transaction of the Hospital through a sale of the assets approved by the Bankruptcy Court pursuant to Section 363 of Title 11 of the Bankruptcy Code.

The Asset Purchase Agreement, dated March 30, 2020 includes the sale of substantially all assets of the Hospital, hiring substantially all of its employees, and continuing its operations as a healthcare facility to ensure community access to needed healthcare services. AHMC has agreed to honor the majority of the conditions issued by the Attorney General’s office in September of 2019 as part of its review and approval of the sale of St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center to Strategic Global Management, Inc. Strategic Global Management, Inc. failed to complete the transaction resulting in Verity Health again soliciting bids for the purchase of its remaining assets.

¹ Verity Holdings, LLC is a direct subsidiary of its sole member Verity Health. It was created in 2016 to hold and finance Verity Health’s interests in six medical office buildings whose tenants are primarily physicians, medical groups, and healthcare providers.

² For the purposes of this report, the term “the Hospital” refers to both Seton Medical Center and Seton Coastside as both facilities operate under one consolidated license.

³ The amount of supplemental Medi-Cal payments received by those hospitals that serve a high percentage of Medi-Cal and other low-income patients, as provided by SB 855 (Statutes of 1991). These payments are funded by intergovernmental transfers from public agencies (counties, districts, and the University of California system) to the State and from federal matching funds.

⁴ Affiliated Hospitals include the Hospital (Seton Medical Center and Seton Coastside), St. Francis Medical Center, St. Vincent Medical Center, O’Connor Hospital, and St. Louise Medical Center.

AHMC, founded by Dr. Jonathan Wu, operates eight acute care hospitals with over 1,200 beds serving communities in Los Angeles County, Orange County, Riverside County, and San Bernardino County.

AHMC agrees to complete the transaction as long as any conditions imposed by the Office of the California Attorney General are not materially more burdensome than the Conditions⁵ as set forth in Schedule 8.5 of the Asset Purchase Agreement. These Conditions are a modification of the existing conditions that resulted from the transaction approved by the Office of the California Attorney General, on September 25, 2019, by and between Verity Health System of California, Inc., Verity Holdings, Seton Medical Center, and purchaser Strategic Global Management, Inc.

This report, prepared for the California Attorney General, describes the possible effects that the proposed transaction may have on the delivery, accessibility, and availability of healthcare services in the Hospital's service area.

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

- A review of the written notice submitted to the Office of the California Attorney General on April 27, 2020 and supplemental information subsequently provided by Verity Health and the Hospital;
- A review of press releases and news articles related to the proposed Asset Purchase Agreement and other hospital transactions;
- Interviews with community representatives, representatives of Verity Health, representatives of the Hospital's board, management, medical staff, and employees, representatives of AHMC, and others as listed in the Appendix;
- An analysis of financial, utilization, and service information provided by the management of the Hospital, Verity Health, and the Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding the Hospital, AHMC, and the service area, including demographic characteristics and trends, payer mix, hospital utilization rates and trends, health status indicators, and hospital market share.

Reasons for the Transaction

Verity Health's Board believes the sale of Verity Health's assets is necessary due to the financial crisis facing Verity Health, including losses that amounted to approximately \$175 million annually

⁵ California Attorney General Required Conditions to approval of the Change in Control and Governance of Seton Medical Center and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, Seton Medical Center, and purchaser Strategic Global Management, Inc.

on a cash flow basis. As of June 30, 2018, Verity Health's consolidated unaudited financial statements reflected total assets of approximately \$847 million and total liabilities of approximately \$1.278 billion. Verity Health's unaudited Statement of Operations for the ten months ending June 30, 2019 showed losses for the system totaling \$167 million. Verity Health's outstanding secured and unsecured debt after the sale of O'Connor Hospital, Saint Louise Regional Hospital, and St. Vincent Medical Center is approximately \$607.5 million with a cash burn rate of approximately \$3 million per month. Despite past infusions of capital and new management, Verity Health's Board believes that the problems facing Verity Health are too significant to solve without a formal court supervised restructuring. As such, Verity Health and its Affiliated Hospitals each filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code.

Verity Health's Board provided the following additional reasons for Verity Health's poor financial condition that led to the formal court supervised restructuring:

- The legacy burden of more than a billion dollars of bond debt and unfunded pension liabilities;
- An inability to renegotiate collective bargaining agreements and payer contracts;
- The continued need for significant capital expenditures for seismic obligations and aging infrastructure, combined with the general financial and operational challenges facing the hospital industry; and
- The desire to protect the original legacy of the Daughters of Charity (Daughters) to the extent possible by retiring debt incurred over the past 18 years and freeing Verity Health hospitals of financial burden so as to continue to operate the hospitals under new ownership and leadership without the accumulated debt.

Timeline of the Transaction

The events leading up to this transaction are chronologically ordered as follows:

- February 2005 – Bonds are issued in the amount of \$364 million to refinance existing debt and fund future capital expenditures⁶;
- November 2008 – Bonds⁷ are issued in the amount of \$143.7 million to refinance existing debt;

⁶ This amount is gross of an estimated \$26 million in the debt service reserved funds that were used to defease the 2005 Bonds.

⁷ The 2008 Bonds are the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2008A Bonds that include a debt service reserve fund of \$13.7 million.

- February 24, 2012 – Daughters executes a memorandum of understanding with Ascension Health Alliance as a precursor to system integration discussions;
- June 20, 2012 – Daughters and Ascension Health Alliance effect an amendment to the memorandum of understanding;
- December 2012 – Daughters and Ascension Health Alliance execute an affiliation agreement that did not involve a transfer of assets or liabilities or a change of control. Rather, Daughters and its hospital corporations became participants in various purchasing programs of Ascension Health and obtained access to other Ascension Health support services;
- March 15, 2013 – Daughters solicits offers for O’Connor Hospital and Saint Louise Regional Hospital, and sends out a request for proposal and confidential descriptive memorandum to 15 potential partners, of which five submit indications of interest;
- August 5, 2013 – Daughters solicits offers for Seton Medical Center and Seton Medical Center Coastside, and sends out a request for proposal and confidential descriptive memorandum to eight organizations, of which three submit indications of interest;
- October 2013 – The 2008 Bonds are retired⁸;
- January 2014 – Daughters indicates that it will remain independent from Ascension Health Alliance and is no longer pursuing a merger;
- January 2014 – Daughters announces the initiation of its process to evaluate strategic alternatives for the entire system;
- February 2014 – Request for Proposal process is initiated by contacting over 133 health systems and other buyers who could have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;
- February 2014 – Prime Healthcare, along with 71 other potential buyers, sign confidentiality agreements and receive a confidential information memorandum summarizing key facts about Daughters and its related entities;
- March 21, 2014 – Daughters receives 29 bids by the first-round deadline;

⁸ In October 2013, Daughters of Charity Foundation, an organization separate and independent from Daughters, made a restricted donation of \$130 million for the benefit of Daughters by depositing sufficient funds with the bond trustee to redeem the \$143.7 million principal amount of the 2008 Bonds.

- May 30, 2014 – Daughters’ Board decides to focus efforts on full system bidders, concluding that no combination of proposals to purchase individual facilities would provide an adequate solution to Daughters’ pressing financial situation;
- July 30, 2014 – Daughters secures \$110 million in short-term “bridge financing” in order to access working capital to continue operations through the sale process (2014 Bonds, Series A & B);
- August 27, 2014 – Daughters secures an additional \$15 million under the 2014 Bonds (Series C);
- September 12, 2014 – Daughters receives four final proposals;
- October 3, 2014 – Daughters’ Board passes a resolution to authorize the execution of the Definitive Agreement between Daughters, Ministry, and Prime Healthcare, and recommends the approval of the transaction to Ministry’s Board of Directors (Ministry’s Board);
- October 9, 2014 – St. Francis’s Board passes a resolution to authorize any necessary or advisable amendments to the Articles of Incorporation and Bylaws of St. Francis and St. Francis’s Foundation, and recommends approval of the transaction to Ministry’s Board;
- October 9, 2014 – Ministry’s Board passes a resolution to authorize the amendment of Daughters’ articles of incorporation and bylaws as necessary to effect the transaction and authorizes the execution of the Definitive Agreement between Daughters, Ministry, and Prime Healthcare;
- October 10, 2014 – Ministry and Daughters enter into the Definitive Agreement with Prime Healthcare;
- October 23, 2014 – Ministry and Daughters enter into Amendment No. 1 to Definitive Agreement with Prime Healthcare;
- October 24, 2014 – “Notice of Submission and Request for Consent” is submitted by Daughters to the California Attorney General;
- January 2015 – The California Attorney General holds six public meetings, two in Southern California and four in Northern California, to receive comments on the proposed change in governance and control of each of the Health Facilities;
- February 20, 2015 – The California Attorney General conditionally consents to the proposed change in governance and control of Daughters;

- March 9, 2015 – Prime Healthcare terminates its transaction agreement with Daughters;
 - March 2015 – Request for Proposal process is initiated by contacting 86 potential buyers who could possibly have an interest in acquiring the system in its entirety, individual (or groups of) hospitals, or other assets;
 - March 2015 – BlueMountain Capital Management, LLC, along with 75 other parties, sign confidentiality agreements and receive a confidential information memorandum supplemental update summarizing important information about Daughters and its related entities;
 - April 15, 2015 – Daughters receives 14 first round bids, including one from BlueMountain Capital Management, LLC;
 - April & May 2015 – Daughters’ Board reviews current active bids and determines that full system bids are the most viable option to address Daughters’ transaction objectives;
 - May 2015 – Houlihan Lokey sends final bid letters to parties still pursuing full system offers;
 - May 22, 2015 – BlueMountain Capital Management, LLC submits an amended first round bid to Daughters;
 - June 29, 2015 – Daughters receives four final proposals by the deadline, including one from BlueMountain Capital Management, LLC;
- July 14, 2015 –Daughters’ Board reviews the final proposals and passes a resolution to authorize the execution of the System Agreement between Daughters, Ministry, BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC (the management company responsible for operations), and recommends the approval of the transaction to Ministry’s Board;
- July 15, 2015 – St. Francis’s Board passes a resolution to authorize the execution of the System Agreement between Ministry, Daughters, BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC;
 - July 15, 2015 – Ministry’s Board passes a resolution to authorize the amendment of Daughters’ articles of incorporation and bylaws as necessary to effect the transaction and authorizes the execution of the System Agreement between Ministry, Daughters, BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC;

- July 17, 2015 – Ministry and Daughters enter into the System Agreement with BlueMountain Capital Management, LLC and Integrity Healthcare, LLC;
- July 31, 2015 – “Notice of Submission and Request for Consent” is submitted by Daughters to the Office of the California Attorney General;
- September 2015 - Ministry and Daughters enter into Amendment No. 1 to System Restructuring and Support Agreement with BlueMountain Management, LLC and Integrity Healthcare, LLC;
- December 3, 2015 – California Attorney General conditionally approves the sale of Daughters to BlueMountain Capital Management, LLC;
- December 14, 2015 – Daughters and BlueMountain Capital Management, LLC closed the deal and renamed the health system to Verity Health System of California, Inc.;
- July 2017 – NantWorks acquires a controlling stake in Integrity Healthcare, LLC (the management company responsible for operating Verity Health);
- August 31, 2018 – Verity Health and each Verity Health Hospital (along with other Verity Health affiliated entities) each filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code;
- December 4, 2018 – Verity Health Board met and discussed choosing the stalking horse⁹ bidder and reviewed the resolutions to approve Strategic Global Management as the stalking horse bidder;
- February 7, 2019 – Verity Health Board passed the stalking horse resolution and ratified all actions;
- April 15, 2019 – The Verity Health Board met to review the final bids submitted and apply the requirements of the Bankruptcy Court approved bid procedures;
- April 15, 2019 – Verity Health Board approve Strategic Global Management as the winning bidder;
- May 7, 2019 – “Notice of Proposed Submission and Request for Consent” is submitted by Verity Health to the Office of the California Attorney General.

⁹ A stalking horse bidding process is where the debtor enters into the agreement with a bidder in advance of an auction for the sale of the debtor’s assets. This bid serves as what is referred to as the “stalking horse”, an initial bid which sets a baseline bid for the auction. The stalking horse agreement is then approved by the court and thereby made public together with open auction bidding procedures using the “stalking horse” as the base bid.

- September 25, 2019 - The Office of the California Attorney General conditionally consents to Verity Health's proposed sale of the assets of St. Francis Medical Center, St. Vincent Medical Center, including its St. Vincent Dialysis Center, and Seton Medical Center to Strategic Global Management and/or one or more of its affiliates;
- October 2, 2019 – Verity Health filed a motion in the U.S. Bankruptcy Court for the Central District of California to enforce the sale order related to its four hospitals – St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seton Coastside – to Strategic Global Management;
- December 9, 2020 - Strategic Global Management misses court- ordered deadline to close on the \$600 million purchase of St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seton Coastside. Verity Health has a pending action against Strategic Global Management for, among other things, breach of contract;
- Early January 2020 - Marketing process recommences to identify parties potentially interested in acquiring Seton Medical Center as a going concern;
- January 10, 2020 – Two bidders submit non-binding indications of interest. One bidder opted not to move forward, leaving AHMC as the sole remaining bidder;
- February 13, 2020 – Strategic Global Management submitted an unsolicited “Offer to Purchase” the Hospital;
- February 25, 2020 – Strategic Global Management submitted an unsolicited offer to purchase the “four properties subject to the Verity- Strategic Global Management Asset Purchase Agreement”;
- March 20, 2020 – Global Medical Center San Mateo County, wholly owned by Dr. Kali P. Chaudhuri, submitted an unsolicited offer to purchase Seton Medical Center assets;
- March 27, 2020 – The Hospital Board recommends approval of the APA with AHMC to the Verity Health Board;
- March 27, 2020 – The Verity Health Board approves the transaction with AHMC;
- April 22, 2020 – The Bankruptcy Court approves the proposed sale of Seton Medical Center to AHMC; and

- April 27, 2020 - A written notice is submitted to the Office of the California Attorney General detailing the proposed transfer of Seton Medical Center to AHMC and the request for consent.

Summary of the Asset Purchase Agreement

The Asset Purchase Agreement was entered into on March 30, 2020 by and between the Sellers and AHMC.

The major provisions of the Asset Purchase Agreement include the following:

- Purchase price includes the following:
 - At Closing¹⁰, AHMC shall pay to Sellers an aggregate amount equal to the purchase price of forty million dollars (\$40,000,000) plus an amount equal to the Cure Costs¹¹ associated with outstanding liabilities of Sellers under any Assigned Leases¹² and/or Assigned Contracts¹³; minus the Deposit¹⁴ and the amount of PTO to be credited to hired employees;
- AHMC is not assuming any liabilities of Sellers and is only agreeing to be responsible for Transferred Obligations¹⁵ on and after the Effective Time¹⁶;
- Assets Transferred to Purchaser include the following:
 - All tangible personal property owned by the Hospital, or to the extent assignable or transferable, by Hospital, leased, subleased, or licensed by Hospital and used in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles office furnishings and leasehold improvements;
 - All owned real property, and to the extent assignable, leased property;
 - All inventories of supplies and drugs;
 - All Measure B trauma funding received by Seller after the Closing Date;
 - All funds received by Seller under the QAF Program. To the extent Hospital seller has paid QAF fees for QAF funds that are not received until after the

¹⁰ Closing shall be deemed to occur and to be effective as of 11:59 p.m. Pacific Time on the Closing Date (the date of consummation of the transactions contemplated by the Asset Purchase Agreement).

¹¹ Means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser.

¹² Leases subject to evaluation by AHMC for assumption or rejection.

¹³ Contracts subject to evaluation by AHMC for assumption or rejection.

¹⁴ Deposit of 20% of the purchase price made after the APA signing date.

¹⁵ Liabilities and obligations related to the ownership or operation of the Hospital by Purchaser on or after the Effective Time.

¹⁶ Period immediately after Closing.

- Closing Date, Purchaser will reimburse the Hospital for any such fees that have been paid; and
- All disproportionate share funds received by Hospital after the Closing Date.
- Excluded Assets retained by Seller include:
 - Cash, cash equivalents, short term investments, and accounts and notes receivable;
 - All QAF IV and QAF payments received prior to the Closing Date; and
 - Any COVID-19 related grants or payments received on account of delivery of individual patient care services performed prior to the Effective Time.

 - AHMC and Sellers agree that because the change of ownership and regulatory approval process may take an extended period of time, at the Effective Time, the agreed upon assets, Medicare/Medi-Cal agreements, managed care agreements, and private payor agreements will be sold to AHMC and immediately leased back to Sellers in the form of a Sale Leaseback Agreement. Major provisions of the Sale Leaseback Agreement include:
 - Immediately following the Closing, and until AHMC obtains the new licenses (that include licenses necessary to operate the Hospital as an acute care hospital by the California Department of Public Health, and a permit to operate a hospital-based pharmacy by the California Board of Pharmacy) the parties desire to lease back or license all of the then-acquired assets used in the operation of the Hospital. Specifically, the leased or licensed assets shall include; the Hospital, tangible personal property (including, but not limited to, fixtures, furnishings, hard copy medical and financial records and hardware to operate and run the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems), and intangible intellectual property saved or embodied in the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems (which shall be licensed for use by the Hospital);
 - This Leaseback Agreement shall automatically terminate upon the termination of the Interim Management Agreement¹⁷;
 - The Hospital shall at all times during the term of this Sale Leaseback Agreement be the owner of pharmacy Assets. The parties acknowledge that, under the Interim Management Agreement, AHMC will be managing the Hospital's pharmacy during the Management Period¹⁸;

¹⁷ Enables AHMC to manage the day-to-day operations of the Hospital following the Closing until AHMC is issued the licenses necessary to operate the Hospital.

¹⁸ Management Period shall commence as of the Effective Time and continue until the licensure date.

- The Hospital shall be responsible for purchasing drugs and dangerous devices identified by AHMC as necessary for the operations of the Hospital, and AHMC shall reimburse the Hospital for all costs and expenses incurred for such purchases;
 - AHMC shall pay all utilities and services supplied to the Hospital during the term of the Sale Leaseback Agreement, including but not limited to water, gas, air conditioning, heat, light, power, telephone service, and waste removal services;
 - AHMC shall pay all taxes, assessments, and levies of any kind or nature whatsoever, including real property taxes, personal property taxes, income taxes, employment taxes, and sales or use taxes, that are taxed, assessed, levied, invoiced or imposed upon the Hospital after the Effective Time;
 - AHMC shall pay for all insurance coverages, including premiums, deductibles, stop-loss, and any other insurance covering the Hospital; and
 - During the term of this Sale Leaseback Agreement, AHMC shall pay all costs of repairing and maintaining the leased or licensed assets of the Hospital required by any applicable governmental law, statute, ordinance, rule or regulation, including the California Office of Statewide Health Planning and Development.
- Pursuant to the Asset Purchase Agreement, the Hospital, Verity Health, and the AHMC, are entering into an Interim Management Agreement that enables AHMC to manage the day-to-day operations of the Hospital following the Closing until AHMC is issued the licenses necessary to operate the Hospital. Major provisions of the Interim Management Agreement include:
 - The term of the Interim Management Agreement shall commence as of the Effective Time and shall continue until the Licensure Date¹⁹. The Hospital, Verity Health, and AHMC acknowledge that, during the Management Period, the Hospital shall remain the licensee of the Hospital, and in that capacity, and during such period, shall retain statutory and regulatory authority and responsibility for the Hospital and for oversight of AHMC;
 - During the Management Period, the Hospital appoints AHMC as the sole and exclusive provider of certain services and grants. AHMC has the exclusive right to manage the Hospital under the Hospital's Licenses as a general acute care hospital;

¹⁹ Licensure Date is the date certain licenses are issued and obtained. These include a general acute care hospital license from the California Department of Public Health and a hospital pharmacy permit from the California Board of Pharmacy.

- Management services shall include management and operation of the Hospital's pharmacy on behalf of the Hospital, even though the pharmacy assets will not be transferred until the Licensure Date;
- During the Management Period, AHMC shall submit claims for services rendered by the Hospital to various governmental and non-governmental entities, patients, and other third parties pursuant to the Hospital's provider agreements and payor contracts;
- During the Management Period, AHMC shall be subject to all applicable legal and regulatory requirements, and agrees to assume and discharge all responsibilities, duties, liabilities, payments, and obligations in connection with properly maintaining the Hospital in full compliance with all regulations and standards required of a general acute care hospital facility so licensed. In addition, AHMC's services shall include, but not be limited to, the following duties, which AHMC shall perform at its sole cost and expense:
 - Managing the operations of the Hospital as a general acute care hospital in compliance with all applicable laws, regulations, provider agreements, payor contracts, CDPH requirements for maintenance of the Licenses in good standing, Medicare conditions of participation and requirements for payment with respect to governmental programs, and the requirements for maintenance of the Hospital's accreditations;
 - Employing and managing employees and any other non-clinical and clinical personnel deemed necessary for the operation of the Hospital as a general acute care hospital;
 - Maintaining and repairing, as needed, the Hospital so as to ensure material compliance with all applicable local, state and federal law, and construction timelines imposed by OSHPD;
 - Providing security services reasonably necessary to prevent unlawful entry or damage to the Hospital;
 - Maintaining, all licenses, permits consents, approvals, accreditations, and certifications currently held by the Hospital in good standing, in active status, and in compliance with all applicable local, state, and federal laws, including the timely payment of all applicable fees to support or renew these approvals;
 - Maintaining and obtaining all insurance coverages, from and after the Effective Time, for the Hospital;
 - Coordinating with the governing board and the organized medical staff on the appropriateness and quality of medical care and all medical staff issues requiring governing board oversight; and

- Paying all costs and expenses in connection with and incidental to ownership of the Hospital's assets all Hospital operating costs, employee-related costs, and taxes;
- During the Management Period, AHMC may do any of the following, in consultation with the Hospital and subject to the requirements of applicable local, state, and federal law, at AHMC's sole cost and expense:
 - Make alterations, improvements, and repairs to the interior or exterior of the Hospital, including structural alterations, improvements, and repairs;
 - Remove and dispose of furniture, fixtures, equipment (other than equipment owned by equipment lessors), and supplies at the Hospital;
 - Move into and install furniture, fixtures, equipment, and supplies at the Hospital;
 - Prepare the Hospital for a name change, except that no such name change may take effect, and no signage reflecting such change shall be installed, during the Management Period; and
 - Perform, or permit to be performed, any other activities at the Hospital Premises that are not inconsistent with operating the Hospital under the licenses.
- AHMC shall not take any action that interferes with the Hospital's transfer of funds to pay itself out of the Hospital revenues or remove, withdraw, or authorize removal or withdrawal of funds from the Hospital's bank accounts or lockboxes to the extent that the Hospital would be unable to fully pay;
- As full and complete payment for AHMC's services, AHMC shall be entitled to receive an amount equal to the Hospital revenues less the following amounts that will be paid to the Hospital by AHMC:
 - All costs and expenses incurred by the Hospital for the purchase of drugs and dangerous devices that AHMC determines are necessary for the operation of the Hospital;
 - All other costs and expenses associated with the Hospital maintaining licenses and necessary contracts,
- The Hospital shall issue invoices to AHMC on a weekly basis with reasonable supporting detail. AHMC shall pay such invoices within five (5) business days of receipt of such invoices; and
- AHMC shall be responsible for all the Hospital liabilities and losses incurred or accrued during the management period.

- On the Closing Date, Sellers shall sell, assign, transfer, convey and deliver to AHMC, free and clear of all liens, claims, interests, and encumbrances and AHMC shall acquire, all of Sellers' right, title and interest in and to the following assets and properties, as such assets shall exist on the Closing Date, to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time:
 - All of the tangible personal property owned by Sellers, or to the extent assignable or transferable by Sellers, and used by Sellers in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements;
 - All of Sellers' rights, to the extent assignable or transferable, to all licenses, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to Sellers for use in the operation of the Hospital;
 - All of Sellers' interest in and to the owned real property and all of Sellers' interest, to the extent assignable or transferable and that have been designated by Purchaser;
 - All of Sellers' interest in, and to the extent assignable or transferable, the Hospital's Medicare and Medi-Cal provider agreements;
 - To the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables located at the Hospital or used in the operation of the Hospital;
 - To the extent assignable or transferable, all of the following that are not proprietary to Sellers and/or owned by or proprietary to Sellers' affiliates: operating manuals, files and computer software with respect to the operation of the Hospital, including, without limitation, all patient records, medical records, employee records, billing records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries;
 - All rights, title and interest in and to the name "Seton Medical Center," and "Seton Medical Center Coastside", including any associated Hospital trademarks, service marks, trade names, and logos;
 - All QAF payments received after the Closing Date;
 - All Measure B trauma funding received after the Closing Date;

- All disproportionate care funding received after the Closing Date;
- To the extent assignable, provider agreements with health plans, insurers or third-party payers;
- Sellers shall retain all interests, rights and other assets owned directly or indirectly by Sellers including:
 - Cash, cash equivalents, and short-term investments;
 - All accounts and notes receivable;
 - All QAF IV and V payments received prior to the Closing Date;
 - All contracts that are not assigned contracts and all private payor contracts that are not assigned;
 - All leases that have not been designated as assigned leases;
 - All of Sellers' organizational or corporate record books, minute books and tax records;
 - All bank accounts of Sellers;
 - All tax refunds and tax assets of Sellers;
- Promptly following the Signing Date, representatives of Sellers who are parties to the Hospital's related collective bargaining agreements and of AHMC, respectively, shall meet and confer from time to time as reasonably requested by either to discuss strategic business options including terms contained under all operative collective bargaining agreements. The applicable Sellers and AHMC shall participate in all negotiations related to the potential modification and assignment of specific Seller's collective bargaining agreements. The applicable Sellers shall use commercially reasonable efforts to initiate discussions with AHMC and unions and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay Bankruptcy Court approval of any successfully renegotiated collective bargaining agreement. The parties recognize that Seller's failure to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under the Asset Purchase Agreement. In addition, Sellers may, in their discretion, seek to reject any or all of the collective bargaining agreements
- AHMC agrees to make offers of employment, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term

disability or on leave of absence, military leave or workers compensation leave) who, immediately prior to the Effective Time are employees of the Hospital; and

- With respect to any collective bargaining agreements or labor contract with respect to any union employees, Purchaser shall comply with the applicable laws, or to the extent applicable, Bankruptcy Court orders relating to collective bargaining agreements or labor contracts .

California Attorney General Conditions from Exhibit 8.5 of the Asset Purchase Agreement		
Conditions	AHMC Agrees:	Years of Condition/ Expiration Date
1. For six (6) years, provide written notice to Office of the Attorney General sixty (60) days prior to entering into any sale or transfer agreement;	Yes	6
2. For the remainder of the term*, Seton Medical Center (including Seton Coastside because both facilities are on the same license) shall be operated and maintained as a licensed general acute care hospital;	Yes	12/13/2025
3. For the remainder of the term, the Seton Medical Center shall maintain 24-hour emergency medical services at a minimum of 18 treatment stations with the same types and/or levels of services, including:	Yes	12/13/2025
a. Designation as a STEMI Receiving Center; and	Yes	12/13/2025
b. Advanced certification as a Primary Stroke Center.	Yes	12/13/2025
4. For the remainder of the term, Seton Medical Center shall maintain the following services at current licensure, types, and/or levels of services, including:		
A. Cardiac services, including the 2 cardiac catheterization labs;	Yes	12/13/2025
b. Critical care services, including a minimum of 20 intensive care/coronary care beds;	Yes	12/13/2025
c. Psychiatric services, including a minimum of 22 distinct part beds with at least 20 beds available for the geriatric psychiatric unit;	Yes	12/13/2025
d. Women's health services, including the Seton Breast Health Center and women's imaging and mammography services; and	Yes	12/13/2025
e. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification as a sub-acute unit.	Yes	12/13/2025
5. For at least five years from the closing date of the Asset Purchase Agreement, Seton Medical Center shall maintain the following services at current licensure, types, and/or levels of services:		
a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;	Yes	5
b. Cancer services, including inpatient oncology services, interventional radiology, radiation therapy, and for those patients that may be in need of infusion therapy treatment, a referral process to other nearby hospitals or clinics, including Stanford Cancer Center, UCSF Helen Diller Comprehensive Care Cancer Clinic, St. Mary's Cancer Center, or other health facility that provides infusion therapy services. The referral process shall be memorialized in the policies and procedures at Seton Medical Center and should include procedures on how to assist patients with accessing infusion therapy at the nearby hospitals or clinics, and the transferring of patient medical records;	Yes	5
c. Orthopedics and rehabilitation services, including spine care services;	Yes	5
d. Diabetes services, including Northern California Diabetes Institute;	Yes	5
e. Wound care services, including Seton Center for Advanced Wound Care; and	Yes	5
f. Nephrology services.	Yes	5
6. For the remainder of the term (until December 13, 2025), Seton Medical Center shall maintain the following services at current licensure, types, and/or levels of services at Seton Coastside including:		
a. 24-hour "standby" Emergency Department, with a minimum of 7 treatment stations; and	Yes	12/13/2025
b. Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.	Yes	12/13/2025
7. For at least five years from the closing date of the Asset Purchase Agreement, Purchaser shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and Seton Medical and Seton Coastside can utilize an alternative structure in providing such services. The following clinics are subject to this condition:		
a. Women's Health Services, located at 1850 Sullivan Avenue, Suite 190, Daly City California;	Yes	5
b. Imaging Services located at 1850 Sullivan Avenue, Suite 100, Daly City California; and	Yes	5
c. Wound Care Services, located at 1850 Sullivan Avenue, Suite 115, Daly City California.	Yes	5

California Attorney General Conditions from Exhibit 8.5 of the Asset Purchase Agreement

Conditions	AHMC Agrees:	Years of Condition/ Expiration Date
8. For the remainder of the term, Purchaser shall:		
a. Be certified to participate in the Medi-Cal program at Seton Medical Center and Seton Coastside;	Yes	12/13/2025
b. Maintain and have a Medi-Cal Managed Care contract with San Mateo Health Commission dba Health Plan of San Mateo or its successor to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan; and	Yes	12/13/2025
c. Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.	Yes	12/13/2025
9. For six fiscal years from the closing date of the Asset Purchase Agreement, Purchaser shall provide an annual amount of Charity Care (as defined below) at Seton Medical Center and Seton Coastside equal to or greater than \$1,055,863 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Purchaser in connection with the operation and provision of services at Seton Medical Center and Seton Coastside. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes;	Yes	6
10. For six fiscal years from closing, the Hospital shall continue to expend an average of no less than \$685,870 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for San Francisco-Oakland-San Jose, California . The following community benefit programs and services shall continue to be offered:	Yes	6
a. Health Benefits Resource Center; and	Yes	6
b. RotaCare Clinic.	Yes	6
11. For at least five years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Purchaser shall maintain its contracts and any amendments and exhibits thereto with the County of San Mateo, unless otherwise terminated by the County of San Mateo, for services, including the following:	Yes	5
a. Participation in the Hospital Preparedness Program between the Hospital (jointly with Seton Coastside) and San Mateo County;	Yes	5
b. STEMI Receiving Center Designation between the Hospital and San Mateo County;	Yes	5
c. Financial Support for Seismic Upgrades between the Hospital and San Mateo County;	Yes	5
d. Information Sharing and Data Use Agreement between the Hospital and the County of San Mateo Health System;	Yes	5
e. Fee for Service Hospital Services Agreement between the Hospital (jointly with Seton Coastside) and San Francisco Health Plan;	Yes	5
f. Memorandum of Understanding between the Hospital and San Mateo County Behavioral Health and Recovery Services Division;	Yes	5
g. Affiliation Agreement for the Radiology Technology Program between the Hospital and San Mateo College District;	Yes	5
h. Affiliation Agreement for the Registered Nursing Program between the Hospital (jointly with Seton Coastside) and San Mateo College District;	Yes	5
i. Patient Transfer Agreement between the Hospital and San Mateo County Medical Center;	Yes	5
j. Rail Shuttle Bus Service Administration for Seton Shuttle Agreement between the Hospital and San Mateo County Transit District;	Yes	5
k. Medical Services Agreement between the Hospital and San Mateo Health Community Health Authority- Access and Care for Everyone (ACE) Program;	Yes	5
l. Hospital Medi-Cal Hospital Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo;	Yes	5
m. Memorandum of Understanding for Long Term Care Partnership Program between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo; and	Yes	5
n. Care Advantage Hospital Service Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo.	Yes	5

California Attorney General Conditions from Exhibit 8.5 of the Asset Purchase Agreement		
Conditions	AHMC Agrees:	Years of Condition/ Expiration Date
12. For the remainder of the term (until December 13, 2025), Purchaser shall have at Seton Medical Center and Seton Coastside Local Governing Board(s) of Directors. Purchaser shall consult with the Local Governing Board(s) of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, making changes to the charity care and collection policies, and making changes to charity care services provided at Seton Medical Center and Seton Coastside;	Yes	12/13/2025
13. Purchaser shall commit to reserve or expend capital for St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center for capital improvements to the hospitals over the five-year period from the closing of the Asset Purchase Agreement of the amount that remains unexpended from the \$180 million commitment required of BlueMountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among St. Francis Medical Center, Seton Medical Center and St. Vincent Medical Center;	No	5
14. Purchaser shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Seton Medical Center and Seton Coastside through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070). Purchaser shall meet construction benchmarks which include the starting of construction on the 1963 Tower;	Yes	-
15. Purchaser shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Seton Medical Center and Seton Coastside;	Yes	-
16. There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at Seton Medical Center and Seton Coastside, and no restriction or limitation on providing or making reproductive health services available at Seton Medical Center and Seton Coastside, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Purchaser's written policies, adhered to, and strictly enforced; and	Yes	-
17. For six fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Purchaser shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.	Yes	6

*The term "For the remainder of the term" refers to the Conditions to Change in Control and Governance of Seton Medical Center and Seton Coastside and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC., dated December 3, 2015. The System Restructuring and Support Agreement closed on December 14, 2015.

Use of Net Sale Proceeds

The money received from the sale will be distributed to creditors in conjunction with the Bankruptcy Court and there will be no net proceeds as a result of the transaction.

Profile of Verity Health

Verity Health

Verity Health is a nonprofit healthcare system headquartered in El Segundo, California. The healthcare system was originally established by the Daughters of Charity of St. Vincent de Paul, Province of the West, to support the mission of the Catholic Church through a commitment to the sick and poor.

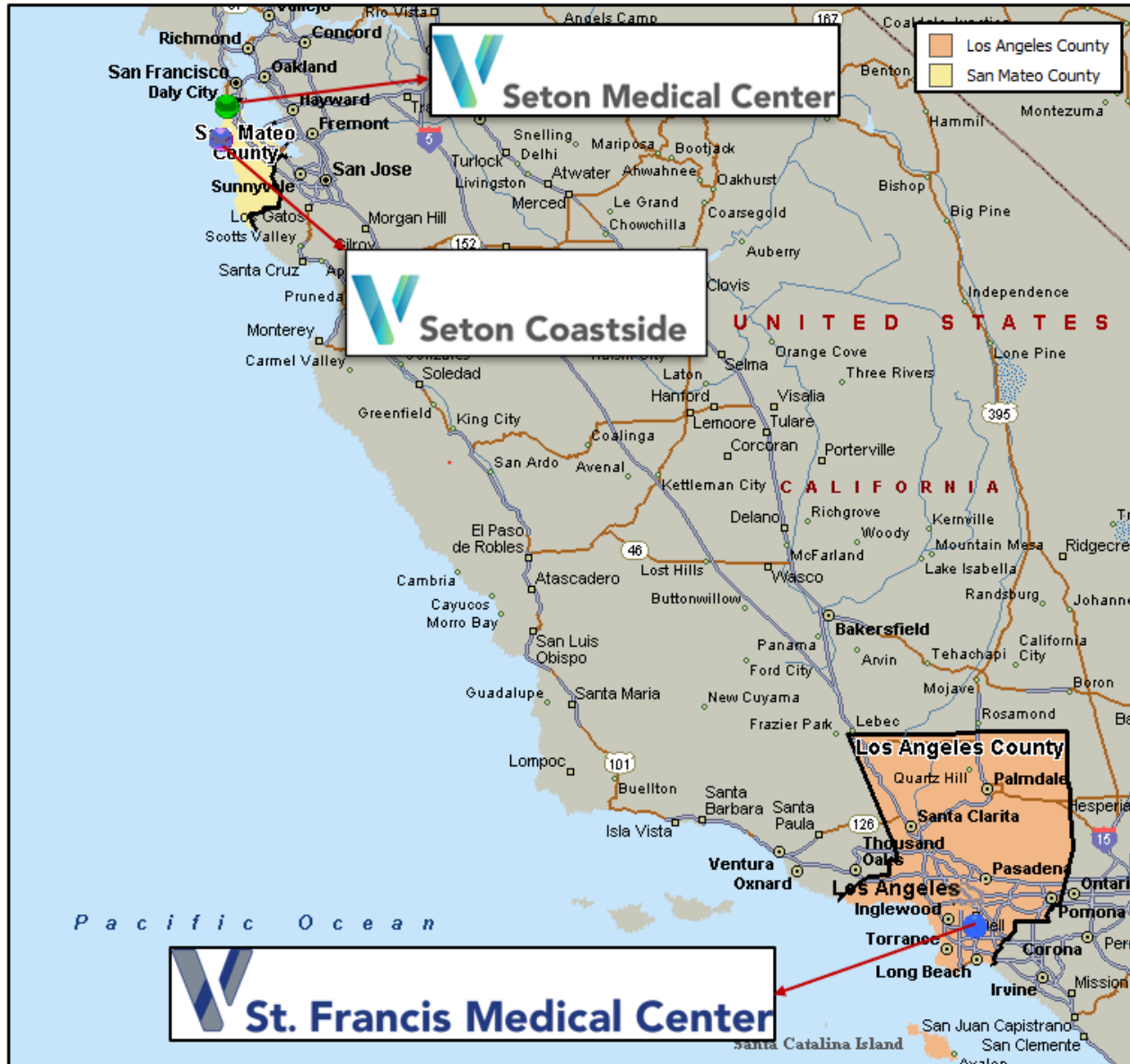
Daughters of Charity, a group of women dedicated to caring for the needs of the poor, was started in France by St. Vincent de Paul and St. Louise de Marillac in 1633. The Daughters of Charity continued its mission and opened its first hospital in Los Angeles in 1856. Daughters of Charity expanded its hospitals into San Jose in 1889 and San Francisco in 1893. These hospitals were the forerunners of St. Vincent Medical Center, O'Connor Hospital, and Seton Medical Center. During the 1980s, Daughters of Charity expanded to include Seton Medical Center Coastsides (1980), St. Francis Medical Center (1981), and Saint Louise Regional Hospital (1987). In 1986, the hospitals joined Daughters of Charity National Health System, based in St. Louis, Missouri. In 1995, the hospitals left Daughters of Charity National Health System and merged with Catholic Healthcare West. The hospitals withdrew from Catholic Healthcare West in 2001 and operated as Daughters of Charity until December 2015 when the transaction with BlueMountain Capital Management, LLC and Integrity Healthcare, LLC resulted in a renaming of the organization as Verity Health System.

Verity Health operated six hospitals until March 1, 2019, when Santa Clara County assumed responsibility for two Verity Health hospitals; O'Connor Hospital, in San José, California, and St. Louise Regional Hospital, in Gilroy, California. Today, the two hospitals are a part of the County of Santa Clara Health System. St. Vincent Medical Center ceased operating in January 2020 and surrendered its hospital license. Verity Health subsequently leased the facility to the California Department of Health Services for operations as a surge facility for COVID-19 patients. It was reopened in March as the Los Angeles Surge Hospital with Dignity Health and Kaiser Permanente, both contracted to oversee the hospital through June 30, 2020. In April 2020, Patrick Soon-Shiong, MD purchased the facility from Verity Health for purposes other than as a general acute care hospital. The remaining three Verity Health hospitals are:

- **St. Francis Medical Center:** The Hospital was established in 1945 and gained sponsorship from Daughters of Charity, Province of the West, in 1981. The Hospital, a 384-bed general acute care facility, provides comprehensive healthcare services and operates one of the busiest emergency trauma centers in Los Angeles County. The Hospital serves the nearly 1.7 million residents of Southeast Los Angeles, located in the communities of Lynwood, South Gate, Downey, Huntington Park, Bell Gardens, Maywood, and Compton;

- **Seton Medical Center:** The hospital was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent de Paul in 1893. The facility was destroyed in the San Francisco Earthquake of 1906, and by 1912, Mary's Help Hospital reopened a new facility in San Francisco. In 1965, the hospital moved to its current location at 1900 Sullivan Avenue in Daly City. The hospital, renamed Seton Medical Center in 1983, is currently licensed for 357 beds and serves residents from the San Francisco and San Mateo areas. After the sale to SGM failed, the San Mateo County Board of Supervisors agreed to provide \$20 million to support the struggling hospital in an effort to save hundreds of jobs and expand treatment capacity for COVID-19 patients. Additionally, the State of California established a short term agreement providing financial support for the Hospital to expand its capacity to accept COVID-19 patients. The Hospital shares a consolidated license with Seton Coastside located at 600 Marine Boulevard in Moss Beach; and
- **Seton Coastside:** The hospital was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to head operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside as it was integrated into one administrative entity with Seton Medical Center. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general, acute-care beds. Seton Coastside also operates the only 24-hour "standby" emergency department along the 55-mile stretch between Santa Cruz and Daly City. Under a consolidated license, Seton Medical Center and Seton Coastside share the same Board of Directors, executive leadership team, charity care policies, and collective bargaining agreements.

Verity Health’s three current hospital locations are shown on the map below:



Verity Health Inpatient Statistics

Between FY 2017 and FY 2018, the number of Verity Health inpatient discharges increased by 3% from approximately 50,300 discharges in FY 2017 to approximately 51,700 discharges in FY 2018. Over this same period, inpatient days increased by 2% resulting in an average daily census of 856 patients per day in FY 2018. The following table provides inpatient volume trends for FY 2017 and FY 2018:

VERITY HEALTH SYSTEM UTILIZATION STATISTICS ²								
FY 2017 & FY 2018								
	St. Francis Medical Center		Seton Medical Center*		Seton Medical Center - Coastside		Verity Health System Total ¹	
	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018
Total Licensed Beds	384	384	357	357	121	121	1,679	1,679
Total Discharges	21,049	22,687	5,695	5,263	121	76	50,308	51,745
Total Patient Days	103,599	105,438	45,242	44,359	39,889	41,503	306,831	312,583
Average Length of Stay	4.9	4.6	7.9*	8.4*	N/A	N/A	5.3**	5.2**
Average Daily Census	283.8	288.9	124.0	121.5	109.3	113.7	840.6	856.4
Outpatient Surgeries	2,310	2,774	2,721	2,900	-	-	12,849	12,878
Inpatient Surgeries	3,112	3,347	1,267	1,116	-	-	9,611	10,127
Outpatient ED Visits	64,480	61,831	23,478	22,984	2,635	2,631	186,342	182,705
Clinical Visits	-	-	93,720	99,162	3,071	5,394	203,469	170,236
Case Mix Index ³ Total	1.42	1.49	1.81	1.80	1.40	1.41	-	-

Source: Verity Health Audited Financials

Note: FY 2018 Unaudited

* Includes subacute patients.

**Excludes Seton Coastside.

N/A: Patient level detail not available.

¹ Includes all other entities (St. Vincent Medical Center, System Office, System Elimination Obligated Group, Non-Obligated Group, and System Elimination Non-Obligated Group).

² The figures provided by Verity Health differs from information reported to OSHPD and found in subsequent sections of this report.

³ The Case Mix Index (CMI) is the average relative DRG weight of a hospital's inpatient discharges, calculated by summing the Medicare Severity-Diagnosis Related Group (MS-DRG) weight for each discharge and dividing the total by the number of discharges. The CMI reflects the diversity, clinical complexity, and resource needs of all the patients in the hospital. A higher CMI indicates a more complex and resource-intensive case load.

Internal utilization data for FY 2017 and FY 2018, reported by Verity Health, shows the following:

- Total discharges at St. Francis Medical Center increased 8%;
- Outpatient emergency department visits have decreased slightly across all Verity Health Hospitals; and
- Seton Medical Center's Case Mix Index (CMI) is highest among the four reported hospitals with a CMI of 1.80 in FY 2018. A higher CMI indicates a more complex and resource-intensive cases are performed generally resulting in higher reimbursement.

Statement of Operations

VERITY HEALTH SYSTEM STATEMENT OF OPERATIONS ²												
FY 2017 - FY 2019 (thousands)												
	St. Francis Medical Center			Seton Medical Center			Seton Medical Center - Coastside			Verity Health System Total ¹		
Unrestricted Revenues and Other Support:	FY 2017	FY 2018	FY 2019*	FY 2017	FY 2018	FY 2019*	FY 2017	FY 2018	FY 2019*	FY 2017	FY 2018	FY 2019*
Net Patient Revenue	\$443,825	\$496,142	\$361,461	\$230,312	\$238,621	\$174,813	\$21,866	\$22,686	\$18,182	\$1,269,567	\$1,432,013	\$888,518
Provision for Doubtful Accounts	(\$12,742)	(\$23,483)	(\$1,870)	(\$3,212)	(\$6,512)	(\$9,096)	(\$314)	(\$616)	(\$612)	(\$33,318)	(\$58,702)	(\$19,298)
Premium Revenue	\$80,039	\$100,579	\$86,395	-	-	-	-	-	-	\$98,607	\$151,915	\$109,519
Other Revenue	\$1,985	\$1,700	\$1,640	\$3,458	\$7,743	\$998	\$574	\$579	\$448	\$12,647	\$45,984	\$18,419
Contributions	\$2,755	\$4,184	\$3,214	\$223	\$352	\$73	-	-	-	\$4,288	\$31,244	\$6,413
Total unrestricted revenues and other support	\$515,862	\$579,122	\$450,840	\$230,781	\$240,204	\$166,788	\$22,126	\$22,649	\$18,018	\$1,351,791	\$1,602,454	\$1,003,571
Expenses:												
Salaries and Benefits	\$200,689	\$214,622	\$192,993	\$136,212	\$144,752	\$125,557	\$15,951	\$17,699	\$14,525	\$703,146	\$804,084	\$615,345
Supplies	\$147,515	\$42,452	\$35,498	\$82,303	\$31,826	\$22,724	\$4,132	\$1,954	\$1,604	\$424,462	\$198,516	\$128,414
Purchased Services, Medical Claims and Other	\$38,617	\$244,547	\$175,112	\$31,451	\$84,758	\$57,483	\$1,935	\$6,453	\$3,913	\$166,520	\$634,499	\$362,560
Goodwill and intangible Asset Impairment	\$45,508	-	-	-	-	-	-	-	-	\$55,534	\$7,218	-
Depreciation and amortization	\$10,048	\$9,201	\$6,955	\$6,019	\$5,525	\$4,219	\$161	\$132	\$103	\$32,123	\$32,624	\$22,825
Interest	\$4,284	\$3,951	\$3,155	\$3,440	\$5,339	\$4,505	(\$5)	(\$9)	-	\$27,641	\$36,887	\$41,162
Total Expenses	\$446,661	\$514,773	\$413,713	\$259,425	\$272,200	\$214,488	\$22,174	\$26,229	\$20,145	\$1,409,426	\$1,713,828	\$1,170,306
Operating Loss/Gain	\$69,201	\$64,349	\$37,127	(\$28,644)	(\$31,996)	(\$47,700)	(\$48)	(\$3,580)	(\$2,127)	(\$57,635)	(\$111,374)	(\$166,735)
Investment Income	-	-	-	-	-	\$247	-	-	-	-	(\$7,545)	\$5,094
Gain (Loss) on Hospital Sales	-	-	-	-	-	-	-	-	-	-	-	\$174,598
Reorganization Items	-	-	(\$16,683)	-	-	(\$9,418)	-	-	(\$880)	-	-	(\$46,274)
Excess (Deficit) of Revenue over Expenses	\$69,201	\$64,349	\$20,444	(\$28,644)	(\$31,996)	(\$56,871)	(\$48)	(\$3,580)	(\$3,007)	(\$57,635)	(\$118,919)	(\$33,317)

Source: Verity Health Audited Financials

Note: FY 2018 and FY 2019 are unaudited.

* Only the first 10 months are provided in the Application to the Attorney General.

¹ Includes all other entities (St. Vincent Medical Center, System Office, System Elimination Obligated Group, Non-Obligated Group, and System Elimination Non-Obligated Group)

² The figures provided by Verity Health differs from information reported to OSHPD and found in subsequent sections of this report.

Verity Health's audited FY 2017 and unaudited FY 2018 and unaudited FY 2019 (ten months), statements of operations report the individual performance of the Verity Health Hospitals in conjunction with Verity Health's system-wide performance²⁰. All the hospitals, with the exception of St. Francis Medical Center, show significant operating losses in FY 2017, FY 2018 and FY 2019. For the twelve months ended June 30, 2018, Verity Health recorded an operating loss of \$111.4 million, equating to an operating margin of -7.0%. For the ten months of FY 2019, Verity Health recorded an operating loss of \$166.7 million, equating to an operating margin of -11.6%. The operating performance for the twelve months ended June 30, 2018 included \$171.8 million of net income generated from the QAF program.

Net Patient Service Revenue

Net patient service revenue, less provision for doubtful accounts, of \$1.4 billion for FY 2018 represents a net increase of \$106.1 million or 8.4% as compared to FY 2017. The net overall change in net patient service revenue was impacted by an increase of \$129.2 million in QAF program revenue.

²⁰ Verity Health's FY 2017, FY 2018 and FY 2019 audited and unaudited financials include business entities no longer a part of Verity Health today.

Operating Expenses

Total operating expenses of \$1.7 billion for FY 2018 include an increase in expenses of \$199 million, or 13.1%, as compared to FY 2017. The overall net change in operating expenses is due to an increase in salaries and benefits expense of \$73.8 million, an increase in supplies expense of \$26.1 million, an increase of \$95.6 million in purchased services, medical claims and other expenses, and an increase of \$8.8 million in interest expense. This was partially offset by a decrease in depreciation expense of \$2.3 million and a decrease in goodwill and intangible asset impairment of \$3.0 million. The management agreement fee expense for the twelve months ended June 30, 2018 is \$60.3 million of which \$40.2 million was deferred and \$20.1 million was payable in cash.

Financial Position and Debt Obligations

As of June 30, 2018, Verity Health's unrestricted days cash on hand was 15.3 days. The average cash on hand average among hospitals nationally is 204.7 days. Verity Health's declining days cash on hand is one indicator of its liquidity challenges.

In order to address the lack of liquidity and outstanding obligations, Verity Health and its management company Integrity Healthcare, LLC, took out a series of secured notes. On December 14, 2015, the California Public Finance Authority issued \$160 million revenue notes for the benefit of Verity Health.

In September 2017, the California Public Finance Authority issued \$21 million of tax-exempt notes for the benefit of Verity Health. The notes were purchased by NantWorks, LLC (NantWorks), the former majority stake owner in Verity Health's management company, Integrity Healthcare, LLC. The notes have an interest rate of 7.25% and the principal is due at the maturity date in December 2020.

In October 2017, Verity MOB Financing, LLC, an affiliate of NantWorks, made a loan in the amount of \$46.2 million to Verity Holdings, LLC, which is an affiliated entity of Verity Health. The loan is secured by four medical office buildings and matures in October 2020.

In December 2017, the California Public Finance Authority issued \$21 million of tax-exempt notes for the benefit of Verity Health. These Notes were purchased by NantWorks. The Notes have a lien on property owned with an interest rate of 7.25% and a maturity date in December 2020.

Credit Rating and Outlook

When Verity Health took control of Daughters of Charity Health System, the health system had a credit rating from Standard & Poor’ of “B-.” The rating of “B-” represents less-than-investment grade status. Since 2014, Standard & Poor’s has downgraded Verity Health’s credit rating further and in September 2018, after receiving news of Verity Health’s filing for Chapter 11 bankruptcy, downgraded Verity Health from “CCC” to “CC”. Standard & Poor’s defines “CC” as “highly vulnerable to nonpayment”. The “CC” rating is used when a default has not yet occurred but “expects default to be a virtual certainty, regardless of the anticipated time to default”.

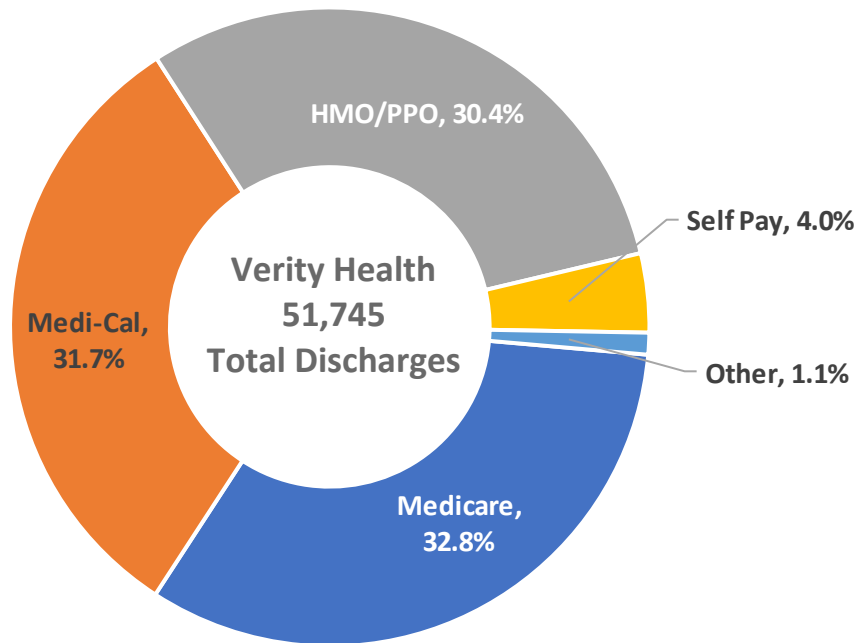
Category	Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments.
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors.
B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable and expects default to be a virtual certainty, regardless of the anticipated time to default.
R	An obligor rated 'R' is under regulatory supervision owing to its financial condition.
D	A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due.

Source: Standard & Poor’s

An issuers' credit quality is generally reflective of its financial condition and ability to meet ongoing debt service obligations. A downgrade can pose future challenges for an issuer to raise capital in the debt markets as the cost of debt rises because buyers of lower rated bonds require higher rates of return to justify the greater relative risk incurred.

Verity Health Payer Mix

In FY 2018, approximately 65% of Verity Health’s inpatient payer mix consisted of Medicare (33%) and Medi-Cal (32%) patients. Approximately (30%) of Verity Health’s inpatient payer mix consisted of Private Pay (HMO/PPO) patients. The remaining (5%) of Verity Health’s inpatient discharges consisted of Self Pay (4%), and Other Payers* (1%).



* “Other” includes self-pay, workers’ compensation, other government, and other payers
Source: Verity Health Internal Unaudited Financial Statements, FY 2018 (based on inpatient discharges)

Unionized Employees

Verity Health Hospitals have collective bargaining agreements (CBAs) with unions that includes Service Employees International Union, National Union of Healthcare Workers, California Nurses Association, United Nurses Association of California, International Union of Operating Engineers, Local 39, and Engineering Scientists of California, Local 20. Approximately 80% of Verity Health’s employees are covered under CBAs.

UNION PARTICIPATION AMONG VERITY HEALTH EMPLOYEES					
Union	Seton Medical Center & Seton Medical Center Coastside	St. Francis Medical Center	Verity Business Services	Verity Corporate	Total
National Union of Healthcare Workers	680				680
California Nurses Association	355				355
Local 20, Engineers & Scientists of California	30				30
Local 39, International Union of Operating Engineers	24				24
Service Employees International Union-United Healthcare Workers		944			944
United Nurses Association of California		793			793
Total Represented by Unions	1,089	1,737			2,826
Total Non-Represented Employees	192	279	153	104	728
Total Employees	1,281	2,016	153	104	3,554
Total Percentage of Employees Represented by Unions	85%	86%	0%	0%	80%

Source: Verity Health

EXPIRATION DATES		
Union	Seton Medical Center & Seton Medical Center Coastside	St. Francis Medical Center
National Union of Healthcare Workers	10/31/2019	
California Nurses Association	Master 12/21/2020 Local 12/21/2020	
Local 20, Engineers & Scientists of California	4/30/2020	
Local 39, International Union of Operating Engineers	9/30/2020	
Service Employees International Union-United Healthcare Workers	10/31/2021	10/31/2021
United Nurses Association of California		12/29/2021

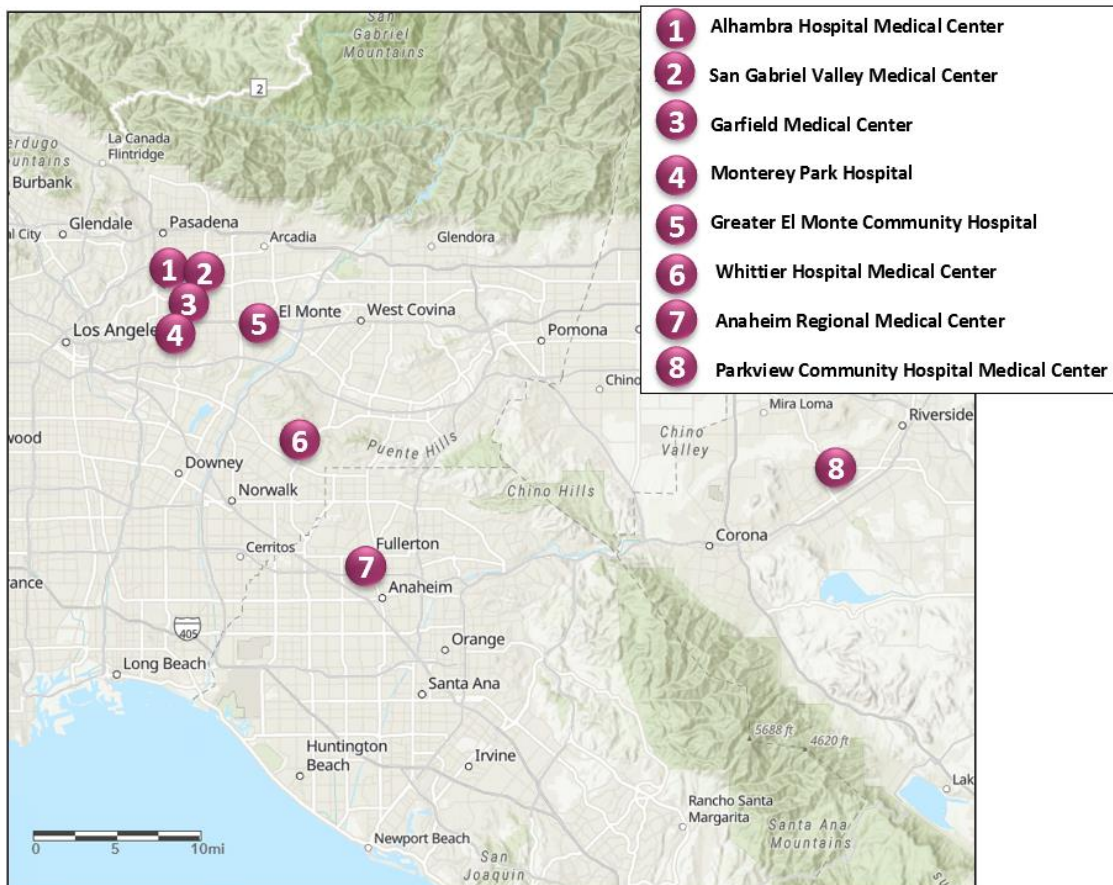
Source: Verity Health

Profile of Purchaser

Overview

AHMC operates eight general acute care hospitals, two post-acute facilities and a Knox Keene Health Care Service Plan²¹. AHMC is affiliated and aligned with several independent practice associations, an accountable care organization, an affiliated medical school and an accredited educational institution providing medical, post graduate and ancillary practitioner training. Dr. Jonathan Wu is the CEO of AHMC, and through various family trusts, controls AHMC. He purchased Alhambra Hospital Medical Center in 1998 and purchased four general acute care hospitals from Tenet Healthcare Corporation (Garfield Medical Center, Greater El Monte Community Hospital, Monterey Park Hospital, and Whittier Hospital Medical Center) in 2004. Three years later in 2007, Dr. Wu purchased San Gabriel Valley Medical Center from Catholic Healthcare West (later reorganized as Dignity Health). Dr. Wu's most recent hospital purchases were Anaheim Regional Memorial Medical Center from Memorial Care in 2009 and Parkview Community Hospital Medical Center in 2018.

A map of the eight AHMC hospital locations is shown below.



²¹ The Knox-Keene Health Care Service Plan Act of 1975, as amended, is the set of laws or statutes passed by the State Legislature to regulate health care service plans, including health maintenance organizations (HMOs) within the State.

AHMC hospitals have over 2,500 physicians on their medical staffs and employ over 5,000 employees. In addition, AHMC is affiliated with several entities including AHMC International Cancer Center, located in the City of Monterey Park, Alhambra Medical University located in the City of Alhambra and Allied Pacific of California IPA.

AHMC also has a nonprofit health foundation, the AHMC Health Foundation, formed in 2009 that uses its funds to support projects and programs located within the service area of AHMC's hospitals.

There are numerous corporate entities that either own or operate AHMC's general acute care hospitals; however, they are all controlled by Dr. Wu. One such entity, Doctors Hospital of Riverside, LLC was created in 2018 to facilitate the acquisition of Parkview Community Hospital Medical Center.

A detailed profile of hospitals operated by AHMC is provided in the following tables.

HOSPITALS OPERATED BY AHMC									
	Alhambra Hosptial Medical Center		Anaheim Regional Medical Center		Garfield Medical Center		Greater El Monte Community Hospital		
	Alhambra		Anaheim		Monterey Park		El Monte		
City	Alhambra		Anaheim		Monterey Park		El Monte		
Licensed Beds	144	144	223	223	210	210	117	117	
Patient Days	33,393	34,553	47,738	44,666	56,859	53,532	18,722	19,324	
Discharges	5,564	5,720	10,698	10,699	12,136	10,392	3,474	3,475	
ALOS	6.0	6.0	4.5	4.2	4.7	5.2	5.4	5.6	
Average Daily Census	91	95	131	122	156	147	51	53	
Occupancy	64%	66%	59%	55%	74%	70%	44%	45%	
ED Visits	19,133	20,465	41,623	41,431	28,459	28,329	22,425	22,751	
Inpatient Surgeries	687	758	2,280	2,068	2,142	2,788	360	378	
Outpatient Surgeries	914	1,083	2,541	2,500	2,417	2,259	516	473	
Births	-	-	1,239	1,178	4,213	3,069	303	154	
Payer Mix (Based on Discharges):									
Medicare Traditional	28.9%	28.4%	23.3%	23.1%	22.1%	24.7%	16.5%	17.6%	
Medicare Managed Care	20.1%	21.3%	18.1%	17.6%	16.2%	17.1%	7.9%	8.1%	
Medi - Cal Traditional	4.3%	2.6%	10.3%	11.2%	11.7%	10.3%	26.3%	23.8%	
Medi - Cal Managed Care	37.9%	37.1%	28.9%	25.6%	25.0%	28.5%	41.1%	42.8%	
Third - Party Traditional	0.4%	0.3%	1.1%	2.1%	1.1%	0.9%	0.1%	0.4%	
Third - Party Managed Care	7.8%	7.0%	16.4%	19.0%	9.4%	9.6%	5.0%	5.9%	
Other Payers	0.4%	2.2%	1.7%	1.0%	14.2%	8.5%	2.6%	1.0%	
Other Indigent	0.3%	1.1%	0.2%	0.4%	0.5%	0.4%	0.5%	0.3%	
County Indigent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	
Income Statement:									
Net Pt. Revenue	\$187,723,502	\$208,705,411	\$232,984,538	\$247,885,035	\$281,411,151	\$304,800,656	\$69,913,645	\$83,094,989	
Other Operating Rev.	\$592,763	\$563,175	\$1,194,440	\$1,147,950	\$1,395,883	\$1,188,696	\$260,651	\$48,211	
Total Operating Rev.	\$188,316,265	\$209,268,586	\$234,178,978	\$249,032,985	\$282,807,034	\$305,989,352	\$70,174,296	\$83,143,200	
Total Operating Exp.	\$177,613,320	\$201,707,860	\$220,129,756	\$227,013,686	\$278,964,456	\$295,200,821	\$65,763,193	\$68,899,505	
Net From Operations	\$10,702,945	\$7,560,726	\$14,049,222	\$22,019,299	\$3,842,578	\$10,788,531	\$4,411,103	\$14,243,695	
Non-operating Rev.	\$909,021	\$780,789	\$523,862	\$374,808	\$2,255,072	\$1,394,424	\$213,214	\$278,929	
Non-operating Exp.	\$2,722	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Income	\$11,609,244	\$8,341,515	\$14,572,284	\$22,393,307	\$6,096,805	\$12,182,155	\$4,623,517	\$14,521,824	
Other Financial:									
Charity Care Charges	\$4,526,478	\$6,161,580	\$2,637,283	\$8,602,134	\$3,614,577	\$4,041,469	\$1,096,304	\$8,379,655	
Bad Debt Charges	\$2,891,420	\$4,085,779	\$13,405,694	\$12,285,126	\$8,360,837	\$9,022,139	\$5,471,992	\$4,323,038	
Total Uncompensated Care	\$7,417,898	\$10,247,359	\$16,042,977	\$20,887,260	\$11,975,414	\$13,063,608	\$6,568,296	\$12,702,693	
Cost to Charge Ratio	34.1%	36.3%	16.2%	16.6%	16.3%	18.4%	20.7%	20.4%	
Cost of Charity	\$1,541,807	\$2,239,715	\$427,109	\$1,431,273	\$590,287	\$743,501	\$227,401	\$1,713,468	
Uncompensated Care as % of Chgs.	1.4%	1.9%	1.2%	1.5%	0.7%	0.8%	2.1%	3.8%	
Disproportionate Share Hospital	NON-DSH		DSH		DSH		DSH		
Fiscal Year Ending	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	

Source: OSHPD Pivot Profile, FY 2017 & 2018

HOSPITALS OPERATED BY AHMC								
	Monterey Park Hospital		Parkview Community Hospital Medical Center		San Gabriel Valley Medical Center		Whittier Hospital Medical Center	
	Monterey Park		Riverside		San Gabriel		Whittier	
City	Monterey Park		Riverside		San Gabriel		Whittier	
Licensed Beds	101	101	193	191	273	273	178	178
Patient Days	19,963	19,407	34,337	29,010	59,345	62,363	38,144	34,282
Discharges	5,798	5,286	8,149	7,406	9,577	9,708	8,915	7,629
ALOS	3.4	3.7	4.2	3.9	6.2	6.4	4.3	4.5
Average Daily Census	55	53	94	79	163	171	105	94
Occupancy	54%	53%	49%	42%	60%	63%	59%	53%
ED Visits	24,478	26,360	47,183	41,133	27,812	27,629	32,652	32,294
Inpatient Surgeries	1,724	1,095	1,943	3,531	4,263	1,650	2,539	2,037
Outpatient Surgeries	1,619	1,410	1,475	1,565	2,878	2,688	1,405	1,113
Births	1,876	1,785	2,068	1,814	2,466	2,852	3,356	2,255
Payer Mix (Based on Discharges):								
Medicare Traditional	12.5%	13.6%	16.5%	17.2%	28.3%	29.1%	14.0%	16.1%
Medicare Managed Care	12.7%	14.2%	16.3%	18.0%	14.2%	15.4%	11.7%	14.1%
Medi - Cal Traditional	14.0%	13.7%	12.6%	13.1%	8.9%	8.4%	13.8%	11.3%
Medi - Cal Managed Care	40.7%	43.2%	34.0%	33.3%	28.3%	28.2%	28.1%	32.4%
Third - Party Traditional	0.2%	0.2%	1.9%	1.2%	2.0%	1.0%	0.8%	0.9%
Third - Party Managed Care	6.5%	7.1%	17.0%	13.6%	13.7%	10.8%	15.9%	18.5%
Other Payers	13.3%	7.1%	1.8%	3.3%	4.5%	7.0%	15.3%	6.2%
Other Indigent	0.2%	0.9%	0.0%	0.3%	0.1%	0.1%	0.4%	0.4%
County Indigent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Income Statement:								
Net Pt. Revenue	\$105,250,731	\$116,684,007	\$151,914,314	\$162,737,126	\$153,107,622	\$187,002,817	\$132,716,540	\$150,514,951
Other Operating Rev.	\$503,092	\$301,798	\$1,085,164	\$2,055,728	\$579,494	\$497,324	\$306,776	\$260,362
Total Operating Rev.	\$105,753,823	\$116,985,805	\$152,999,478	\$164,792,854	\$153,687,116	\$187,500,141	\$133,023,316	\$150,775,313
Total Operating Exp.	\$89,403,941	\$97,901,476	\$152,672,667	\$154,147,492	\$174,944,261	\$182,414,112	\$117,618,463	\$121,591,500
Net From Operations	\$16,349,882	\$19,084,329	\$326,811	\$10,645,362	(\$21,257,145)	\$5,086,029	\$15,404,853	\$29,183,813
Non-operating Rev.	\$840,634	\$578,243	\$390,625	\$5,716,371	\$710,783	\$309,057	\$555,350	\$318,089
Non-operating Exp.	\$0	\$0	\$138,710	\$2	\$0	\$0	\$0	\$0
Net Income	\$17,189,716	\$19,661,772	\$578,726	\$16,361,731	(\$20,547,162)	\$5,394,286	\$15,959,403	\$29,501,102
Other Financial:								
Charity Care Charges	\$1,668,109	\$1,340,977	\$2,631,196	\$3,688,312	\$682,885	\$10,845,633	\$1,787,626	\$7,364,820
Bad Debt Charges	\$8,263,349	\$7,419,945	\$23,430,831	\$21,806,942	\$5,337,016	\$2,811,374	\$9,880,356	\$8,949,596
Total Uncompensated Care	\$9,931,458	\$8,760,922	\$26,062,027	\$25,495,254	\$6,019,901	\$13,657,007	\$11,667,982	\$16,314,416
Cost to Charge Ratio	13.4%	14.3%	19.8%	22.0%	17.0%	16.7%	14.1%	15.6%
Cost of Charity	\$223,687	\$191,825	\$520,754	\$810,540	\$116,138	\$1,806,007	\$252,775.26	\$1,145,397.34
Uncompensated Care as % of Chgs.	1.5%	1.3%	3.4%	3.7%	0.6%	1.3%	1.4%	2.1%
Disproportionate Share Hospital	DSH		DSH		NON-DSH		DSH	
Fiscal Year Ending	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018

Source: OSHPD Pivot Profile, FY 2017 & 2018

Hospital Compare

The Centers for Medicare & Medicaid Services' (CMS) Hospital Compare website is a hospital rating system that summarizes 57 quality measures into a single quality Star Rating in order to rank and provide information about the quality of care at over 4,000 Medicare-certified hospitals, including over 130 Veterans Administration (VA) medical centers, across the country. The information assists the public in making decisions about where to get health care services and encourages hospitals to improve the quality of care they provide.

The 57 quality measures are summarized into seven categories. These include:

- **General information:** Name, address, telephone number, type of hospital, and other general information about the hospital;
- **Survey of patients' experiences:** How patients recently discharged from the hospital responded to a survey about their hospital experience. The survey asks questions such as how well a hospital's doctors and nurses communicated with the patient;
- **Timely and effective care:** How often or how quickly hospitals give recommended treatments known to get the best results for people with certain common conditions;
- **Complications and deaths:** How likely it is that patients will have complications while in the hospital or after certain inpatient surgical procedures, and how often patients died within 30 days of being in the hospital for a specific condition;
- **Unplanned hospital visits:** Whether patients return to a hospital after an initial hospital stay or outpatient procedure, and how much time they spend back in the hospital;
- **Use of medical imaging:** How a hospital uses outpatient medical imaging tests (like CT scans and MRIs); and
- **Payment and value of care:** How payments made by patients treated at individual hospitals compare to hospitals nationally.

CMS updated its overall hospital Quality Star Ratings in February 2020, recognizing 407 hospitals country-wide with 5-Star Ratings. Below is a breakdown of the Star Ratings:

- **1-Star:** 228 hospitals
- **2-Stars:** 710 hospitals
- **3-Stars:** 1,450 hospitals
- **4-Stars:** 1,138 hospitals
- **5-Stars:** 407 hospitals

AHMC and Verity Health’s hospitals Star Ratings are as follows:

Hospital Compare Star Ratings by Hospital		
	Hospital	Star Rating
AHMC	Alhambra Hosptial Medical Center	★★★★
	Anaheim Regional Medical Center	★★
	Garfield Medical Center	★★★★
	Greater El Monte Community Hospital	★★
	Monterey Park Hospital	★★
	Parkview Community Hospital Medical Center	★
	San Gabriel Valley Medical Center	★★★★
	Whittier Hosptial Medical Center	★★★
Verity Health	St. Francis Medical Center	★★
	Seton Medical Center	★★★

Source: Medicare.gov, June 2020.

- Of AHMC’s eight general acute care hospitals, four of the hospitals achieved a 3 - star rating or higher; and
- Of Verity Health’s two general acute care hospitals, Seton Medical Center achieved a 3 - Star Rating and St. Francis Medical Center achieved a 2-Star Rating.

Leapfrog Hospital Safety Grade

Leapfrog Hospital Safety Grade is a composite score made up of up to 28 national performance measures of patient safety measures that indicate how well hospitals protect patients from preventable errors, injuries and infections. Submission of a Leapfrog Hospital Survey from general acute-care hospitals in the U.S. is encouraged though not required for hospitals to receive a grade. The data used for the composite score is compiled from Centers for Medicare & Medicaid Services (CMS), and measures from their own customized survey developed by a panel of patient safety experts. Criteria of patient safety used to determine the score includes:

Outcome measures include, among other measures:

- Infections, including: central line-associated bloodstream infections, catheter-associated urinary tract infections, surgical site infections for colon surgery, MRSA and C. diff;
- Falls and trauma, very severe pressure ulcers; and
- Preventable complications from surgery such as foreign objects retained in the body and accidental punctures or lacerations.











Process/structural measures include, among other measures:

- Strong nursing leadership and engagement;
- Computerized physician order entry systems to prevent medication errors;
- Safe medication administration;
- Hand hygiene policies; and
- The right staffing for the ICU.

The Leapfrog Hospital Safety Grade does not measure:

- Issues commonly considered quality measures, such as death rates for certain procedures;
- Measures of hospital quality, such as ratings by specialty or procedure; and
- Readmission rates.

Hospitals are then assigned a grade twice annually, using a scoring algorithm to determine each hospital’s score as an A, B, C, D, or F letter grade.

Leapfrog Hospital Safety Grade by Hospital				
	Hospital	Safety Letter Grade	Hospital	Safety Letter Grade
AHMC	Alhambra Hospital Medical Center		Anaheim Regional Medical Center	
	Garfield Medical Center		Greater El Monte Community Hospital	
	Monterey Park Hospital		Parkview Community Hospital Medical Center	
	San Gabriel Valley Medical Center		Whittier Hospital Medical Center	
Verity Health	St. Francis Medical Center		Seton Medical Center	

Source: Leapfrog Hospital Safety Grade

Profile of Seton Medical Center

Seton Medical Center

Seton Medical Center was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent De Paul in 1893. The original facility was destroyed in the San Francisco Earthquake of 1906, and in 1912, Mary's Help Hospital reopened a new facility in San Francisco. In 1965, the hospital was moved to its current location at 1900 Sullivan Avenue in Daly City and in 1983. The hospital was renamed Seton Medical Center. The hospital is currently licensed for 357 beds, and serves residents from the South San Francisco and San Mateo areas. Seton Medical Center has an emergency department with 19 licensed treatment stations. It also has 13 surgical operating rooms and three cardiac catheterization labs. The hospital provides a broad range of medical services, including cancer, cardiac, emergency, surgical, rehabilitation, respiratory, orthopedic, skilled nursing, and sub-acute care. Seton Medical Center is accredited by The Joint Commission.

Seton Coastside

Seton Coastside was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to manage operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside when it integrated with Seton Medical Center. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general acute care beds. Seton Coastside also operates the only 24-hour "standby" emergency department along the 55-mile stretch between Santa Cruz and Daly City.

Under a consolidated license, Seton Medical Center and Seton Coastside share the same Board of Directors, executive leadership team, charity care policies, and union collective bargaining agreements.

Seton Foundation

Seton Foundation, governed by a Board of Trustees, raises funds through grants, special events, and individual donors. Charitable donations and endowments raised by the Seton Foundation help fund the acquisition of new equipment and the expansion of the facilities at Seton Medical Center and Seton Coastside. Seton Medical Center is the sole corporate member of Seton Foundation.

As of May 31, 2018, Seton Foundation had a balance of \$2,693,778.66 in temporary restricted assets and a balance of \$ 2,717,591 million in permanently restricted assets. These assets are used for the purpose of funding programs such as oncology, the San Francisco Heart & Vascular Institute, and women's services.

Overview of the Hospital

Seton Medical Center, a general acute care facility, and Seton Coastside, a skilled nursing facility with licensed general acute care beds have the following bed counts:

BED DISTRIBUTION 2020 SETON MEDICAL CENTER	
Bed Type	Number of Beds
General Acute Care	201
Intensive Care	14
Neonatal Intensive Care	3
Coronary Care	14
Perinatal	18
Total General Acute Care Beds	250
Acute Psychiatric (D/P)*	24
Skilled Nursing (D/P)	83
Total Beds	357

Source: Hospital License 2020

*These beds are suspended from 05/13/2019 to 05/12/2020.

BED DISTRIBUTION 2020 SETON COASTSIDE	
Bed Type	Number of Beds
General Acute Care	5
Skilled Nursing (D/P)	116
Total Beds	121

Source: Hospital License 2020

Seton Medical Center has a “basic” emergency department²² with 19 licensed treatment stations. It also has 13 surgical operating rooms and three cardiac catheterization labs.

Seton Coastside has a “standby” emergency department with seven treatment stations, and has ambulance receiving capabilities, and a heliport. The five general, acute-care beds are rarely used for inpatients.

²² A “basic” emergency department provides emergency medical care in a specifically designated part of a hospital that is staffed and equipped at all times to provide prompt care for any patient presenting urgent medical problems.

Key Statistics

For FY 2019, Seton Medical Center and Seton Coastside had a total of 5,301 inpatient discharges, 85,712 patient days, and an average daily census of 235 patients (approximately 49% occupancy on 478 total licensed beds).

SETON MEDICAL CENTER AND SETON COASTSIDE KEY STATISTICS FY 2017- FY 2019 ¹			
	FY 2017	FY 2018	FY 2019
Inpatient Discharges	5,816	5,359	5,301
Licensed Beds	478	478	478
Patient Days	85,132	85,862	85,712
Average Daily Census	233.2	235.2	234.8
Occupancy Rate	48.8%	49.2%	49.1%
Average Length of Stay ²	14.6	16.0	16.2
Cardiac Catheterization Procedures	4,012	3,735	4,003
Coronary Artery Bypass Graft (CABG)- Seton Medical Center*	55	n/a	60
Emergency Service Visits- Seton Medical Center*	27,489	20,022	19,160
Emergency Service Visits- Seton - Coastside*	2,644	2,473	2,222

Sources: OSHPD Disclosure Reports, FY 2017 - FY 2019 and Verity Health

*OSPHD Utilization Reports

¹ FY 2017 and FY 2018 data is from audited OSHPD Disclosure Reports whereas FY 2019 data is unaudited.

²Includes subacute and skilled nursing volume.

- Inpatient discharges and patient days have declined 9% and patient days have increased by 1% since FY 2017;
- In FY 2019, Seton Medical Center and Seton Coastside had a combined 21,382 emergency department visits;
- In FY 2019, Seton Medical Center reported 4,003 diagnostic cardiac catheterization procedures; and
- Seton Medical Center performed 55 Coronary Artery Bypass Graft (CABG) surgeries in FY 2017 and 60 CABG surgeries in FY 2019. However, this is significantly down from the 200+ CABG surgeries the Hospital was performing in the early 2000s.

Programs and Services

Seton Medical Center offers a broad range of medical services, including oncology, cardiac, emergency, surgical, geropsychiatric, rehabilitation, respiratory, orthopedic, skilled nursing and sub-acute care.

- Cancer care services include: inpatient oncology unit and outpatient services that provide chemotherapy, radiation, support groups, nutrition counseling, and pain management;

- Cardiac services include: Echocardiography studies, pacemaker implantation, cardiac catheterization procedures, and complex heart surgeries including coronary artery bypass. The Hospital is a designated STEMI Receiving Center;
- Emergency services include: An emergency department with 19 treatment stations that has ambulance receiving capabilities and is certified by the Joint Commission as a Primary Stroke Center;
- Diabetes services include: pre-diabetes screening, gestational diabetes, heart failure, kidney disease, hyperlipidemia (high blood cholesterol) cancer care support, and wound healing;
- Gastroenterology services include: Inpatient and outpatient diagnostic and therapeutic services, including enteroscopy, endoscopy, and colonoscopy;
- Geriatric behavioral health includes: A 20-bed licensed geriatric psychiatry unit that serves the needs of older individuals with acute psychiatric illnesses providing multi-disciplinary services for voluntary and involuntary patients;
- Imaging and lab services include: X-ray, interventional radiology, nuclear medicine, PET/CT scans, ultrasound, MRI, mammography, hematology, coagulation, chemistry, microbiology, and histology services;
- Orthopedic services include: Joint replacement, spine care, minimally invasive surgery, and physical therapy at the Seton Orthopedic Institute;
- Stroke care services include: diagnosis and treatment of stroke patients including stroke prevention, and stroke rehabilitation services (physical therapy, speech therapy, occupational therapy);
- Sub-acute services include: A 44-bed Medi-Cal certified unit that provides long-term care for patients 18 years and older who require the use of a tracheotomy, gastronomy tube, or ventilator;
- Skilled nursing services include: A 39 bed skilled nursing unit for patients who require less intensive care than sub-acute care patients that opened in June 2018;
- Wound care services include: Inpatient and outpatient treatment for chronic non-healing wounds:
 - Seton Center for Advanced Wound Care offers: Skin substitutes, skin grafting, debridement, revascularization, and compression therapy treatments for difficult-to-heal wounds.

- Ophthalmology services include: Treatment for cataracts and diabetic retinopathy.

Seton Coastside provides emergency services, skilled nursing care, and outpatient ancillary services:

- Emergency services include: 24-hour “standby” emergency department with seven treatment stations. Seton Coastside is the only provider of emergency services along the Pacific Coastline from Santa Cruz to Daly City. Critically ill patients in the area are taken or are transferred to full-service hospitals.
- Skilled nursing services include: 116 licensed-bed unit that provides skilled nursing and specialty care in post-acute and geriatric services; and
- Outpatient ancillary services include: Physical, occupational, and speech therapies, radiology and mammography, and clinical laboratory services.

Accreditation

The Hospital is accredited by The Joint Commission for three years, effective August 2017. Over the years, the Hospital has received awards and accolades as a provider of quality care, some of which include the following:

- Primary Stroke Center certification by the Joint Commission, effective September 2019 through September 2021. The Joint Commission last conducted a survey at the Hospital on September 3, 2019;
- Designated STEMI Receiving Center by San Mateo County;
- The Stroke Gold Plus Quality Achievement Award in 2018 which recognizes the Hospital’s commitment to ensuring stroke patients receive the most appropriate treatment according to nationally recognized, research-based guidelines based on the latest scientific evidence; and
- The Patient Safety First Award for Achievements in Reducing Deaths from Sepsis in 2013 by the Hospital Council of Northern and Central California.

Quality Measures

The Value-Based Purchasing Program, established by the Federal Patient Protection and Affordable Care Act in 2012, encourages hospitals to improve the quality and safety of care. The Centers for Medicare & Medicaid Services rewards and penalizes hospitals through payments and payment reductions by determining hospital performance on four domains that reflect hospital quality: the clinical process of care and outcomes domain, the patient and caregiver centered experience of care/care coordination domain, the safety domain, and the efficiency and cost

reduction domain. In FY 2019, the Centers for Medicare & Medicaid Services increased Medicare payments to the Hospital by 0.35%. For FY 2020, the Centers for Medicare & Medicaid Services is increasing payments to the Hospital by 0.29%.

The following table reports the Hospital’s performance compared to all hospitals across the nation for the seven categories that comprise Hospital Compare’s overall quality rating:

QUALITY MEASURES	
Category	Seton Medical Center
Mortality	Above the national average
Safety of Care	Above the national average
Readmission	Same as the national average
Patient Experience	Below the national average
Effectiveness of Care	Same as the national average
Timeliness of Care	Below the national average
Efficient Use of Medical Imaging	Below the national average

Source: Data.medicare.gov Hospital Compare, May 2020

The Federal Hospital Readmissions Reduction Program²³, implemented in 2012, penalizes hospitals for excess patient readmissions within 30 days of discharge for the following three applicable conditions: heart attack, heart failure, and pneumonia. The penalty is administered by reducing all of a hospital’s reimbursement payments under the Medicare program by a certain percentage for the entire year.

In FY 2019, the Hospital was penalized with a 0.32% reduction in reimbursement. For FY 2020, the Hospital will be penalized with a 0.19% reduction in reimbursement. The following table shows the Hospital’s 30-day readmission rates for chronic obstructive pulmonary disease, heart attack, heart failure, pneumonia, and all causes hospital-wide. The Hospital’s 30-day readmission rates for heart attack and heart failure are lower than the national average.

30-DAY READMISSION RATES		
Condition/Procedure	Seton Medical Center	National Average
Chronic Obstructive Pulmonary Disease	19.9%	19.5%
Heart Attack	14.7%	15.7%
Heart Failure	20.6%	21.6%
Pneumonia	17.4%	16.6%
Hospital Wide	15.3%	15.3%

Source: Medicare.gov Hospital Compare, May 2020

²³ The formula for determining hospital reimbursement payments under the Hospital Readmissions Reduction Program varies by hospital and geographic location and may not correspond directly to state and national hospital averages.

Seismic Issues

Using the HAZUS seismic criteria²⁴, Seton Medical Center’s structures subject to seismic compliance have been classified according to the California Senate Bill 1953 Seismic Safety Act for the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC), as seen in the table below. These classifications require that the hospital structures undergo construction to comply with the California Office of Statewide Health Planning and Development’s seismic safety standards.

SETON MEDICAL CENTER SEISMIC OVERVIEW		
Building Name	SPC Compliance Status	NPC Compliance Status
1963 Tower	1	2
Front Wing	1	3
Area A & B	3	3
Area C	3	3
Area D	3	3
Center Pod	3	3
South Pod	3	3
Utilities Service Building	4	3

Source: OSHPD

- Two of the hospital’s buildings, the Front Wing and the 1963 Main Tower, both reported a compliance status SPC -1. These structures pose a risk of collapse and danger to the public. In order for these buildings to be seismically compliant, the structures require seismically compliant upgrades. The hospital has developed a master plan to meet seismic compliance by building a new hospital tower to house all acute-care services. The hospital has previously explored the possibility of retrofitting the existing facilities in order to comply with the necessary seismic safety standards through 2030 and beyond;
- The hospital has five buildings rated as SPC -3. These buildings may experience structural damage which does not significantly jeopardize life but may not be repairable or functional following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used to January 1, 2030, and beyond;
- The hospital has one building rated as SPC-4. This building is in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act (SBC 1953). Buildings in this category will have been constructed, or reconstructed, under a building permit obtained through OSHPD and may be used for inpatient services through and beyond January 1, 2030;

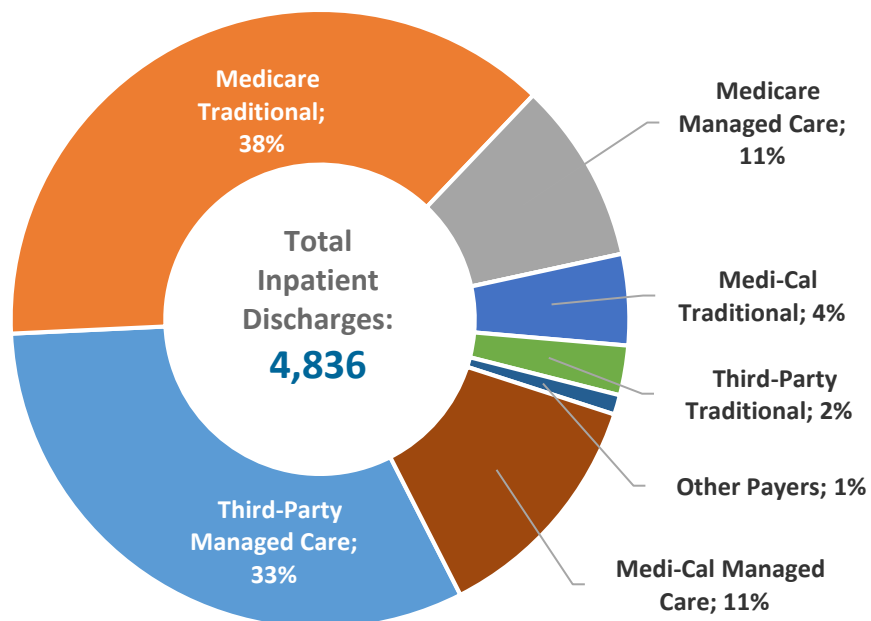
²⁴ OSHPD uses HAZARDS U.S. (HAZUS), a state-of-the-art methodology, to assess the seismic risk of hospital buildings.

- The hospital has one building rated as NPC-2. The following systems including: communication systems, emergency power supply, bulk medical gas systems, fire alarm systems and emergency lighting equipment for the building are either anchored in accordance with the Part 2, Title 24 of the California Building Code or approved by the Department of General Services, Office of Architecture and Construction, Structural Safety Section; and
- The hospital has seven buildings rated as NPC-3. The buildings meet the criteria for NPC “2” and in critical care areas, clinical laboratory services spaces, pharmaceutical service spaces, radiological service spaces, and central and sterile supply areas, the following components meet the bracing and anchorage requirements of Part 2, Title 24.

Payer Mix

Seton Medical Center’s payer mix for FY 2019 consisted of a large proportion of Medicare patients that accounted for nearly 49% of all inpatient hospital discharges with Medicare Traditional at 38% and Medicare Managed Care at 11%. Medi-Cal patients accounted for 15% of all inpatient discharges. Third-Party Managed Care (33%) and Third-Party Traditional (2%) accounted for 35% of all inpatient hospital discharges.

Seton Medical Center Payer Mix, FY 2019



*“Other” includes self-pay, workers’ compensation, other government, and other payers

Source: OSHPD Financial Disclosure Report (unaudited), FY 2019 (based on inpatient discharges)

Note: Excludes Skilled Nursing and Subacute Care

The following table illustrates the Seton Medical Center’s FY 2019 inpatient discharge payer mix compared to San Mateo County and California for FY 2018. The comparison shows that the Hospital and Seton Coastside have higher percentages of Medicare Traditional and lower percentages of Medi-Cal Traditional and Medicare Managed Care relative to other hospitals in San Mateo County and statewide. The payer mix of the sub-acute care unit and Seton Coastside consists of mostly Medi-Cal patients.

PAYER MIX COMPARISON						
	Seton Medical Center* (FY 2019)		San Mateo County (FY 2018)		California (FY 2018)	
	Discharges**	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Managed Care	543	11.2%	6,293	11.5%	673,236	19.0%
Medi-Cal Traditional Coverage	211	4.4%	3,304	6.0%	399,695	11.3%
Medi-Cal Total	754	15.6%	9,597	17.5%	1,072,931	30.3%
Medicare Traditional Coverage	1,816	37.6%	10,355	18.8%	866,924	24.5%
Medicare Managed Care	513	10.6%	11,073	20.2%	445,211	12.6%
Medicare Total	2,329	48.2%	21,428	39.0%	1,312,135	37.1%
Third-Party Managed Care	1,587	32.8%	193	0.4%	884,468	25.0%
Third-Party Traditional Coverage	96	2.0%	2,266	4.1%	96,701	2.7%
Third-Party Total	1,683	34.8%	2,459	4.5%	981,169	27.7%
Other Traditional Coverage	70	1.4%	20,625	37.5%	155,937	4.4%
Other Managed Care	-	-	843	1.5%	16,709	0.5%
Other Total	70	1.4%	21,468	39.1%	172,646	4.9%
Grand Total	4,836	100%	54,952	100%	3,538,881	100%

Source: OSHPD Discharge Database, CY 2018, OSHPD Disclosure Reports, Excludes Normal Newborns

* OSHPD Disclosure Reports

** Excludes Subacute Care and Skilled Nursing

Managed Medi-Cal Managed Care

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

San Mateo County has a County Organized Health Systems model that offers one managed care plan. The San Mateo County Organized Health System model is provided by Health Plan of San Mateo. In the County Organized Health Systems model, the Department of Health Care Services contracts with a health plan created by the County Board of Supervisors. The percentage of San Mateo County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the ACA and California initiatives to expand managed care. Currently, the Hospital is contracted with Health Plan of San Mateo to provide healthcare services for Medi-Cal Managed Care patients. The percentage of San Mateo County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the Affordable Care Act (ACA) and California

initiatives to expand managed care. There were approximately 136,000 Medi-Cal eligible in San Mateo County as of December 2019.

Medical Staff

The Hospital has a combined 355 physicians on the medical staff with various specialties represented. Internal medicine, emergency medicine, teleradiology, radiology and anesthesiology are the top five specialty comprising of 43% of the medical staff.

The Hospital has relationships with various medical groups, including Brown and Toland and Hill Physicians.

MEDICAL STAFF PROFILE					
Specialty	Count	% of Total	Specialty	Count	% of Total
Allergy & Immunology	3	0.8%	Orthopedic Surgery Spine	5	1.4%
Anesthesiology	16	4.5%	Orthopedic Surgery Sports Medicine	1	0.3%
Cardiac Electrophysiology	2	0.6%	Otolaryngology	3	0.8%
Cardiothoracic Vascular Surgery	4	1.1%	Pathology	6	1.7%
Cardiovascular Disease	11	3.1%	Pediatrics	1	0.3%
Critical Care Medicine	10	2.8%	Physical Medicine & Rehabilitation	4	1.1%
Dentistry	2	0.6%	Plastic & Reconstructive Surgery	1	0.3%
Dermatology	2	0.6%	Plastic Surgery	9	2.5%
Emergency Medicine	27	7.6%	Podiatry	4	1.1%
Family Medicine	12	3.4%	Podiatry Foot & Ankle Surgery	4	1.1%
Gastroenterology	4	1.1%	Psychiatry	15	4.2%
Geriatric Medicine	3	0.8%	Psychiatry / Neurology	14	3.9%
Infectious Disease	2	0.6%	Psychiatry / Neurology – Child & Adolescent	1	0.3%
Internal Medicine	65	18.3%	Pulmonary Disease	2	0.6%
Interventional Cardiology	1	0.3%	Radiology	17	4.8%
Nephrology	6	1.7%	Radiology Radiation Oncology	3	0.8%
Neurological Surgery	3	0.8%	Radiology/Vascular & Interventional	1	0.3%
Nuclear Medicine	2	0.6%	Surgery	11	3.1%
Obstetrics & Gynecology	9	2.5%	Teleradiology	27	7.6%
Ophthalmology	12	3.4%	Urology	3	0.8%
Oral & Maxillofacial Surgery	8	2.3%	Vascular Surgery	4	1.1%
Orthopedic Surgery	15	4.2%	Total	355	100%

Source: Verity Health

Patient Utilization Trends

The table below shows volume trends at Seton Medical Center and Seton Coastside for FY 2015 through FY 2019:

SETON MEDICAL CENTER AND SETON COASTSIDE SERVICE VOLUMES FY 2015 - FY 2019*					
PATIENT DAYS	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Medical/Surgical ²	25,953	25,264	26,918	24,132	16,495
Neonatal Intensive Care	238	-	-	-	-
Intensive Care	3,785	3,234	3,352	2,822	2,895
Obstetrics	1,507	-	-	-	-
Skilled Nursing - Seton Medical Center	-	-	-	-	7,371**
Skilled Nursing - Seton Coastside	36,511	36,680	40,088	41,758	41,758
Sub-Acute Care	14,851	15,191	14,832	12,973	10,856
Psychiatric	-	-	-	1,748	6,337
Total	82,845	80,369	85,190	83,433	85,712
DISCHARGES					
Medical/Surgical ²	5,093	4,716	5,040	4,645	3,809
Neonatal Intensive Care	47	-	-	-	-
Intensive Care	742	604	628	506	668
Obstetrics	526	-	-	-	-
Skilled Nursing - Seton Medical Center	-	-	-	-	355
Skilled Nursing - Seton Coastside	74	104	121	78	78
Sub-Acute Care	48	25	28	26	32
Psychiatric	-	-	-	110	359
Total	6,530	5,449	5,817	5,365	5,301
AVERAGE LENGTH OF STAY					
Medical/Surgical ²	5.1	5.4	5.3	5.2	4.3
Neonatal Intensive Care	5.1	-	-	-	-
Intensive Care	5.1	5.4	5.3	5.6	4.3
Obstetrics	2.9	-	-	-	-
Skilled Nursing - Seton Medical Center	-	-	-	-	20.8
Skilled Nursing - Seton Coastside	493.4	352.7	331.3	535.4	535.4
Sub-Acute Care	309.4	607.6	529.7	499.0	339.3
Psychiatric	-	-	-	15.9	17.7
Total¹	4.9	5.4	5.3	5.5	5.3
AVERAGE DAILY CENSUS					
Medical/Surgical ²	71.1	69.2	73.7	66.1	45.2
Neonatal Intensive Care	0.7	-	-	-	-
Intensive Care	10.4	8.9	9.2	7.7	7.9
Obstetrics	4.1	-	-	-	-
Skilled Nursing - Seton Medical Center	-	-	-	-	20.2
Skilled Nursing - Seton Coastside	100.0	100.5	109.8	114.4	114.4
Sub-Acute Care	40.7	41.6	41.0	42.9	29.7
Psychiatric	-	-	-	4.8	17.4
Total	227.0	220.2	233.4	228.6	214.6
OTHER SERVICES					
Inpatient Surgeries	1,651	1,100	1,267	1,116	916
Outpatient Surgeries	2,360	1,002	960	956	805
Emergency Service Visits- Seton Medical Center	28,994	25,881	27,489	20,022	19,160
Emergency Service Visits- Seton Coastside	3,270	2,712	2,644	2,473	2,222
Total Live Births	512	-	-	-	-

Sources: OSHPD Disclosure Reports, FY 2015 - FY 2019 and Verity Health

Note: Skilled nursing and subacute patients are often long term for over one or many years.

* FY 2015 to FY 2018 data is from audited OSHPD Disclosure Reports whereas FY 2019 is from unaudited.

** 39 Beds opened for skilled nursing services in FY 2019.

¹ Excludes Skilled Nursing and Subacute Care Services

² Includes Definitive Observation Beds

A review of Seton Medical Center and Seton Coastside's historical utilization trends, between FY 2015 and FY 2019, supports the following conclusions:

- Total patient days have increased by approximately 3% from 82,845 in FY 2015 to 85,712 in FY 2019. This slight growth can be attributed to increases in skilled nursing and sub-acute patient days over the five-year period. Over the same period, medical/surgical and intensive care patient days have decreased 36% and 24%, respectively;
- Seton Medical Center reopened its psychiatric services in FY 2018 for geropsychiatric patients;
- Seton Medical Center closed its obstetrics unit and NICU in FY 2015, hence no volume is reported for subsequent years;
- Both inpatient and outpatient surgeries have decreased significantly over the 5-year period (inpatient surgeries have decreased 45% while outpatient surgeries have decreased 66%); and
- Inpatient discharges have decreased 19% from 6,530 in FY 2015 to 5,301 in FY 2019.

Financial Profile

The Hospital reported net losses ranging between \$22.3 million in FY 2015 and over \$75.1 million in FY 2019. In total, the Hospital reported net losses of over \$224.8 million over the 5-year period. Much of the reported losses can be attributed to gradually increasing operating expenses and stagnant or declining operating revenue. A review of historical financial reports shows that the last time the Hospital was profitable was in FY 2008.

The current assets-to-liabilities ratio has decreased over the last five years from 0.86 in FY 2015 to 0.26 in FY 2019 (the California average in FY 2018 was 1.74). The Hospital's FY 2019 bad debt rate of 0.79% is higher than the statewide average of 0.70%.

FINANCIAL AND RATIO ANALYSIS FY 2015 - FY 2019 ¹						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Patient Days ³	82,845	80,369	85,132	85,862	85,712	
Discharges	6,530	5,449	5,816	5,359	5,301	
ALOS	12.7	14.7	14.6	16.0	16.2	
Net Patient Revenue	\$246,549,014	\$213,371,794	\$248,651,732	\$254,179,453	\$217,497,128	
Other Operating Revenue	\$3,325,342	\$1,437,348	\$4,026,522	\$8,265,149	\$1,952,085	
Total Operating Revenue	\$249,874,356	\$214,809,142	\$252,678,254	\$262,444,602	\$219,449,213	
Operating Expenses	\$286,362,023	\$277,839,919	\$280,575,067	\$296,633,104	\$293,317,736	
Net from Operations	(\$36,487,667)	(\$63,030,777)	(\$27,896,813)	(\$34,188,502)	(\$73,868,523)	
Net Non-Operating Revenues and Expenses	\$14,213,464	(\$97,188)	(\$795,061)	(\$1,388,513)	(\$1,229,954)	
Net Income	(\$22,274,203)	(\$63,127,965)	(\$28,691,874)	(\$35,577,015)	(\$75,098,477)	
						2018 California Data ²
Current Ratio	0.86	0.48	0.42	0.37	0.26	1.74
Days in A/R	46.8	52	64.4	79.3	71.1	56.09
Bad Debt Rate	0.50%	0.40%	0.20%	0.50%	0.79%	0.70%
Operating Margin	-14.60%	-29.34%	-11.04%	-13.03%	-33.66%	4.45%

Source: OSHPD Disclosure Reports, FY 2015 - FY 2019

Note: Includes Seton Medical Center and Seton Coastside

¹ FY 2015 to FY 2018 data is from audited OSHPD Disclosure Reports whereas FY 2019 is from unaudited.

² FY 2019 California data was not available when the data was collected to prepare this report.

³ Includes acute psychiatric, skilled nursing, and subacute patient days.

Cost of Hospital Services

The Hospital and Seton Coastside's combined operating cost of services includes both inpatient and outpatient care. In FY 2019, approximately 37% of the total costs were associated with Medicare, 30% with Medi-Cal, and 32% with Third Party payers. The remaining 1% is attributed to Other Payers.

OPERATING EXPENSES BY PAYER CATEGORY FY 2015 - FY 2019 ¹					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Operating Expenses	\$286,362,023	\$277,839,919	\$280,575,067	\$296,633,104	\$293,317,736
Cost of Services By Payer:					
Medicare	\$117,061,410	\$104,968,223	\$115,101,486	\$120,670,641	\$108,378,845
Medi-Cal	\$83,136,292	\$79,990,971	\$72,969,522	\$81,044,346	\$87,407,502
County Indigent	\$0	\$0	\$0	\$0	\$0
Third-Party	\$83,673,422	\$90,676,146	\$90,310,554	\$91,665,480	\$93,380,357
Other Indigent	\$0	\$0	\$0	\$0	\$0
All Other Payers	\$2,490,899	\$2,204,579	\$2,193,505	\$3,252,637	\$4,151,032

Source: OSHPD Disclosure Reports, FY 2015 - FY 2019

Note: Includes Seton Medical Center and Seton Coastside

¹ FY 2015 to FY 2018 data is from audited OSHPD Disclosure Reports whereas FY 2019 is from unaudited.

Charity Care

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the state. 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.”

CHARITY CARE COMPARISON FY 2015 - FY 2019 ¹ (In Thousands)										
	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA ²
Gross Patient Revenue	\$1,480,665	\$365,501,463	\$1,322,179	\$396,427,743	\$1,499,079	\$408,188,146	\$1,496,855	\$435,753,169	\$1,466,907	-
Charity	\$4,465	\$3,441,227	\$4,022	\$3,457,868	\$3,266	\$2,864,615	\$4,822	\$3,965,418	\$4,941	-
Bad Debt	\$6,844	\$3,262,642	\$4,923	\$3,108,971	\$3,526	\$2,762,692	\$7,128	\$3,078,632	\$11,606	-
Total Charity & Bad Debt	\$11,309	\$6,703,869	\$8,945	\$6,566,839	\$6,792	\$5,627	\$11,950	\$7,044,050	\$16,548	-
Charity Care as a % of Gross Patient Revenue	0.30%	0.94%	0.30%	0.87%	0.22%	0.70%	0.32%	0.91%	0.34%	-
Bad Debt as a % of Gross Patient Revenue	0.46%	0.89%	0.37%	0.78%	0.24%	0.68%	0.48%	0.71%	0.79%	-
Total as a % of Gross Patient Revenue	0.76%	1.83%	0.68%	1.66%	0.45%	1.38%	0.80%	1.62%	1.13%	-
Uncompensated Care										
Cost to Charge Ratio	19.12%	24.10%	20.91%	23.80%	18.45%	23.00%	19.26%	22.99%	19.86%	-
Charity	\$854	\$828,647	\$841	\$822,627	\$603	\$658,891	\$929	\$911,650	\$981	-
Bad Debt	\$1,308	\$785,644	\$1,029	\$739,624	\$650	\$635,448	\$1,373	\$707,777	\$2,305	-
Total	\$2,162	\$1,614,292	\$1,870	\$1,562,251	\$1,253	\$1,294,339	\$2,304	\$1,619,427	\$3,287	-

Source: OSHPD Disclosure Reports FY 2015 - FY 2019

Note: Includes Seton Medical Center and Seton Coastside

¹ FY 2015 to FY 2018 data is from audited OSHPD Disclosure Reports whereas FY 2019 is from unaudited.

² 2019 California data unavailable

The table below shows the Hospital’s historical costs for charity care as reported to OSHPD. Charity care costs have increased from \$853,474 in FY 2015 to \$981,367 in FY 2019. The average cost of charity care for the last five-year period was \$841,475 while the three-year average cost of charity care was \$837,549.

COST OF CHARITY CARE FY 2015 - FY 2019 ¹			
Year	Charity Care Charges	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2019	\$4,941,427	19.86%	\$981,367
FY 2018	\$4,821,676	19.26%	\$928,655
FY 2017	\$3,266,254	18.45%	\$602,624
FY 2016	\$4,022,268	20.91%	\$841,056
FY 2015	\$4,464,824	19.12%	\$853,674
FY 2017- FY 2019 Average			\$837,549
FY 2015 - FY 2019 Average			\$841,475

Source: OSHPD Disclosure Reports FY 2015 - FY 2019

Note: Includes Seton Medical and Seton Coastside

¹ FY 2015 to FY 2018 data is from audited OSHPD Disclosure Reports whereas FY 2019 is from unaudited.

In the written notice to the California Attorney General, the Hospital reported the following combined distribution of charity care costs by inpatient, outpatient, and emergency room visits. Note that these totals are slightly different than what the Hospital reported to OSHPD. The Hospital’s Charity Care and Discount Policy states that persons with family income at or below 200% of the federal policy level, and without other sources to pay for care received, qualify to

receive free care. For Self-Pay patients whose family income between 201% and 350% of the federal policy level, and without other sources to pay for care received, qualify to receive financial assistance using the Discounted Payment Program²⁵.

The Hospital reported the following combined distribution of charity care by inpatient, outpatient, and emergency room charges:

COST OF CHARITY CARE BY SERVICE FY 2015 - FY 2019				
	Inpatient	Emergency	Outpatient	Total Costs
FY 2019:				
Cost of Charity	\$470,020	\$440,302	\$44,484	\$954,806
Visits/Discharges	41	604	145	790
FY 2018:				
Cost of Charity	\$549,222	\$346,075	\$40,108	\$935,405
Visits/Discharges	42	584	162	788
FY 2017:				
Cost of Charity	\$121,362	\$449,912	\$46,048	\$617,322
Visits/Discharges	27	723	105	855
FY 2016:				
Cost of Charity	\$324,901	\$475,286	\$36,445	\$836,632
Visits/Discharges	25	747	34	806
FY 2015:				
Cost of Charity	\$294,549	\$504,866	\$54,060	\$853,475
Visits/Discharges	34	819	109	962

Source: Verity

Note: Includes Seton Medical Center and Seton Coastside

²⁵ In the Discounted Payment Program, Self-Pay Patients whose family income is between 201 percent and 350 percent, inclusive, of the Federal Poverty Level, Seton Medical Center shall limit the expected payment for services provided by Seton Medical Center to the lesser of (A) the amount generally billed of Medicare Fee for Service, as calculated by Seton Medical Center using the "Look-back Method" as defined in applicable regulations implementing Section 501(r) of the Internal Revenue Code, or (B) the highest amount of payment Seton Medical Center would expect, in good faith, to receive for providing services from Medicare, Medi-Cal, the Healthy Families Program, or another government-sponsored health program of health benefits in which the Hospital participates. For Seton Medical Center, the amount generally billed effective June 30, 2018 for inpatient services is 12% and the amount generally billed for outpatient services is 11% of the Medicare fee for service amount. For Seton Coastside, the amount generally billed for outpatient is 9% of the Medicare fee for service amount.

Community Benefit Services

The Hospital has consistently provided community benefit services. As shown in the table below, the average annual cost of community benefit services over the five years has been approximately \$705,000 per year:

COMMUNITY BENEFIT SERVICES FY 2015-2019							
Community Benefit Programs	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total	5-Year Average
Benefits for Persons Living in Poverty	\$347,098	\$520	\$11,850	\$267,799	\$404,622	\$1,031,889	\$206,378
Benefits for the Broader Community	\$22,211	\$392,967	\$1,150,892	\$558,945	\$367,417	\$2,492,432	\$498,486
Total	\$369,309	\$393,487	\$1,162,742	\$826,744	\$772,039	\$3,524,321	\$704,864

Source: Verity Health

(1) Includes Seton Medical Center and Seton Coastside

- The Hospital's five-year average cost of community benefit services for persons living in poverty is \$206,378 per year. The services for persons living in poverty include community health improvement services, financial and in-kind contributions, and subsidized health services;
- The Hospital's five-year average cost of community benefit services to the broader community is \$498,486 per year. These services include community health improvement services, health professional education, subsidized health services, financial and in-kind contributions, community building activities, and community benefit operations; and
- Over the 5-year period, The Hospital's combined total community benefits have increased from approximately \$369,000 in FY 2015 to over \$772,000 in FY 2019.

The Hospital's cost of community benefit services over the past five fiscal years included the following program expenditures over \$10,000:

COST OF COMMUNITY BENEFIT SERVICES FY 2015-2019					
Services over \$10,000 in cost:	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Pulmonary Exercise Maintenance	\$11,070	-	-	-	-
Saint Elizabeth Ann Seton New Life Center	\$1,189,434	-	-	-	-
Rotacare Clinic - Seton	\$8,716	In-Kind	\$21,250	\$56,682	In-Kind
Rotacare Clinic - Seton Coastside	In-Kind	In-Kind	In-Kind	In-Kind	In-Kind
Community Benefit Program Management	\$20,445	\$16,286	\$16,000	\$11,398	\$51,167
Health Benefits Resource Center	-	\$145,351	\$32,136	\$180,415	\$385,972
Diabetes Support Group	-	\$102,566	-	-	\$4,180
Shuttle / Courier Services	-	\$69,879	\$122,914	\$110,506	-
Pastoral / Spiritual Care	-	-	\$51,257	\$80,776	\$20,068
RN Grad Program	-	-	\$691,252	-	-

Source: Verity Health

(1) Includes the Hospital and Seton Coastside

The Hospital provides community benefit services that support many programs for the community including, but not limited to, the following:

- Health Benefits Resource Center: The program provides free assessments, referrals to community resources, and assistance completing applications for free and low-cost health insurance;
- Community Benefits Program Management: The program assists in organizing events and collaborating with other healthcare providers;
- RotaCare Clinic: Provides urgent care health services to uninsured patients. Services include diagnostic testing including CT, MRI, doppler vascular studies, ultrasound, clinical lab tests and radiology. The Hospital provides services to patients who would not otherwise have access to these diagnostic tests;
- Diabetes Support Group: Community event provided subsidized cholesterol and glucose screenings. Hospital clinical lab staff attended the event and provided glucose and cholesterol screenings; and
- Pastoral/Spiritual Care: Provides support to patients who request such services.

Analysis of the Hospital's Service Area

Service Area Definition

The Hospital's service area is comprised of 14 ZIP Codes, from which approximately 78% of its discharges originated in CY 2018. Approximately 53% of the Hospital's discharges came from the top three ZIP Codes, located in Daly City, and South San Francisco. In CY 2018, the Hospital's market share in the service area was 12.6% based on inpatient discharges.

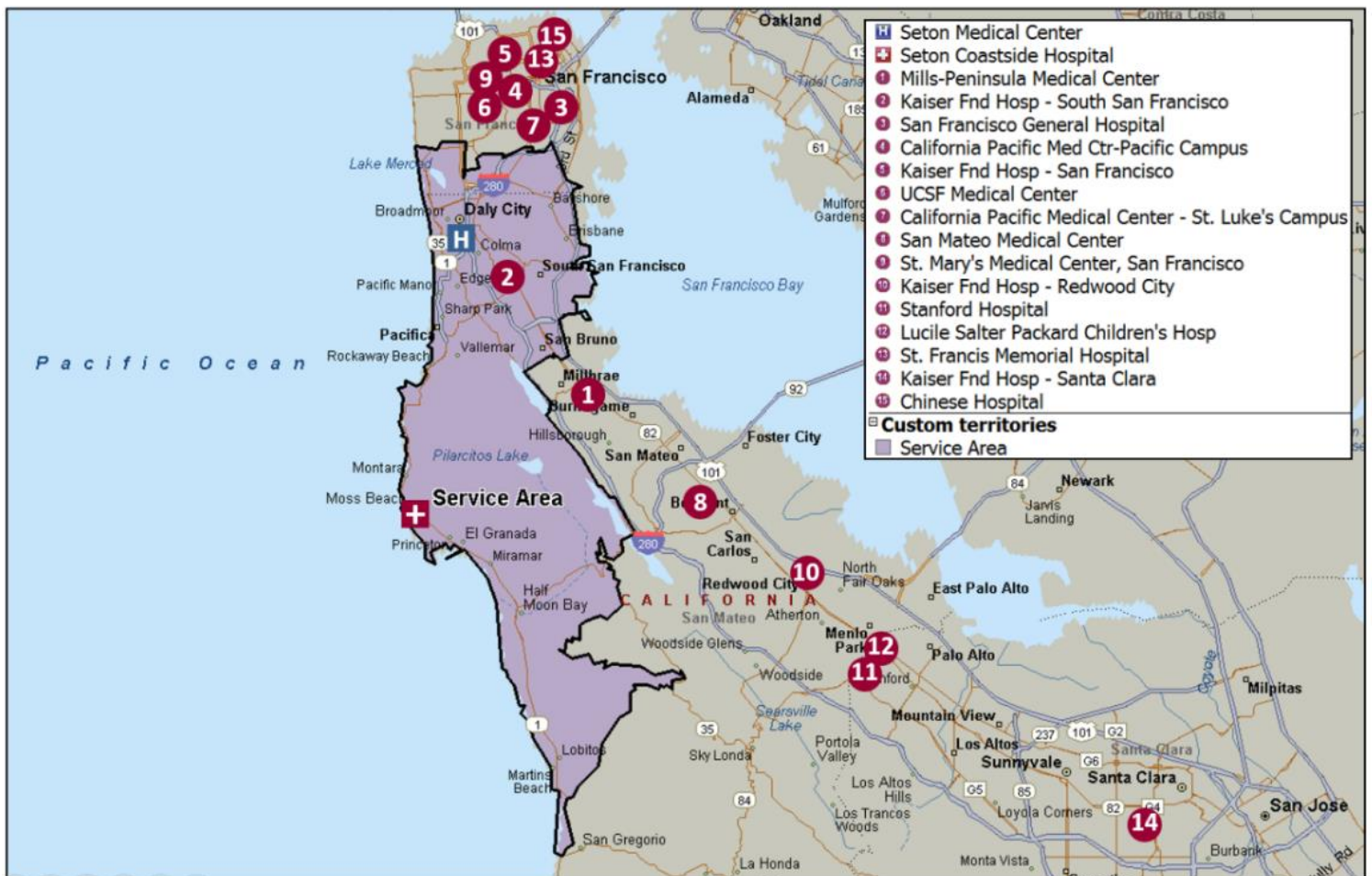
Patient Origin, CY2018						
Pat ZIP	Community	The Hospital	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
94015	Daly City	1,396	26.0%	26.0%	29.0%	4,818
94014	Daly City	796	14.8%	40.8%	24.4%	3,260
94080	South San Francisco	629	11.7%	52.5%	12.9%	4,872
94044	Pacifica	493	9.2%	61.7%	17.2%	2,863
94112	San Francisco	262	4.9%	66.6%	4.1%	6,426
94066	San Bruno	220	4.1%	70.7%	6.6%	3,313
94134	San Francisco	115	2.1%	72.8%	3.2%	3,574
94132	San Francisco	98	1.8%	74.6%	5.0%	1,947
94019	Half Moon Bay	64	1.2%	75.8%	5.6%	1,140
94038	Moss Beach	29	0.5%	76.4%	13.6%	213
94005	Brisbane	24	0.4%	76.8%	7.2%	333
94037	Montara	18	0.3%	77.2%	11.6%	155
94018	El Granada	18	0.3%	77.5%	8.4%	215
94017	Daly City	6	0.1%	77.6%	20.0%	30
Sub-Total		4,168	77.6%		12.6%	33,159
All Other		1,203	22.4%	22.4%		
Grand Total		5,371	100.0%			

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns

Service Area Map

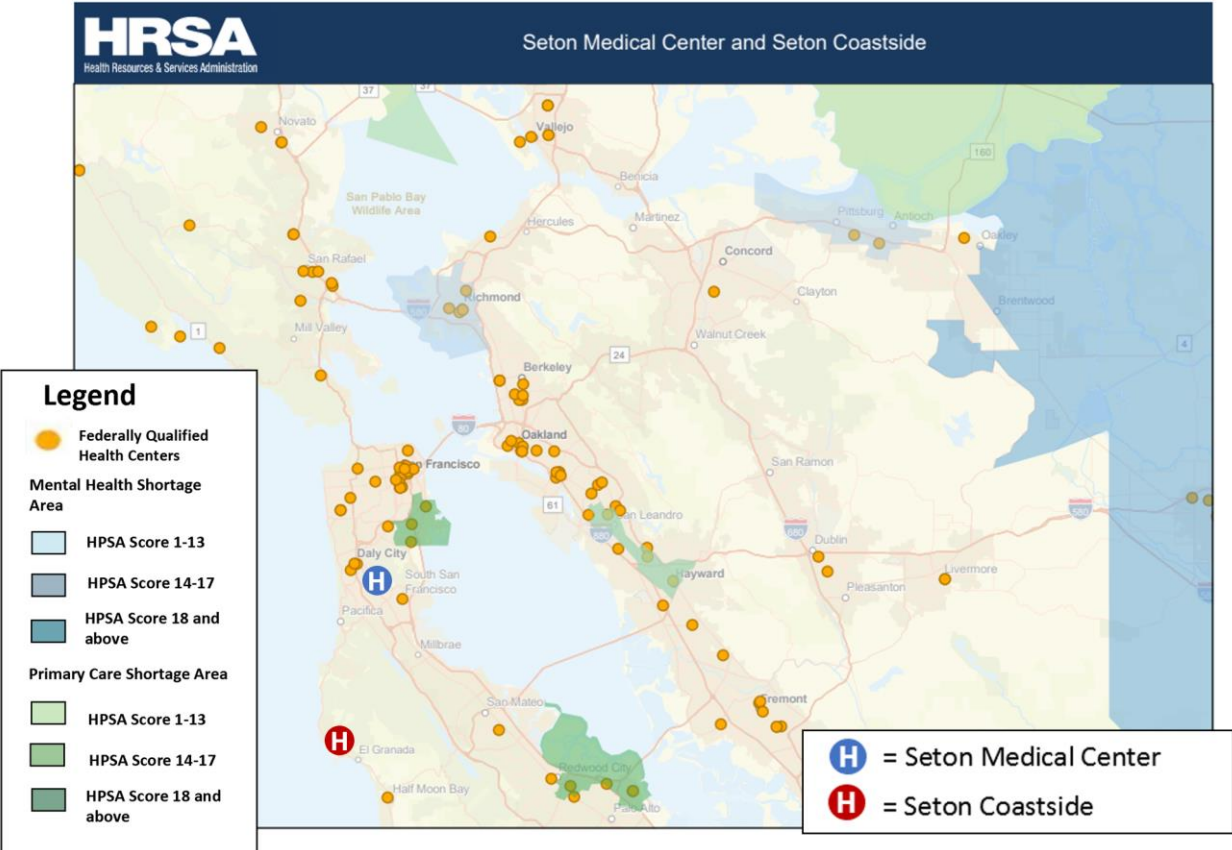
The Hospital's service area, with approximately 448,500 residents, includes the communities of Daly City, South San Francisco, San Francisco, Pacifica, San Bruno, Half Moon Bay, Moss Beach, Brisbane, El Granada, and Montara.

In addition to Seton Medical Center and Seton Coastside, Kaiser Foundation Hospital – South San Francisco is the only other general acute care hospital located within the service area. The Hospital ranks second in inpatient market share with 12.6% market share.



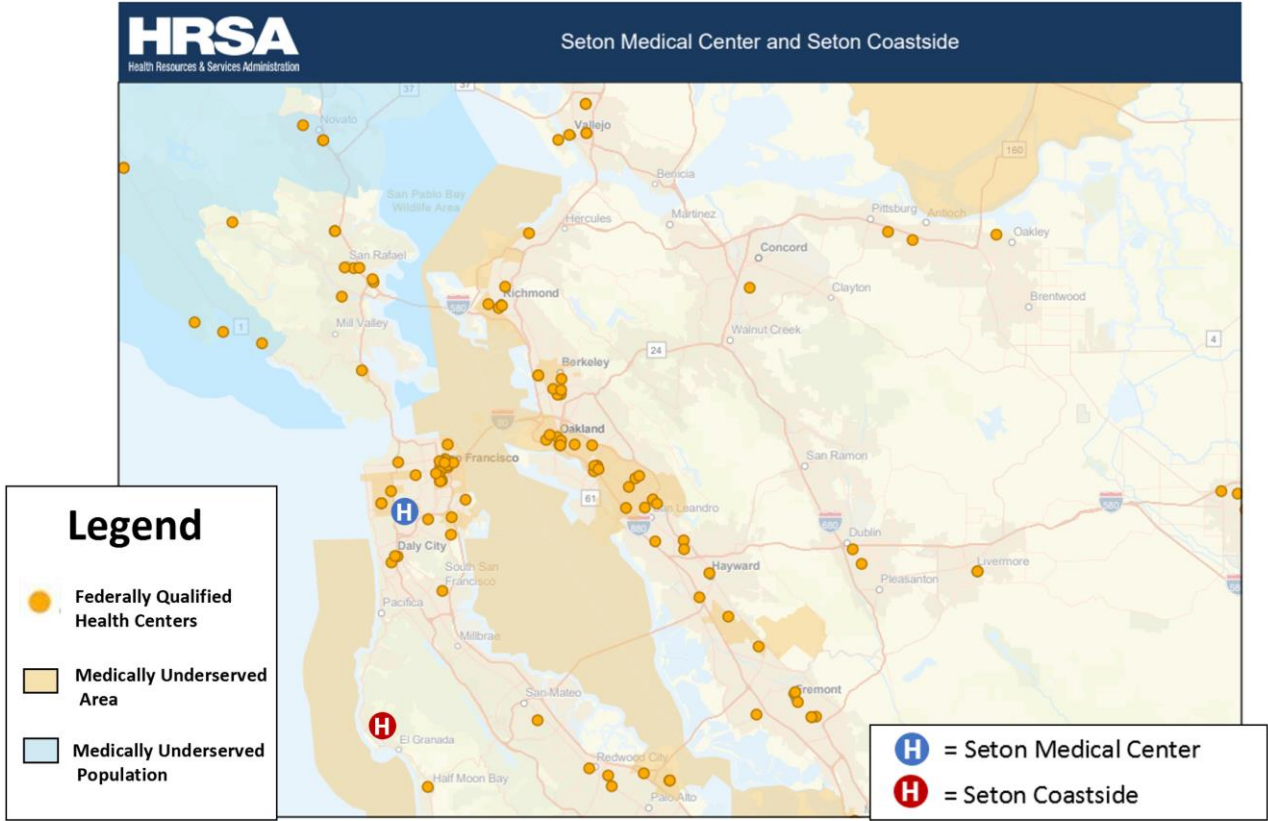
Health Professional Shortage Areas, Medically Underserved Areas, & Medically Underserved Populations

The Federal Health Resources and Services Administration designates Health Professional Shortage Areas as areas with a shortage of primary medical care, dental care, or mental health providers. They are designated according to geography (i.e., service area), demographics (i.e., low-income population), or institutions (i.e., comprehensive health centers). Neither the Hospital, nor any part of its service area, is designated as a Health Professional Shortage Area. The map below shows the closest shortage areas relative to Seton Medical Center and Seton Coastsides location.



HPSA scores are calculated based on three scoring criteria including: population to provider ratio, percentage of the population below 100% of the Federal Poverty Level (FPL) and travel time to the nearest source of care (NSC) outside the HPSA designation area. Once designated, HRSA scores HPSAs on a scale of 0-25 for primary care and mental health, with higher scores indicating greater need.

Medically Underserved Areas and Medically Underserved Populations are defined by the Federal Government to include areas or population groups that demonstrate a shortage of healthcare services. This designation process was originally established to assist the government in allocating community health center grant funds to the areas of greatest need. Medically Underserved Areas are identified by calculating a composite index of need indicators compiled and compared with national averages to determine an area’s level of medical “under service.” Medically Underserved Populations are identified based on documentation of unusual local conditions that result in access barriers to medical services. Medically Underserved Areas and Medically Underserved Populations are permanently set and no renewal process is necessary. The map below depicts the Medically Underserved Areas and Medically Underserved Populations relative to Seton Medical Center and Seton Coastside’s location.



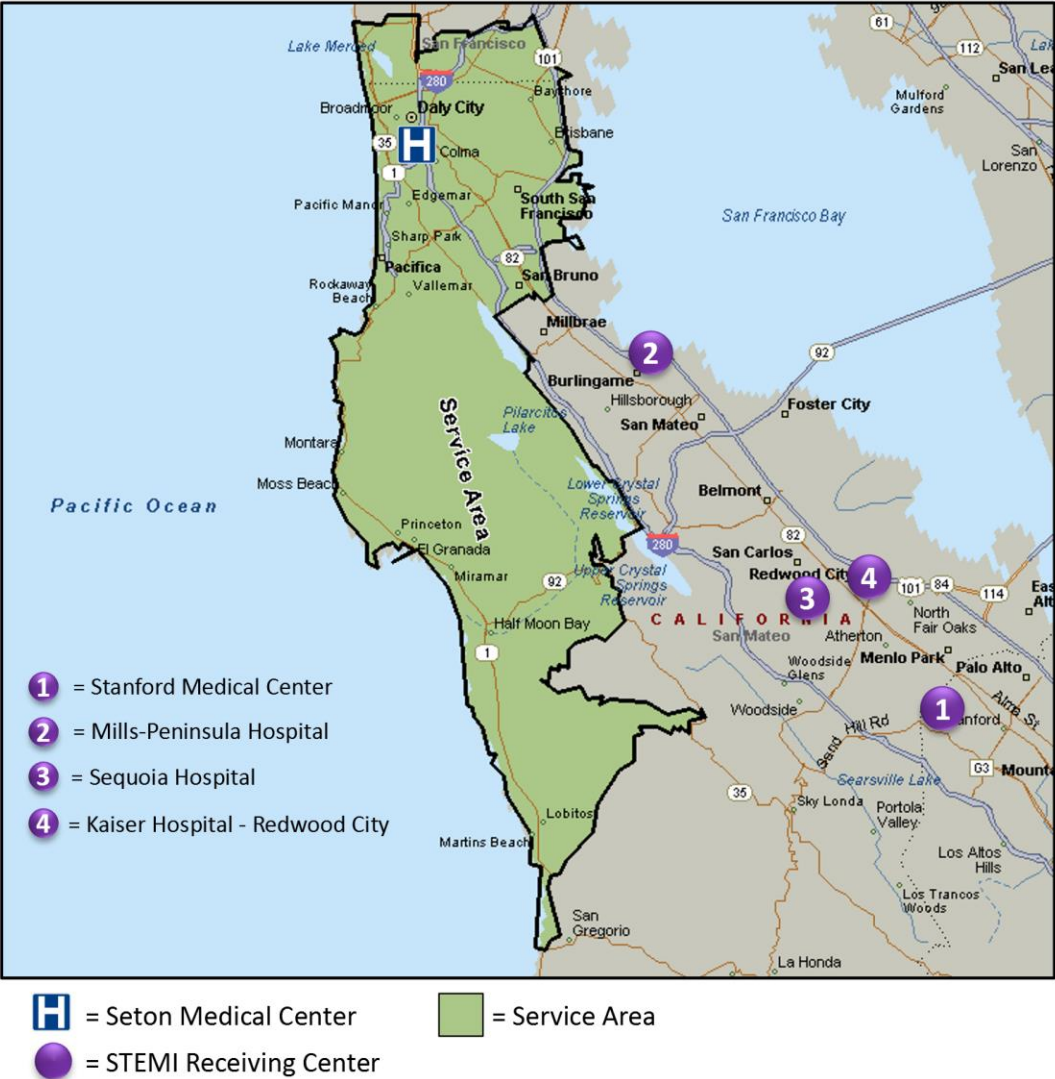
There are over 15 Federally Qualified Health Centers in the service area. The service area, is not designated as a Medically Underserved Area/Medically Underserved Population, suggesting there is sufficient access to healthcare services in the area.

Federally Qualified Health Centers are health clinics that qualify for enhanced reimbursement from Medicare and Medicaid. Federally Qualified Health Centers must serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, have an ongoing quality assurance program, and have a governing board of directors. The ACA included provisions that increased federal funding to Federally Qualified Health Centers to help meet the anticipated

demand for healthcare services by those individuals who gained healthcare coverage through the various health exchanges.

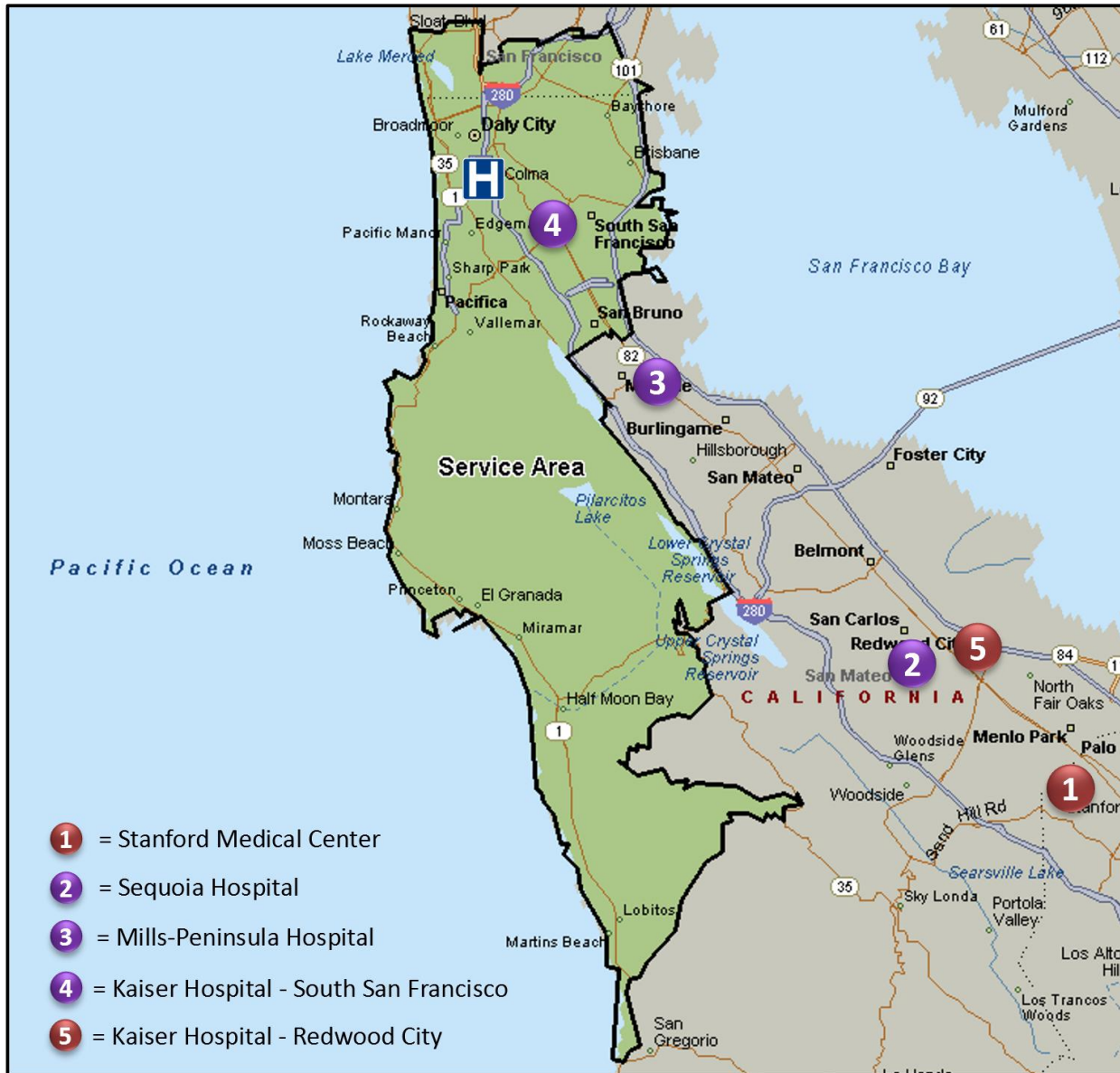
STEMI Receiving Centers in San Mateo County

There are four STEMI Receiving Centers in San Mateo County that provide percutaneous coronary intervention for patients experiencing an acute heart attack. In addition to Seton Medical Center, Mills-Peninsula Hospital, Kaiser Foundation Hospital – Redwood City, and Sequoia Hospital are also designated STEMI Receiving Centers. Furthermore, the Hospital is the only STEMI Receiving Center within its service area. Stanford Hospital, a designated STEMI Receiving Center in Santa Clara County, also has an agreement with San Mateo County to provide percutaneous coronary intervention services.



Certified Stroke Centers in San Mateo County

Seton Medical Center is a Certified Primary Stroke Center. In addition to Seton Medical Center, there are four other Certified Stroke Centers in San Mateo County, including three Primary Stroke Centers (Kaiser Foundation Hospital – South San Francisco, Sequoia Hospital, and Mills-Peninsula Medical Center), and one Comprehensive Stroke Center (Kaiser Foundation Hospital – Redwood City). Stanford Hospital, a Comprehensive Stroke Center located in San Jose County, also has an agreement with San Mateo County to provide stroke care services.



- 1 = Stanford Medical Center
- 2 = Sequoia Hospital
- 3 = Mills-Peninsula Hospital
- 4 = Kaiser Hospital - South San Francisco
- 5 = Kaiser Hospital - Redwood City

- H = Seton Medical Center
- Primary Stroke Center
- Comprehensive Stroke Center
- Service Area

Demographic Profile

The Hospital’s service area population is projected to grow 2.0% over the next five years. This is similar to the expected growth rate for San Mateo County but lower than the expected growth rate statewide (3.4%).

SERVICE AREA POPULATION STATISTICS		
	2019 Estimate	2024 Projection
Population	448,472	457,573
Households	142,844	145,558
Percentage Female	50.9%	50.8%

Source: Esri Demographics

The median age of the population in the Hospital’s service area is 40.6 years. This is the same as San Mateo County’s median age and is older than the California statewide median age of 36.3 years. The percentage of adults over the age of 65 is the fastest growing age cohort, increasing by approximately 14% between 2019 and 2024. The number of women of child-bearing age is expected to increase slightly over the next five years but decrease as a percentage of the population.

SERVICE AREA POPULATION AGE DISTRIBUTION				
	2019 Estimate		2024 Projection	
0-14	69,619	16%	68,598	15%
15-44	179,679	40%	180,449	39%
45-64	119,927	27%	118,001	26%
65+	79,247	18%	90,525	20%
Total	448,472	100%	457,573	100%
Female 15-44	88,434	20%	88,700	19%
Median Age	40.6		41.9	

Source: Esri Demographics

The largest population cohorts in the Hospital's service area are Asian (46%) and White (33%). Approximately 76% of the service area population is of non-Hispanic origin. This is similar to San Mateo County (76%), but considerably higher than the California statewide non-Hispanic population of 60%.

SERVICE AREA POPULATION RACE /ETHNICITY		
	2019 Estimate	2024 Projection
White Alone	33%	31%
Black Alone	3%	3%
American Indian Alone	1%	0%
Asian Alone	46%	49%
Pacific Islander Alone	1%	1%
Some Other Race Alone	11%	11%
Two or More Races	6%	6%
Total	100%	100%
Hispanic Origin (Any Race)	24%	23%
Non Hispanic Origin	76%	77%
Total	100%	100%

Source: Esri Demographics

The Hospital’s service area households have a median income of \$100,055. This is nearly 18% lower than the county average of \$118,355 and 25% higher than the state average of \$74,520. Projections anticipate that the number of higher income households (\$150,000+) in the Hospital’s service area will represent a higher percentage of households than anticipated in the State of California, but a lower percentage of households than anticipated in San Mateo County.

SERVICE AREA HOUSEHOLD INCOME DISTRIBUTION						
	2019 Estimate			2024 Projection		
	Service Area	San Mateo	California	Service Area	San Mateo	California
<\$15,000	6%	5%	9%	5%	4%	7%
\$15,000 - \$24,999	5%	4%	8%	4%	3%	6%
\$25,000 - \$34,999	5%	4%	7%	4%	3%	6%
\$35,000 - \$49,999	8%	7%	11%	6%	5%	9%
\$50,000 - \$74,999	13%	11%	16%	12%	10%	15%
\$75,000 - \$99,999	13%	12%	12%	12%	11%	13%
\$100,000 - \$149,999	20%	18%	17%	21%	18%	19%
\$150,000 - \$199,999	13%	13%	9%	15%	15%	11%
\$200,000+	17%	28%	12%	22%	31%	14%
Total	100%	100%	100%	100%	100%	100%
Median Household Income	\$100,055	\$118,355	\$74,520	\$114,246	\$137,484	\$86,333

Source: Esri Demographics

Medi-Cal Eligibility

With the implementation of the ACA and the statewide expansion of Medi-Cal, 12.6 million of the State of California’s population are eligible for Medi-Cal (33% of California’s population). In San Mateo County, the California Department of Health Care Services estimated 135,820 people were eligible for Medi-Cal in December 2019 (30% of San Mateo County’s population). Out of the total estimated population in San Mateo County, 13% of the population was enrolled for Medi-Cal

Managed Care. Since the population in the Hospital’s service area is similar in income distribution to San Mateo County, it is expected that the percent eligible for Medi-Cal would be approximately 30%. Medi-Cal eligibility could be significantly affected in the coming years by the potential change or repeal of the ACA.

Selected Health Indicators

A review of health indicators for San Mateo County (deaths, diseases, and births) supports the following conclusions:

San Mateo County has lower morbidity rates for five indicators compared to California. The rate of incidence of tuberculosis is higher than both the statewide rate and national goal.

SAN MATEO COUNTY'S MORBIDITY STATISTICS: RATE PER 100,000 POPULATION HEALTH STATUS PROFILE FOR 2019			
Health Status Indicator	San Mateo County	California	National Objective
HIV/AIDS Incidence (Age 13 and Over) ¹	233.1	397.7	a
Chlamydia Incidence	339.7	514.6	c
Gonorrhea Incidence Female Age 15-44	99.4	252.4	251.9
Gonorrhea Incidence Male Age 15-44	288.3	444.8	194.8
Tuberculosis Incidence	7.1	5.3	1.0
Congenital Syphilis	M*	44.4	9.6
Primary Secondary Syphilis Female	M*	3.5	1.3
Primary Secondary Syphilis Male	14.9	26.2	6.7

Source: California Department of Public Health

* Rates are deemed unreliable based on fewer than 20 data elements.

¹ California Department of Public Health, Office of AIDS, Surveillance Section reporting periods are: Current Period 2014-2016, Previous Period 2011-2013.

a: Healthy People 2020 (HP 2020) National Objective has not been established.

c: Prevalence data are not available in all California counties to evaluate the Healthy People 2020 National Objective STD-1, as the Healthy People objective is restricted to females who are 15-24 years old and identified at a family planning clinic, and males and females under 24 years old who participate in a national job-training program.

The overall age-adjusted mortality rate for San Mateo County is lower than that of the State of California. San Mateo County’s age adjusted death rates for all 18 causes are lower than the statewide rates.

SAN MATEO COUNTY'S MORTALITY HEALTH STATUS PROFILE FOR 2019				
RATE PER 100,000 POPULATION				
Selected Cause	San Mateo County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	620.5	477.9	610.3	a
- All Cancers	147.8	115.9	137.4	161.4
- Colorectal Cancer	13.1	10.3	12.5	14.5
- Lung Cancer	28.2	22.3	27.5	45.5
- Female Breast Cancer	20.7	15.0	18.9	20.7
- Prostate Cancer	17.0	15.7	19.4	21.8
- Diabetes	15.4	12.0	21.2	b
- Alzheimer's Disease	39.1	27.9	35.7	a
- Coronary Heart Disease	71.7	54.1	87.4	103.4
- Cerebrovascular Disease (Stroke)	38.9	28.9	36.3	34.8
- Influenza/Pneumonia	13.9	10.3	14.2	a
- Chronic Lower Respiratory Disease	26.5	20.2	32.0	a
- Chronic Liver Disease And Cirrhosis	9.5	7.6	12.2	8.2
- Accidents (Unintentional Injuries)	25.6	22.5	32.2	36.4
- Motor Vehicle Traffic Crashes	5.8	5.6	9.5	12.4
- Suicide	7.8	7.4	10.4	10.2
- Homicide	2.1*	2.3*	5.2	5.5
- Firearm-Related Deaths	4.4	4.4	7.9	9.3
- Drug-Induced Deaths	9.0	8.2	12.7	11.3

Source: California Department of Public Health

*Rates are deemed unreliable when based on 20 or fewer elements

a: Healthy People 2020 (HP 2020) National Objective has not been established.

b: National Objective is based on both underlying and contributing cause of death which requires use of multiple cause of death files. California's data exclude multiple/contributing causes of death.

Health indicators in San Mateo County are superior to health indicators statewide and nationally for low birth weight infants, first trimester prenatal care, and adequate/adequate plus care.

SAN MATEO COUNTY'S NATALITY HEALTH STATUS PROFILE FOR 2019			
Health Status Indicator	San Mateo County	California	National Goal
Low Birth Weight Infants	7.0%	6.9%	7.8%
First Trimester Prenatal Care	90.8%	83.5%	77.9%
Adequate/Adequate Plus Care	80.5%	77.9%	77.6%

Source: California Department of Public Health

2019 Community Health Needs Assessment

In an effort to identify the most critical healthcare needs in the Hospital's service area, a Community Health Needs Assessment (CHNA) is conducted every three years. The process is designed to identify the health needs and resources in the Hospital service area and inform the Hospital's community benefit investments. The Hospital conducted this CHNA in partnership with the Healthy Community Collaborative of San Mateo County (HCC), which consists of representatives from nonprofit hospitals, the County Health Department and Human Services, public agencies, and community-based organizations.

The Hospital's defined service area for purpose of the assessment (CHNA Service Area) includes but is not limited to, the cities of South San Francisco, Daly City, Brisbane, San Bruno, Pacifica, Montara, Moss Beach, and Half Moon Bay.

Based upon the CHNA Service Area, the study included a summary of population and household demographics measures related to access to healthcare, mortality, and findings from community interviews as provided. The top five needs that were identified and prioritized through the CHNA process include:

1. **Mental Health and Well-Being:** The community prioritized mental health, wellbeing, and substance use in almost all focus groups and key informant interviews. Depression, poor mental health, binge drinking, deaths from drug poisoning, and the adult substance-related emergency department visit rate have all increased in the county;
2. **Housing and Homelessness:** Housing is one of the main concerns of the community and was prioritized by almost all focus groups and key informants. The median rent in the county is significantly higher than the state average and has been increasing. The proportion of county residents who have experienced housing instability recently has risen. Affordable housing (assisted housing units) is relatively scarce in the county compared to the state overall. The community described experiencing stress related to the high cost of housing;
3. **Health Care Access and Delivery:** Community input suggests that health care is often unaffordable. There are downward trends in the proportion of children who have a usual place for medical check-ups, the proportion of employed county residents whose jobs offer health benefits, and residents' perceptions of the ease of access to specialty care. Low socioeconomic status residents are more likely than higher-status groups to have health care access issues;
4. **Healthy Lifestyles:** The community prioritized (voted as a top health need) healthy lifestyles. This need includes concerns about diabetes, obesity, and fitness, diet, and nutrition. Diabetes ranks among the leading causes of death in the county. The prevalence of diabetes and obesity are both on the rise in the county. Statistics for adult diabetes

prevalence and youth fruit/vegetable consumption are significantly worse than state averages. Adults of low socioeconomic status fail benchmarks for obesity and overweight; and

5. **Oral/Dental Health:** The community prioritized oral health in the county. Participants provided feedback on lack of access to high-quality dental services and/or dental insurance. The proportion of residents who have no insurance that pays for some or all routine dental care has been rising. Low reimbursement rates and complicated billing procedures may have driven many providers away from accepting Denti-Cal, which seems to have contributed to significant income disparities in oral health.

Hospital Market Share

The table below shows inpatient service area market share by hospital from CY 2013 to CY 2018.

SERVICE AREA MARKET SHARE BY HOSPITAL, CY 2013-2018							
Facility Name	2013	2014	2015	2016	2017	2018	TREND
MILLS-PENINSULA MEDICAL CENTER	12.4%	12.6%	13.0%	12.6%	12.7%	13.6%	↗
SETON MEDICAL CENTER	17.1%	16.3%	14.6%	13.6%	12.9%	12.7%	↘
KAISER FOUNDATION HOSPITAL - SOUTH SAN FRANCISCO	10.8%	11.0%	11.6%	11.7%	12.5%	12.2%	↗
PRISCILLA CHAN & MARK ZUCKERBERG SAN FRANCISCO GENERAL HOSPITAL	9.4%	9.8%	9.4%	9.3%	9.2%	10.3%	↗
UCSF MEDICAL CENTER	7.8%	7.8%	8.5%	9.2%	9.6%	9.5%	↗
KAISER FOUNDATION HOSPITAL - SAN FRANCISCO	7.8%	8.6%	7.8%	8.2%	7.8%	8.1%	↗
CALIFORNIA PACIFIC MED CTR-PACIFIC CAMPUS	9.0%	9.2%	8.8%	8.6%	8.1%	7.9%	↘
KAISER FOUNDATION HOSPITAL - REDWOOD CITY	2.3%	2.6%	3.0%	3.1%	3.2%	3.5%	↗
STANFORD HEALTH CARE	1.9%	1.8%	2.3%	2.5%	2.8%	2.5%	↗
CALIFORNIA PACIFIC MEDICAL CENTER - ST. LUKE'S CAMPUS	4.2%	4.1%	4.4%	4.5%	4.1%	2.5%	↘
LUCILE SALTER PACKARD CHILDREN'S HOSP. AT STANFORD	1.6%	1.8%	1.9%	2.0%	2.4%	2.4%	↗
ST. MARY'S MEDICAL CENTER, SAN FRANCISCO	2.5%	2.0%	1.9%	2.1%	2.0%	2.1%	↘
SAN MATEO MEDICAL CENTER	2.8%	2.6%	2.2%	2.2%	1.9%	1.7%	↘
CALIFORNIA PACIFIC MED CTR-DAVIES CAMPUS	1.1%	1.1%	1.3%	1.4%	1.3%	1.4%	↗
JEWISH HOME	0.6%	0.7%	0.8%	1.0%	1.1%	1.2%	↗
ST. FRANCIS MEMORIAL HOSPITAL	1.1%	1.1%	1.1%	1.2%	1.0%	1.0%	↔
KAISER FOUNDATION HOSPITAL - SANTA CLARA	0.8%	0.7%	0.6%	0.6%	0.7%	0.9%	↔
CHINESE HOSPITAL	1.2%	1.2%	1.0%	0.8%	0.7%	0.7%	↘
SEQUOIA HOSPITAL	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	↔
ALL OTHER	5.1%	4.6%	5.2%	5.0%	5.3%	5.2%	↔
TOTAL PERCENTAGE	100%	100%	100%	100%	100%	100%	
GRAND TOTAL	34,258	33,829	34,238	34,676	34,677	33,159	↘

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns

- The number of discharges in the Hospital's service area has decreased slightly and averaged 34,140 per year between CY 2013 and CY 2018;
- From CY 2013 to CY 2018, the Hospital's service area inpatient market share has dropped from 17.1% in CY 2013 to 12.7% in CY 2018. Some of this decline in market share can be attributed to the Hospital closing its obstetrics unit in CY 2015; and
- Mills-Peninsula Medical Center became the market share leader with 13.6% in CY 2018.

Hospital Supply, Demand & Market Share

Kaiser Foundation Hospital- South San Francisco is the only other general acute care hospital in the Hospital's service area. The Hospital²⁶ has an occupancy rate of approximately 49%. Kaiser Foundation Hospital – South San Francisco has 120 licensed beds and has an occupancy rate of 45%.

AREA HOSPITAL DATA								
Hospital	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Seton Medical Center ¹	Daly City	X	478	5,301	85,712	235	49.1%	-
Kaiser - South San Francisco*	South San Francisco	X	120	5,432	19,655	54	44.9%	2.7
SUB-TOTAL			598	10,733	105,367	289	48.3%	
California Pacific Medical Center - St. Luke's*	San Francisco		149	2,078	13,002	36	23.9%	6.2
UCSF Medical Center	San Francisco		785	35,079	237,336	650	82.8%	6.4
San Francisco General Hospital	San Francisco		397	16,805	111,233	305	76.8%	7.8
St. Mary's Medical Center - San Francisco	San Francisco		275	5,553	28,504	78	28.4%	7.8
Mills-Peninsula Medical Center*	Burlingame		301	13,423	59,429	163	54.1%	10.7
California Pacific Medical Center - Pacific	San Francisco		643	3,249	21,546	59	9.2%	11.3
Saint Francis Memorial Hospital	San Francisco		294	4,916	29,902	82	27.9%	11.5
Chinese Hospital*	San Francisco		61	1,188	5,357	15	24.1%	11.6
Kaiser - San Francisco*	San Francisco		239	11,627	52,539	144	60.2%	11.6
San Mateo Medical Center	San Mateo		551	3,040	125,907	345	62.6%	17.9
Stanford Medical Center	Palo Alto		613	27,187	155,947	427	69.7%	27.9
Lucile Salter Packard Children's Hospital	Palo Alto		396	13,857	91,240	250	63.1%	28.2
Kaiser- Santa Clara*	Santa Clara		327	17,928	74,035	203	62.0%	41.7
TOTAL			5,629	166,663	1,111,344	3,045	54.1%	

Source: OSHPD Disclosure Reports

* FY 2018 data used, FY 2019 data unavailable

¹ Includes Seton Coastsides

An analysis of the services offered by the Hospital in comparison to services offered by other providers is shown on the following pages. The hospitals shown in the table below were analyzed to determine area hospital available bed capacity by service.

- The aggregate occupancy rate for all area hospitals is 54%. Only San Francisco General Hospital and UCSF Medical Center had an occupancy rate above 75%; and
- The four largest providers of inpatient services to service area residents, by market share, include Mills Peninsula Medical Center, the Hospital, Kaiser Foundation Hospital-South San Francisco and Priscilla Chan & Mark Zuckerberg San Francisco General Hospital, all of which operate at a combined average occupancy rate of 58%.

²⁶ Seton Medical Center and Seton Coastsides operate under a consolidated license and therefore data on the two locations is aggregated.

Market Share by Payer Type

The following table illustrates hospital market share by payer type as reported by OSHPD for CY 2018:

SERVICE AREA MARKET SHARE BY PAYER TYPE, CY 2018												
Payer	TOTAL DISCHARGES	MILLS-PENINSULA MEDICAL CENTER	SETON MEDICAL CENTER	KAISER FOUNDATION HOSPITAL - SOUTH SAN FRANCISCO	SAN FRANCISCO GENERAL HOSPITAL & TRAUMA CENTER	UCSF MEDICAL CENTER	KAISER FOUNDATION HOSPITAL - SAN FRANCISCO	CALIFORNIA PACIFIC MED CTR- PACIFIC CAMPUS	KAISER FOUNDATION HOSPITAL - REDWOOD CITY	CALIFORNIA PACIFIC MEDICAL CENTER - ST. LUKE'S CAMPUS	Other	Grand Total
Medicare	13,522	14.2%	21.6%	19.4%	6.8%	7.6%	5.3%	5.1%	1.7%	1.8%	16.5%	100%
Private Coverage	11,274	15.6%	4.0%	10.7%	3.1%	12.3%	15.9%	10.2%	7.5%	1.4%	19.4%	100%
Medi-Cal	7,113	9.9%	8.7%	1.9%	28.0%	10.2%	2.1%	9.3%	1.0%	5.7%	23.3%	100%
All Other	1,250	11.4%	18.0%	6.1%	13.0%	1.9%	2.2%	9.1%	1.5%	1.4%	35.4%	100%
TOTAL PERCENTAGE		13.6%	12.7%	12.2%	10.3%	9.5%	8.1%	7.9%	3.5%	2.5%	19.6%	100%
GRAND TOTAL	33,159	4,520	4,208	4,045	3,422	3,165	2,688	2,606	1,168	826	6,511	

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns

- For 2018, the largest payer types, in the service area based on inpatient discharges, are Medicare at 41% and Private Coverage at 34%;
- The Hospital is the market share leader for Medicare at 22%;
- Although Mills-Peninsula Medical Center is the market share leader for overall inpatient discharges, the hospital is not a leader for any individual payer type; and
- San Francisco General Hospital ranks first in Medi-Cal market share (28%).

Market Share by Service Line

The following table shows service area inpatient market share by service line for CY 2018.

SERVICE AREA MARKET SHARE BY SERVICE LINE, CY 2018												
Service Line	Total Discharges	MILLS-PENINSULA MEDICAL CENTER	SETON MEDICAL CENTER	KAISER FOUNDATION HOSPITAL - SOUTH SAN FRANCISCO	SAN FRANCISCO GENERAL HOSPITAL & TRAUMA CENTER	UCSF MEDICAL CENTER	KAISER FOUNDATION HOSPITAL - SAN FRANCISCO	CALIFORNIA PACIFIC MED CTR- PACIFIC CAMPUS	KAISER FOUNDATION HOSPITAL - REDWOOD CITY	CALIFORNIA PACIFIC MEDICAL CENTER - ST. LUKE'S CAMPUS	Other	Grand Total
General Medicine	10,305	11.5%	19.4%	20.1%	10.3%	9.3%	4.4%	5.6%	0.9%	2.4%	16.2%	100.0%
Obstetrics	4,533	15.8%	0.1%	0.1%	8.5%	9.9%	21.1%	16.5%	11.6%	5.6%	10.7%	100.0%
Cardiac Services	3,882	12.1%	22.8%	17.1%	9.3%	7.6%	7.8%	6.5%	0.9%	1.4%	14.5%	100.0%
General Surgery	2,384	14.4%	12.8%	16.0%	12.6%	10.2%	6.4%	7.7%	1.0%	1.6%	17.4%	100.0%
Orthopedics	2,301	11.9%	12.3%	13.8%	9.7%	7.6%	3.6%	6.8%	2.4%	1.2%	30.8%	100.0%
Neonatology	2,181	15.1%	0.0%	0.0%	9.2%	12.0%	22.4%	13.3%	10.3%	5.3%	12.3%	100.0%
Behavioral Health	1,856	36.7%	3.2%	1.9%	9.2%	1.7%	0.5%	2.5%	0.2%	0.3%	43.8%	100.0%
Oncology/Hematology (Medical)	1,053	8.0%	11.3%	10.7%	9.4%	23.7%	2.7%	8.0%	0.5%	1.2%	24.6%	100.0%
Urology	383	12.5%	10.2%	10.7%	7.3%	13.3%	8.4%	8.9%	2.4%	2.1%	24.3%	100.0%
Spine	382	7.6%	11.3%	3.9%	12.3%	14.7%	0.5%	7.3%	1.6%	2.1%	38.7%	100.0%
ENT	360	5.6%	7.8%	12.5%	15.6%	18.3%	3.1%	8.1%	0.8%	2.5%	25.8%	100.0%
Vascular Services	291	14.4%	15.8%	8.3%	9.3%	7.6%	14.4%	5.2%	2.4%	4.8%	17.9%	100.0%
Gynecology	259	15.4%	7.0%	3.9%	13.1%	5.4%	15.1%	17.8%	0.8%	4.3%	17.4%	100.0%
Neurology	228	9.7%	15.4%	5.7%	11.4%	20.6%	1.8%	7.5%	5.3%	0.9%	21.9%	100.0%
Neurosurgery	39	5.1%	0.0%	0.0%	20.5%	20.5%	12.8%	5.1%	15.4%	0.0%	20.5%	100.0%
Ophthalmology	33	6.1%	9.1%	9.1%	21.2%	9.1%	6.1%	15.2%	0.0%	0.0%	24.2%	100.0%
Rehabilitation	18	0.0%	0.0%	0.0%	27.8%	0.0%	0.0%	0.0%	0.0%	0.0%	72.2%	100.0%
Other	2,671	8.6%	12.7%	11.5%	14.5%	8.8%	2.9%	3.2%	6.1%	0.9%	30.8%	100.0%
Total Percentage	100%	13.6%	12.7%	12.2%	10.3%	9.5%	8.1%	7.9%	3.5%	2.5%	19.6%	100%
Total Discharges	33,159	4,520	4,208	4,045	3,422	3,165	2,688	2,606	1,168	826	6,511	33,159

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns

- The Hospital is the service line leader in two out of 17 services lines: cardiac services (23%) and vascular services (16%);
- The Hospital also has a notable market share in general medicine (19%), and neurology (15%);
- Mills-Peninsula Medical Center holds 37% market share for behavioral health services and approximately 16% of market share for obstetrics services;
- Kaiser Foundation Hospital – South San Francisco is the market share leader for general medicine (20%), orthopedics (14%), and general surgery (16%); and
- UCSF Medical Center is the market share leader for oncology (24%), urology (13%), spine (15%), ENT (18%), neurology (21%) and neurosurgery (21%).

Market Share by ZIP Code

The following table shows service area inpatient market share by ZIP Code for CY 2018.

SERVICE AREA MARKET SHARE BY SERVICE LINE, CY 2018												
Pat ZIP	Discharges by ZIP	MILLS-PENINSULA MEDICAL CENTER	SETON MEDICAL CENTER	KAISER FOUNDATION HOSPITAL - SOUTH SAN FRANCISCO	SAN FRANCISCO GENERAL HOSPITAL & TRAUMA CENTER	UCSF MEDICAL CENTER	KAISER FOUNDATION HOSPITAL - SAN FRANCISCO	CALIFORNIA PACIFIC MED CTR- PACIFIC CAMPUS	KAISER FOUNDATION HOSPITAL - REDWOOD CITY	CALIFORNIA PACIFIC MEDICAL CENTER - ST. LUKE'S CAMPUS	Other	Grand Total
94112	6,426	1.0%	4.1%	5.7%	25.6%	15.5%	11.9%	12.6%	0.9%	5.1%	17.5%	100.0%
94080	4,872	24.1%	13.0%	20.0%	2.1%	5.0%	6.4%	3.8%	5.5%	1.4%	18.9%	100.0%
94015	4,818	11.5%	29.1%	14.4%	2.1%	6.7%	7.3%	6.2%	3.0%	2.0%	17.7%	100.0%
94134	3,574	1.5%	3.2%	5.1%	30.5%	13.4%	10.5%	14.4%	0.7%	4.1%	16.7%	100.0%
94066	3,313	38.4%	6.6%	15.3%	1.5%	4.7%	4.7%	2.7%	5.3%	0.8%	20.0%	100.0%
94014	3,260	10.4%	24.5%	17.9%	3.1%	6.2%	8.7%	6.4%	2.6%	3.2%	16.9%	100.0%
94044	2,863	20.1%	17.4%	17.9%	2.0%	7.4%	6.0%	5.3%	5.1%	0.7%	18.1%	100.0%
94132	1,947	1.2%	5.2%	4.5%	13.6%	23.5%	11.7%	15.2%	1.0%	1.5%	22.7%	100.0%
94019	1,140	23.1%	5.9%	2.7%	0.3%	2.4%	0.5%	1.2%	14.8%	0.1%	49.0%	100.0%
94005	333	20.7%	7.2%	15.6%	2.1%	11.1%	7.8%	3.9%	5.7%	1.5%	24.3%	100.0%
94018	215	20.9%	8.8%	7.0%	0.0%	6.1%	2.3%	1.9%	13.0%	0.9%	39.1%	100.0%
94038	213	24.4%	18.8%	6.1%	0.5%	6.1%	1.4%	3.3%	5.6%	0.0%	33.8%	100.0%
94037	155	21.9%	11.6%	17.4%	1.3%	3.2%	3.9%	9.0%	6.5%	0.0%	25.2%	100.0%
94017	30	3.3%	20.0%	6.7%	0.0%	13.3%	6.7%	3.3%	16.7%	3.3%	26.7%	100.0%
Total Percentage		13.6%	12.7%	12.2%	10.3%	9.5%	8.1%	7.9%	3.5%	2.5%	19.6%	100%
Total Discharges	33,159	4,520	4,208	4,045	3,422	3,165	2,688	2,606	1,168	826	6,511	

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns

- The Hospital is the market share leader in three of the ZIP Codes within its service area;
- Mills-Peninsula Medical Center is the market share leader in eight service area ZIP Codes;
- San Francisco General Hospital & Trauma Center is the market share leader in two service area ZIP Codes.

Hospital Analysis by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, critical care, psychiatric acute, sub-acute and skilled nursing using FY 2018 and FY 2019 data.

Medical/Surgical Capacity Analysis

There are 306 licensed medical/surgical beds within Seton Medical Center’s service area that have an overall occupancy rate of approximately 30%.

MEDICAL/SURGICAL BEDS, FY 2019							
Hospital	Miles from Hospital	With Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center	-	X	201	3,809	16,495	45.2	22.5%
Kaiser - South San Francisco*	2.7	X	105	5,234	17,450	47.8	45.5%
SUB-TOTAL			306	9,043	33,945	93.0	30.4%
California Pacific Medical Center - St. Luke's*	6.2		51	645	4,186	11.5	22.5%
UCSF Medical Center	6.4		450	24,794	141,792	388.5	86.3%
San Francisco General Hospital	7.8		184	12,682	66,693	182.7	99.3%
St. Mary's Medical Center - San Francisco	7.8		167	4,012	17,459	47.8	28.6%
Mills-Peninsula Medical Center*	10.7		144	6,681	26,782	73.4	51.0%
California Pacific Medical Center - Pacific	11.3		357	1,834	12,042	33.0	9.2%
Saint Francis Memorial Hospital	11.5		205	3,288	11,917	32.6	15.9%
Chinese Hospital*	11.6		55	1,043	4,854	13.3	24.2%
Kaiser - San Francisco*	11.6		150	7,428	33,709	92.4	61.6%
San Mateo Medical Center	17.9		62	2,101	12,956	35.5	57.3%
Stanford Medical Center	27.9		491	25,598	127,493	349.3	71.1%
Lucile Salter Packard Children's Hospital	28.2		-	-	-	-	-
Kaiser- Santa Clara*	41.7		185	11,089	46,851	128.4	69.4%
TOTAL			2,807	110,238	540,679	1,481.3	52.8%

Source: OSHPD Disclosure Reports

* FY 2018 data used, FY 2019 data unavailable

- Seton Medical Center reported 3,809 inpatient hospital discharges and 16,495 patient days resulting in an occupancy rate of 23% and an average daily census of 45.2 patients for FY 2019;
- Seton Medical Center’s 201 licensed medical/surgical beds represented approximately 66% of the beds in this category for the service area;
- UCSF Medical Center, located six miles from Seton Medical Center, and San Francisco General Hospital, located eight miles from the Hospital, both reported high occupancy rates of 86% and 99%, respectively; and
- Despite the low occupancy rate, Seton Medical Center is an important provider of inpatient medical/surgical beds as the only non-Kaiser provider in the service area.

Intensive Care Capacity Analysis

There are 43 intensive care and coronary care beds within the service area, with an overall occupancy rate of nearly 33%. Seton Medical Center has 28 licensed intensive care/coronary care beds with a combined 28% average occupancy rate in FY 2019 (average daily census of approximately 7.9 patients).

INTENSIVE CARE/CORONARY CARE BEDS, FY 2019							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center	-	X	28	668	2,895	7.9	28.3%
Kaiser - South San Francisco*	2.7	X	15	198	2,205	6.0	40.3%
SUB-TOTAL			43	866	5,100	14.0	32.5%
California Pacific Medical Center - St. Luke's*	6.2		22	926	4,214	11.5	52.5%
UCSF Medical Center	6.4		92	396	21,314	58.4	63.5%
San Francisco General Hospital	7.8		58	824	10,655	29.2	50.3%
St. Mary's Medical Center - San Francisco	7.8		37	171	2,125	5.8	15.7%
Mills-Peninsula Medical Center*	10.7		54	2,223	14,193	38.9	72.0%
California Pacific Medical Center - Pacific	11.3		50	439	2,075	5.7	11.4%
Saint Francis Memorial Hospital	11.5		18	155	1,848	5.1	28.1%
Chinese Hospital*	11.6		6	145	503	1.4	23.0%
Kaiser - San Francisco*	11.6		32	509	6,790	18.6	58.1%
San Mateo Medical Center	17.9		7	120	1,325	3.6	51.9%
Stanford Medical Center	27.9		75	773	19,879	54.5	72.6%
Lucile Salter Packard Children's Hospital	28.2		-	-	-	-	-
Kaiser- Santa Clara*	41.7		30	402	6,701	18.4	61.2%
TOTAL			524	7,949	96,722	265.0	50.6%

Source: OSHPD Disclosure Reports

* FY 2018 data used, FY 2019 data unavailable

- The average daily census for hospitals within the service area was 14 patients based on 5,100 patient days;
- The closest non-Kaiser facility, California Pacific Medical Center – St. Luke’s, is located six miles away and has an occupancy rate of approximately 53%;
- Seton Medical Center provided 65% of the service area’s intensive care/coronary care beds in FY 2018; and
- Overall, the area hospitals reported an occupancy rate of 51% on 524 intensive care/coronary care beds.

Psychiatric Care Capacity Analysis

Seton Medical Center is licensed for 24 psychiatric care beds and is the sole provider of acute psychiatric care services in the service area. Of the beds, 20 of the 24 beds are used for its geriatric patients. These services were in suspense for many years and reopened in FY 2018 with an inpatient geriatric program.

GENERAL ACUTE CARE HOSPITALS WITH ACUTE PSYCHIATRIC CARE BEDS, FY 2019							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center	-	X	24	359	6,337	17.4	72.3%
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
SUB-TOTAL			24	359	6,337	17.4	72.3%
California Pacific Medical Center - St. Luke's*	6.2		-	-	-	-	-
UCSF Medical Center	6.4		-	-	-	-	-
San Francisco General Hospital	7.8		83	1,252	4,166	11.4	13.8%
St. Mary's Medical Center - San Francisco	7.8		-	-	-	-	-
Mills-Peninsula Medical Center*	10.7		50	1,466	8,738	23.9	47.9%
California Pacific Medical Center - Pacific	11.3		16	88	859	2.4	14.7%
Saint Francis Memorial Hospital	11.5		35	1,016	8,045	22.0	63.0%
Chinese Hospital*	11.6		-	-	-	-	-
Kaiser - San Francisco*	11.6		-	-	-	-	-
San Mateo Medical Center	17.9		34	309	10,572	29.0	85.2%
Stanford Medical Center	27.9		30	816	8,575	23.5	78.3%
Lucile Salter Packard Children's Hospital	28.2		-	-	-	-	-
Kaiser- Santa Clara*	41.7		-	-	-	-	-
TOTAL			242	4,490	38,717	106.1	43.8%

Source: OSHPD Disclosure Reports

* FY 2018 data used, FY 2019 data unavailable

- Seton Medical Center’s inpatient unit provided 359 discharges and 6,337 patient days. This is an average occupancy rate of 72% and an average daily census of 17.4 patients; and
- The closest alternatives for geropsychiatric units in the San Francisco bay area are at the San Francisco Campus for Jewish Living, about 6 miles away, that operates a 12-bed licensed acute geriatric psychiatry program, or Fremont Hospital (a psychiatric hospital) located 41 miles from the Hospital which operates 20 geriatric psychiatry beds with an overall average daily census of about 15 patients.

Subacute Care Capacity Analysis

Seton Medical Center operates 44 of its 83 total distinct part skilled nursing beds for sub-acute services. These beds provide care for patients who require special services such as inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management. Seton Medical Center is the only provider of sub-acute care services in the service area and had an occupancy rate of over 67%.

SUB-ACUTE CARE BEDS, FY 2019								
Hospital	Miles from Hospital	Within		Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
		Service Area						
Seton Medical Center	-	X		44	32	10,856	29.7	67.6%
Kaiser - South San Francisco*	2.7	X		-	-	-	-	-
SUB-TOTAL				44	32	10,856	29.7	67.6%
California Pacific Medical Center - St. Luke's*	6.2			40	20	3,513	9.6	24.1%
UCSF Medical Center	6.4			-	-	-	-	-
San Francisco General Hospital	7.8			-	-	-	-	-
St. Mary's Medical Center - San Francisco	7.8			-	-	-	-	-
Mills-Peninsula Medical Center*	10.7			-	-	-	-	-
California Pacific Medical Center - Pacific	11.3			2	1	649	1.8	88.9%
Saint Francis Memorial Hospital	11.5			-	-	-	-	-
Chinese Hospital*	11.6			-	-	-	-	-
Kaiser - San Francisco*	11.6			-	-	-	-	-
San Mateo Medical Center	17.9			-	-	-	-	-
Stanford Medical Center	27.9			-	-	-	-	-
Lucile Salter Packard Children's Hospital	28.2			-	-	-	-	-
Kaiser- Santa Clara*	41.7			-	-	-	-	-
TOTAL				86	53	15,018	41.1	47.8%

Source: OSHPD Disclosure Reports

* FY 2018 data used, FY 2019 data unavailable

- In FY 2019, Seton Medical Center had 10,856 patient days and 32 discharges for an average daily census of 29.7 and an occupancy rate of 68%; and
- California Pacific Medical Center, located six miles from Seton Medical Center, is the only other general acute care hospital provider of inpatient sub-acute services in the San Francisco Bay area.

Skilled Nursing Capacity Analysis

Seton Medical Center operates 39 licensed skilled nursing beds (the remaining of the total 83 licensed skilled nursing beds) and Seton Coastside operates 116 skilled nursing beds. These beds provide care for patients who require less intensive care than subacute care patients.

SKILLED NURSING CARE BEDS, FY 2019							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Seton Medical Center ¹	-	X	39	355	7,371	20.2	51.8%
Kaiser - South San Francisco*	2.7	X	-	-	-	-	-
Seton Coastside ²	13.5	X	116	78	41,758	114.4	98.6%
SUB-TOTAL			155	433	49,129	134.6	86.8%
California Pacific Medical Center - St. Luke's*	6.2	-	-	-	-	-	-
UCSF Medical Center	6.4	-	-	-	-	-	-
San Francisco General Hospital	7.8	-	30	309	10,427	28.6	95.2%
St. Mary's Medical Center - San Francisco	7.8	-	-	-	-	-	-
Mills-Peninsula Medical Center*	10.7	-	-	-	-	-	-
California Pacific Medical Center - Pacific*	11.3	-	38	48	1,053	2.9	7.6%
Saint Francis Memorial Hospital	11.5	-	-	-	-	-	-
Chinese Hospital*	11.6	-	-	-	-	-	-
Kaiser - San Francisco*	11.6	-	-	-	-	-	-
San Mateo Medical Center ¹	17.9	-	345	530	102,596	281.1	81.5%
Stanford Medical Center	27.9	-	-	-	-	-	-
Lucile Salter Packard Children's Hospital	28.2	-	-	-	-	-	-
Kaiser- Santa Clara*	41.7	-	-	-	-	-	-
TOTAL			568	1,320	163,205	447.1	78.7%

Source: OSHPD Disclosure Reports and Verity Health

* FY 2018 data used, FY 2019 data unavailable

- In FY 2019, the Hospital reported 7,371 patient days and 355 discharges resulting in average daily census of 20 patients and an occupancy rate of 52%; and
- Seton Coastside reported 41,758 patient days and 78 discharges resulting in an occupancy rate of nearly 100%.

Emergency Services Analysis

Seton Medical Center has 19 emergency treatment stations and Seton Coastside has seven emergency treatment stations. Kaiser Foundation Hospital – South San Francisco has 19 emergency stations, bringing the total number of service area treatment stations to 45. As shown below, Seton Medical Center and Seton Coastside reported 23,687 and 2,222 emergency department visits, respectively.

The table below shows the visits by category for area emergency departments:

EMERGENCY DEPARTMENT VISITS BY CATEGORY CY 2019												
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe		Percentage Admitted	Hours of Diversion
									w/o Threat	w/Threat		
Seton Medical Center	-	X	Basic	19	23,687	145	1,435	7,695	7,178	7,234	19.1%	11
Kaiser - South San Francisco	2.7	X	Basic	19	44,743	2,599	7,937	9,682	21,068	3,457	9.4%	1,463
Seton Medical Center - Coastside	13.3	X	Standby	7	2,222	42	466	1,390	255	69	-	0
SUB-TOTAL				45	70,652	2,786	9,838	18,767	28,501	10,760	12.3%	1,474
California Pacific Medical Center - St. Luke's	6.2		Basic	12	23,811	181	1,505	7,528	8,429	6,168	12.9%	820
UCSF Medical Center	6.4		Basic	33	42,659	73	1,018	9,379	9,007	23,182	23.6%	1,278
San Francisco General Hospital	7.8		Comprehensive	59	75,298	1853	18,853	34,788	15,400	4,404	16.6%	4,338
St. Mary's Medical Center - San Francisco	7.8		Basic	17	16,860	340	1,714	4,859	5,583	4,364	15.6%	225
Mills-Peninsula Medical Center	10.7		Basic	23	49,212	357	6,479	15,721	14,100	12,555	15.1%	0
California Pacific Medical Center - Pacific*	11.3		Basic	19	25,301	97	1,010	5,049	7,610	11,535	28.5%	1,228
Saint Francis Memorial Hospital	11.5		Basic	20	31,142	725	2,969	11,258	11,476	4,714	9.8%	170
Chinese Hospital	11.6		Standby	7	6,721	7	383	1,660	1,967	2,704	18.4%	0
Kaiser - San Francisco	11.6		Basic	24	41,071	735	6,401	13,624	15,611	4,700	11.8%	157
San Mateo Medical Center	17.9		Basic	15	38,471	5,239	10,480	9,708	10,222	2,822	5.8%	0
Stanford Medical Center	27.9		Basic	46	65,868	63	5,639	19,797	27,576	12,793	14.7%	10
Lucile Salter Packard Children's Hospital*	28.2		-	-	-	-	-	-	-	-	-	-
Kaiser- Santa Clara*	41.7		Basic	32	80,840	2936	12,822	15,966	41,847	7,269	10.4%	104
TOTAL				274	421,198	12,393	60,650	132,341	127,906	87,908	2.3%	9,804

Source: OSHPD Annual Utilization Reports
*2018 Data

- Approximately 19% of Seton Medical Center’s emergency department visits resulted in admission. This is higher than the area hospital average of 12% admitted;
- Seton Medical Center and Seton Coastside are the only “non-Kaiser” providers of emergency services in the service area; and
- As the only 24-hour standby emergency department along the 55-mile stretch between Santa Cruz and Daly City, Seton Coastside is an important provider of emergency services to residents of Moss Beach and its surrounding communities. In CY 2019, Seton Coastside did not admit any inpatients to the hospital’s 5-general acute care unit as patients requiring hospitalization are transferred via air or ground to area hospitals as necessary.

Emergency Services Capacity

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2019, the Hospital's emergency department was operating at 62% of its 19-bed capacity. Emergency department occupancy at Kaiser Foundation Hospital – South San Francisco is higher, operating over capacity (117%). Seton Coastside, despite operating at a low volume of 16% capacity, it is an important provider of emergency services as the only provider of these types of services for residents of Moss Beach and surrounding communities.

EMERGENCY DEPARTMENT CAPACITY CY 2019						
Hospital	Miles from Hospital	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Seton Medical Center	-	Basic	19	23,687	38,000	14,313
Kaiser - South San Francisco	2.7	Basic	19	44,743	38,000	(6,743)
Seton Medical Center - Coastside	13.3	Standby	7	2,222	14,000	11,778
SUB-TOTAL			45	70,652	90,000	19,348
California Pacific Medical Center - St. Luke's	6.2	Basic	12	23,811	24,000	189
UCSF Medical Center	6.4	Basic	33	42,659	66,000	23,341
San Francisco General Hospital	7.8	Comprehensive	59	75,298	118,000	42,702
St. Mary's Medical Center - San Francisco	7.8	Basic	17	16,860	34,000	17,140
Mills-Peninsula Medical Center	10.7	Basic	23	49,212	46,000	(3,212)
California Pacific Medical Center - Pacific*	11.3	Basic	19	25,301	38,000	12,699
Saint Francis Memorial Hospital	11.5	Basic	20	31,142	40,000	8,858
Chinese Hospital	11.6	Standby	7	6,721	14,000	7,279
Kaiser - San Francisco	11.6	Basic	24	41,071	48,000	6,929
San Mateo Medical Center	17.9	Basic	15	38,471	30,000	(8,471)
Stanford Medical Center	27.9	Basic	46	65,868	92,000	26,132
Lucile Salter Packard Children's Hospital	28.2	-	-	-	-	-
Kaiser- Santa Clara*	41.7	Basic	32	80,840	64,000	(16,840)
TOTAL			274	421,198	548,000	126,802

Source: OSHPD Annual Utilization Reports

*2018 Data

- Service area hospital emergency departments are operating at approximately 79% of capacity; and
- Overall, the hospitals' emergency departments are at approximately 77% of their capacity.

Summary of Interviews

In April and May of 2020, both video and telephone interviews were conducted with representatives of the Hospital, Verity, and AHMC, as well as physicians, San Mateo County representatives, the Hospital's employees, union representatives, and other community representatives. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability and accessibility as a result of the proposed transaction. The list of individuals who were interviewed is located in the Appendix of this report. The major findings of these interviews are summarized below.

Reasons for the Proposed Transaction

Members of Verity Health and the Hospital's management team, medical staff, and Board cited a number of reasons why a transaction was necessary, including the following:

- Verity Health does not have the financial resources required to repay outstanding debt. Additionally, Verity Health is unable to provide financial support for the underfunded pension plans, seismic related requirements, plant and equipment maintenance, and operational deficits. As such, Verity Health filed for relief under Chapter 11 of Title 11 of the United States Code. As a result of a facilitated process to find a buyer, through a sale of the assets approved by the United States Bankruptcy Court for the Central District of California, SGM was initially selected as the successful bidder. However, after the sale was approved by the California Attorney General and the bankruptcy court, SGM failed to complete the sale. Subsequently, Verity Health initiated another process to find interested and qualified buyers and AHMC's bid was selected for the Hospital. All interviewees believe that the transaction with AHMC is necessary to continue to operate the Hospital and preserve its services;
- Without the transaction, Verity Health would not be able to meet its financial obligations and continue the operation of the Hospital. It would be likely that the Hospital would close and be converted to other uses. Without the transaction, the affected communities' access to services could be severely impacted and closure of the Hospital and its healthcare services would cause operational challenges for other area hospitals to meet the increased demand for inpatient services;
- Given the Hospital's important role in providing healthcare for the poor, without the transaction, the community could be at risk of losing key services that are essential for the uninsured and under-insured patient population;
- Almost all of those interviewed believed that the transaction is necessary to keep the Hospital from closing;

Importance of the Hospital to the Community

According to all those who were interviewed, the Hospital is an important safety-net provider to the local community and known for providing essential services to the uninsured, under-insured, and under-served populations of San Mateo County. The Hospital is also an important provider of services for Daly City's senior and large Filipino American population that has high rates of kidney disease, hypertension, diabetes, and stroke. The Hospital is also important for access due to difficulties for local community members to use alternative healthcare services because of distances and traffic congestion in San Francisco and the Bay area. Some of the programs and services at the Hospital that were mentioned in the interviews as especially important include the following:

- Emergency services;
- Sub-acute care services;
- General surgical services;
- Gastroenterology services;
- Geriatric psychiatry services;
- Cancer services, including interventional radiology, infusion and chemotherapy services;
- Nephrology services, including inpatient dialysis services;
- Stroke services, including certification as a Primary Stroke Center;
- Cardiac services, including cardiac catheterization services and designation as a STEMI Receiving Center;
- While some felt that the surgical volumes for a comprehensive cardiac program were too low to be sustained, others stated that the cardiac surgery program should be a required program because of the STEMI Receiving Center designation and the large number of cardiac catheterization procedures, further citing that many of the patients have comorbidities that further complicate cardiac procedures; and
- Many interviewed stated that the Hospital's STEMI Receiving Center is one of the busiest in San Mateo County and is especially important because Kaiser Foundation Hospital – South San Francisco does not have STEMI Receiving Center designation.

Some of those interviewed also mentioned the following services as important services provided by the Seton Medical Center:

- Wound care services, including the Seton Center for Advanced Wound Care; and
- Orthopedic services, including joint replacement and spine care services.

According to all who were interviewed, Seton Coastside is an important provider to the local community and is known for providing skilled nursing and emergency services to the uninsured and under-served populations in San Mateo County. Some of the programs and services at Seton Coastside that were mentioned in the interviews as especially important include the following:

- Emergency services;
- Skilled nursing services; and
- Physical therapy and speech therapy services.

If the Seton Medical Center and Seton Coastside do not maintain their current level of healthcare services, accessibility and availability issues could be created for residents of the local community, especially for Medi-Cal patients.

Selection of AHMC for the Proposed Transaction

Representatives of Verity Health explained that a number of factors were involved in finalizing the selection of AHMC including the following:

- AHMC provided a bid of \$40 million and a commitment to continue the operation of the hospital and accept the conditions required by the California Attorney General from the prior transaction between Verity Health, the Hospital, and SGM that was approved on September 25, 2019;
- AHMC is a physician owned organization and has positive relationships with IPAs, medical groups and independent physicians;
- Enhanced financial support and access to capital;
- Plans to expand some services;
- A very favorable report from a group of physicians on the medical staff that toured AHMC hospitals in Southern California and garnered the overall support of the Hospital's medical staff;
- Experience with safety net hospitals and distressed hospital turnarounds; and

- Experience operating community hospitals efficiently and profitably.

Almost all of those interviewed from Verity Health, the Hospital's management, medical staff, and Board, and the community were supportive of the proposed transaction and the selection of AHMC and expressed a strong desire for the transaction to be finalized. Additionally, most people also conveyed an overall understanding and knowledge of the pressing financial issues and the necessity for a transaction to occur in order to ensure continued operation of the Hospital.

The majority of those interviewed expressed support for the transaction with AHMC. Most of the Hospital employees interviewed, some of whom were also members of unions, understood the reasons for the transaction, expressed optimism towards AHMC as a buyer as long as employees are treated well, union contracts are fairly negotiated and honored, and the surrounding communities continue to be served by the Hospital.

Views of the Health Plan of San Mateo and San Mateo County Health

San Mateo Health Plan and San Mateo County Health representatives emphasized their strong relationship to the Hospital and Seton Coastside, as providers of services to many low-income patients and Medi-Cal beneficiaries. Despite some unfamiliarity with AHMC, they believed they would be able to establish reasonable contractual relationships for services in future.

The San Mateo County representatives stressed the importance of the Hospital's outpatient primary and specialty services and the Hospital's emergency department in providing access for members of the population who have high rates of chronic disease. Also mentioned as especially important were Seton Medical Center's subacute beds and Seton Coastside's skilled nursing services due to a shortage of such services in San Mateo County.

The representatives of San Mateo Health Plan and San Mateo County Health are supportive of AHMC's purchase of the Hospital.

Impact on the Availability and Accessibility of Healthcare Services

While many interviewed were not familiar with AHMC, most were cautiously optimistic that AHMC's ownership would ensure the future financial sustainability and operation of the Hospital. Many individuals interviewed mentioned their belief that AHMC's operational experience and ownership of other hospitals in Southern California would be valuable for a turnaround of the Hospital. Almost all interviewed believe that the commitments AHMC made would ensure the continued operation of the hospital and likely improve the accessibility and availability of healthcare services.

Alternatives

All of those interviewed believed that a transaction was necessary soon in order to avoid the closure of the Hospital.

A minority of those interviewed believed that if the Hospital closed, the other area acute-care hospitals could absorb much of the Hospital's general acute care inpatient volume without serious negative impacts to patient access. However, it was felt that if the Hospital closed, there would be a serious access issues for emergency, sub-acute care and geropsychiatric services in the area. In addition, it was felt that closure of Seton Coastside would have a severe negative impact on access to skilled nursing and primary care services for the local community.

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

Importance of Seton Medical Center and Seton Coastside to the Surrounding Communities

As the only hospital other than Kaiser Permanente, providing inpatient general acute, sub-acute, psychiatric and skilled nursing, and emergency services in the service area, Seton Medical Center is a very important provider of inpatient and outpatient services to Medi-Cal and Medicare beneficiaries in San Mateo County. Seton Medical Center's STEMI and stroke receiving capabilities, cardiac services, vascular services, and nephrology services are viewed as very important for the community. The stroke care services were cited as especially important to the disproportionately high Filipino population that have high rates of diabetes, kidney disease, and stroke.

Seton Coastside is a very important provider of both long-term and skilled nursing services. Seton Coastside also operates the only "standby" emergency department along the 55-mile stretch between Santa Cruz and Daly City.

Continuation as a General Acute Care Hospital

AHMC has agreed to complete the transaction agreement so long as any conditions imposed by the California Attorney General are substantially consistent with the conditions set forth in Asset Purchase Agreement. Acceptance of these conditions includes operation of the Hospital as a general acute care hospital until December 13, 2025.

Emergency Services

In FY 2019, Seton Medical Center and Seton Coastside reported approximately 26,000 visits to its combined 26 emergency treatment stations, operating at about 50% capacity (based on a standard of 2,000 visits per station, per year). As Seton Coastside is the only provider of 24-hour "standby" emergency services along the 55-mile stretch between Santa Cruz and Daly City, continuing the operation of Seton Coastside's emergency department open is important for the availability and accessibility of emergency services to residents within the area. Seton Coastside does not usually receive critically ill patients and will transfer them to a general acute care hospital. Seton Medical Center is an important ambulance receiving facility that also gets a high volume of emergency transports from the San Francisco area when hospitals in San Francisco go on diversion²⁷. Kaiser Foundation Hospital – South San Francisco, located three miles away from Seton Medical Center also operates at high capacity of over 100%.

²⁷ A hospital goes on diversion when there are not enough beds or staff available in the emergency room or the hospital itself to adequately care for patients. When a hospital goes on diversion, it notifies area Emergency Medical Services units so that they can consider transporting patients to other hospitals that are not on diversion.

As a result of the ACA and California's participation in Medicaid expansion, more individuals are now eligible for healthcare coverage. Because of this and the continuing shortage of primary care physicians, emergency department utilization may be expected to increase within the service area. Keeping the Hospital's emergency departments open is critical to providing emergency services within the Hospital's service area.

Medical/Surgical Services

Despite a low occupancy rate of approximately 22% on 201 licensed medical/surgical beds, and being the only "non-Kaiser" facility in the service area, Seton Medical Center is an important provider of these services for the local community.

Intensive Care/Coronary Care Services

Seton Medical Center operated 28 intensive care/coronary beds in FY 2019. These services are an important resource for supporting the emergency department and other surgical and medical services. Kaiser – South San Francisco is the only other service area hospital, located nearly approximately three miles away that has intensive care and coronary care beds and an occupancy rate of approximately 40%.

Subacute Care Services

Seton Medical Center operates 44 licensed subacute care beds for medically fragile patients who require special services such as inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management. In the service area, Seton Medical Center is the only provider of ventilated dialysis services in San Mateo County and has an occupancy rate of approximately 68%.

Skilled Nursing Care Services

Seton Medical Center operates 39 distinct part licensed skilled nursing care beds for patients who require less intensive care than subacute care patients in the South San Francisco area. Seton Coastside is licensed for 116 skilled nursing beds and is an important provider of these services for its mostly Medi-Cal patient population. Seton Coastside is the only provider of skilled nursing services in the greater Half Moon Bay area. Both Seton Medical Center and Seton Coastside are important providers of these services for their local community, since they are the only non-Kaiser facility that provide these services.

Psychiatric Care Beds

In FY 2018, when Seton Medical Center reopened its 24 psychiatric unit for geriatric patients, In FY 2019, Hospital’s psychiatric unit has operated at approximately 72% capacity. Seton Medical Center is the sole provider of geriatric psychiatric services in the service area and therefore an important provider of these services for the local community and greater San Francisco Bay area.

Oncology/Cancer Services

Seton Medical Center serves over 120 inpatient oncology patients and over 2,000 outpatient oncology patients annually. Outpatient visits include approximately 5,000 radiation oncology visits and 3,000 – 4,000 medical oncology visits; making it an important provider of oncology services to community residents. Medical oncology services were temporarily halted in mid FY 2020 because of the departure of nursing staff due to the pending transaction with SGM. AHMC said that it would maintain or expand cancer care services for at least five years from the Closing Date of the Asset Purchase Agreement.

SETON MEDICAL CENTER CANCER SERVICES VOLUME			
	FY 2017	FY 2018	FY 2019
Radiation Oncology Patients	1,796	1,360	1,246
Radiation Oncology Patients Visits	7,185	5,443	4,986

Source: Verity Health

Reproductive Health Services

Although Seton Medical Center and Seton Coastside do not provide obstetric services. The table below shows that Seton Medical Center and Seton Coastside rarely performs reproductive related services.

SETON MEDICAL CENTER		
CY 2018 REPRODUCTIVE SERVICE BY DIAGNOSTIC RELATED GROUP		
MS DRG	MS-DRG Title	CY 2018
776	POSTPARTUM & POST ABORTION DIAGNOSES W/O O.R. PROCEDURE	2
778	THREATENED ABORTION	1
767	VAGINAL DELIVERY W STERILIZATION AND/OR D&C	0
770	ABORTION W D&C, ASPIRATION CURETTAGE OR HYSTEROTOMY	0
777	ECTOPIC PREGNANCY	0
779	ABORTION W/O D&C	0
769	POSTPARTUM & POST ABORTION DIAGNOSES W O.R. PROCEDURE	0
768	VAGINAL DELIVERY W O.R. PROC EXCEPT STERIL &/OR D&C	0
Total Discharges		3

Source: OSHPD Discharge Database, CY 2018, Excludes Normal Newborns
D&C is an abbreviation for Dilation and Curettage

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

Approximately 64% of the Hospital’s inpatients are reimbursed through Medicare (48%) and Medi-Cal (16%). San Mateo County has a County Organized Health Systems (COHS) that offers one managed care plan. In the County Organized Health Systems model, the Department of Health Care Services contracts with a health plan created by the County Board of Supervisors. The percentage of San Mateo County residents with Medi-Cal Managed Care coverage has increased significantly as a result of the ACA and California initiatives to expand managed care. In San Mateo County, the County Organized Health Systems is provided by Health Plan of San Mateo. AHMC has committed to maintaining the Hospital’s Medicare and Medi-Cal managed care contracts through December 13, 2025. If the Hospital did not participate in the Medicare and Medi-Cal programs, eligible patients could be denied access to certain non-emergency healthcare services, thus creating a negative impact on the availability or accessibility for these patient populations.

Effects on the Level & Type of Charity Care Historically Provided

Many uninsured and under-insured individuals in the community rely on the Hospital for healthcare services. Between FY 2015 and FY 2019, the Hospital provided an average of approximately \$841,500 in charity care costs per year over the five-year period. Although Medicaid expansion and the ACA increased access to healthcare insurance coverage, the amount of charity care costs at the Hospital have risen in recent years. In the Asset Purchase Agreement, AHMC has agreed to provide an annual amount of charity care of equal to or greater than \$1,055,863 adjusting for inflation and utilizing AHMC’s charity care policy.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging \$704,900 per year over the last five years (on a cost basis). Furthermore, in its Application to the California Attorney General, AHMC committed to providing an annual amount of community benefit services equal to or greater than \$685,870, adjusting for inflation, and committed to providing continued support for a number of community benefit programs, including the Health Benefits Resource Center and RotaCare Clinic, for at least six fiscal years.

Effects on Staffing & Employee Rights

AHMC agrees to make offers of employment, effective as of the Effective Time, to substantially all persons who, immediately prior to the Effective Time are employees of the Hospital. All employees who are hired shall cease to be employees of the Hospital as of the Effective Time and become employees of AHMC. Before the Closing Date, AHMC will participate with Sellers in union negotiations aimed at modifying or assigning collective bargaining agreements. Some hospitals operated by AHMC have collective bargaining agreements with unions including SEIU-UHW, SEIU, CAN and UNAC.

Effects on Medical Staff

The Asset Purchase Agreement states AHMC has committed to retaining all current members of the Hospital's medical staff in good standing as of the Effective Date. As a result, no changes are expected.

Alternatives

If the proposed Asset Purchase Agreement is not approved, it is expected that Verity Health would evaluate alternative proposals for a transaction, however, no other offers were reviewed by the Bankruptcy Court to purchase and operate the Hospital. It is likely that absent this transaction, Seton Medical Center would be closed and sold for other purposes. In this circumstance, Seton Coastside may be sold and continue operations under other ownership, however, this is uncertain.

Conclusions

Based on AHMC's commitments outlined in the Asset Purchase Agreement regarding the Hospital, the proposed transaction is likely to continue the availability and accessibility of most healthcare services in the communities served until at least December 13, 2025. It is anticipated that access for Medi-Cal, Medicare, uninsured and other classes of patients for most services will remain unchanged.

Potential Conditions for Transaction Approval by the California Attorney General

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

1. For at least the remainder of the term (until at least December 13, 2025) stated in the approved Conditions²⁸, the Hospital shall continue to operate as a general acute care hospital;
2. For at least the remainder of the term (until at least December 13, 2025) stated in the approved Conditions, the Hospital shall maintain 24-hour emergency medical services with a minimum of 19 treatment stations with the same types and/or levels of services until the Conditions expires including the following:
 - a. Designation as a STEMI Receiving Center; and
 - b. Designation as a Primary Stroke Center.
3. For at least the remainder of the term (until at least December 13, 2025) stated in the approved Conditions, the Hospital shall maintain the following services at current licensure, types, and/or levels of services including the following:
 - a. Cardiac services, including the three cardiac catheterization labs and the
 - b. Critical care services, including a minimum of 20 intensive care/coronary care beds;
 - c. Psychiatric services, including a minimum of 24 distinct part beds with at least 20 beds available for the geriatric psychiatric unit;
 - d. Women's health services, including the Seton Breast Health Center and women's imaging and mammography services; and

²⁸ Conditions to Change in Control and Governance of Seton Medical Center and Seton Coastside and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC" dated December 3, 2015.

- e. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification as a sub-acute unit.
4. For at least five years from the Closing Date, the Hospital shall maintain the following services at current licensure, types, and/or levels of services including the following:
- a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
 - b. Cancer services, including inpatient oncology services, interventional radiology, radiation therapy, and infusion services;
 - c. Orthopedics and rehabilitation services, including joint replacement and spine care services;
 - d. Diabetes services, including Northern California Diabetes Institute;
 - e. Wound care services, including Seton Center for Advanced Wound Care; and
 - f. Nephrology services.
5. For at least the remainder of the term (until December 13, 2025) stated in the approved Conditions, the Hospital shall maintain the following services at current licensure, types, and/or levels of services at Seton Coastside including the following:
- a. 24-hour “standby” Emergency Department, with a minimum of 7 treatment stations; and
 - b. Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.
6. For at least five years from the Closing Date of the Asset Purchase Agreement, the Hospital shall maintain the same types and/or levels of women’s healthcare services and mammography services, currently provided at the location below or an equivalent location:
- a. Women’s Health Services, located at 1850 Sullivan Avenue, Suite 190, Daly City California.
7. For at least five years from the Closing Date, the Hospital shall maintain the same types and/or levels of outpatient services and mammography services, currently provided at the location below or an equivalent location:
- a. Imaging Services located at 1850 Sullivan Avenue, Suite 100, Daly City California;
 - b. Joint Replacement Program, located at 1850 Sullivan Avenue, Suite 150, Daly City California; and
 - c. Wound Care Services, located at 1850 Sullivan Avenue, Suite 115, Daly City California.

8. For at least five years from the Closing Date, the Hospital shall maintain a charity care policy that is no less favorable than its current charity care policy and in compliance with California and Federal law and shall provide an annual amount of charity care equal to or greater than \$841,475 (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 2020, the Hospital’s required Minimum Charity Care amount using the three-year rolling average from FY 2017 to FY 2019 would be \$837,549. For purposes herein, the term “Charity Care” shall mean the amount of charity care costs (not charges) incurred by the Hospital in connection with the operations and provision of services at the Hospital. The definition and methodology for calculating “Charity Care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The Minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). The Attorney General may consider imposing other charity care protections such as improving the charity care policy and disclosure requirements as he did in the Dignity transaction issued on November 21, 2018²⁹;
9. For at least five years from the Closing Date, the Hospital shall continue to expend an average of no less than \$704,864 annually in community benefit services (Minimum Community Benefits Amount). If the Hospital receives any grant funds for community benefit services, those grant funds may not be applied to the Minimum Community Benefits Amount. The Minimum Community Benefits Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for San Francisco-Oakland-San Jose, California Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). In addition, the following community benefit programs shall continue to be offered and/or supported for at least five years from the Closing Date:
 - a. Health Benefits Resource Center; and
 - b. RotaCare Clinic.
10. For at least the remainder of the term (until December 13, 2025) stated in the approved Conditions, the Hospital shall maintain its participation in the Medi-Cal managed care program, providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries, on the same terms and conditions as other similarly

²⁹ In the Asset Purchase Agreement, AHMC has agreed to provide an annual amount equal to or greater than \$1,055,863 (the Minimum Charity Care Amount), adjusting for inflation at Seton Medical Center and Seton Coastsides set forth in the Attorney General’s Decision regarding: Verity Health System of California, Inc. Notice of Proposed Transfer St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center, dated September 29, 2019.

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 Health Plan of San Mateo contract or its successor;

11. For at least the remainder of the term (until December 13, 2025) stated in the approved Conditions, the Hospital shall maintain its participation in the Medicare program, providing the same types and/or levels of emergency and non-emergency services to Medicare beneficiaries, on the same terms and conditions as other similarly situated hospitals, by maintaining a Medicare Provider Number until the term expires;
12. For at least five years from Closing Date, the Hospital shall maintain its current contracts, subject to the request of the County of San Mateo, for services, including the following:
 - a. Participation in the Hospital Preparedness Program between the Hospital (jointly with Seton Coastside) and San Mateo County;
 - b. STEMI Receiving Center Designation between the Hospital and San Mateo County;
 - c. Financial Support for Seismic Upgrades between the Hospital and San Mateo County;
 - d. Biosense Program Information Sharing and Data Use Agreement between the Hospital and the County of San Mateo Health System;
 - e. Designation as a Primary Stroke Center between the Hospital and San Mateo County;
 - f. Fee for Service Hospital Services Agreement between the Hospital (jointly with Seton Coastside) and San Francisco Health Plan;
 - g. Medical Service Agreement: Access and Care for Everyone Program between the Hospital and San Mateo Community Health Authority;
 - h. Hospital Medi-Cal Hospital Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo;
 - i. Care Advantage Hospital Service Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo;
 - j. Memorandum of Understanding between the Hospital and San Mateo County Behavioral Health and Recovery Services Division;
 - k. Affiliation Agreement for the Radiology Technology Program between the Hospital and San Mateo College District;
 - l. Affiliation Agreement for the Registered Nursing Program between the Hospital (jointly with Seton Coastside) and San Mateo College District; and
 - m. Rail Shuttle Bus Service Administration for Seton Shuttle Agreement between the Hospital and San Mateo County Transit District.
13. The Hospital shall maintain written policies that prohibit discrimination against lesbian, gay, bisexual, or transgender individuals; and

14. AHMC and the Hospital shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 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).

Appendix

List of Interviewees

Last Name	First Name	Position	Affiliation
Abedon, MD	Stephen	Radiologist	Seton Medical Center
Adcock	Rich	Chief Executive Officer	Verity Health
Ahn	Tina	Director, Business Development	Seton Medical Center & Seton Coastside
Altman	Maya	Chief Executive Officer	Health Plan of San Mateo
Armada	Tony	President and Chief Executive Officer	Seton Medical Center
Ashford	Troy	Administrative Director, Imaging and Diagnostics	Seton Medical Center
Birk	Jerry	Executive Director, Post-Acute Services	Seton Medical Center
Caligiore	Kerianne	Chief Nursing Officer	Seton Medical Center
Chausser, MD	Barry	Medical Director, Radiation Oncology	Seton Medical Center
Child, MD	Josiah	Medical Director, Emergency Services	Seton Medical Center
Doody	Deann	Union Steward	National Union of Healthcare Workers
Egan	Shannon	Union Representative	California Nurses Association
Hazlehurst, MD	Thomas	Medical Director, Skilled Nursing Services	Seton Medical Center
Krisharao	Priya	Medical Director Imaging	Seton Medical Center
LaPolla	Nancy	Director, Emergency Medical Services	San Mateo County Health
Licavoli	Cara	Stroke and STEMI Coordinator	Seton Medical Center
Millhouse, MD	Felix	Medical Director, Cardiac Services	Seton Medical Center
Morrow	Scott	Health Officer	San Mateo County
Nuris	Tom	Board Chair	Seton Medical Center & Seton Coastside
Perez, MD	Robert	Chief of Medical Staff	Seton Medical Center
Rivera	Fred	Steward	Engineers and Scientists of California Local 20
Rogers	Louise	Chief Executive Officer	San Mateo County Health
Schaaphok	Pete	Steward	International Union of Operating Engineers Local 39
Shapiro, MD	Robert	Obstetrician	Seton Medical Center
So	Ivy	Interim Director, Perioperative Services	Seton Medical Center
Stavosky, MD	James	Medical Director of Emergency Services	Seton Medical Center
Thomas	Michael	Registered Nurse & Director, Emergency and Specialty	Seton Medical Center
Thomas	William	Executive Vice President & General Counsel	SGM
Thomas	Michael	Director of Emergency and Specialty Services	Seton Medical Center
Tran	Julie	Union Representative	California Nurses Association
Tuckman	Eric	Senior Advisor to Chairman	AHMC
Ward	Shane	Union Representative	California Nurses Association
Weber, MD	Robert	Radiation Oncologist	Seton Medical Center
Wu	Jonathan	President and Chairman	AHMC

Seton Medical Center and Seton Coastside License

License: 22000026
Effective: 01/01/2020
Expires: 12/31/2020
Licensed Capacity: 478

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

Seton Medical Center

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

Seton Medical Center

Seton Coastside

Seton Medical Center
1900 Sullivan Ave
Daly City, CA 94015-2200

Bed Classifications/Services

250 General Acute Care
18 Perinatal
14 Coronary Care
14 Intensive Care
3 Intensive Care Newborn Nursery
201 Unspecified General Acute Care
24 Acute Psychiatric (D/P)
83 Skilled Nursing (D/P)

Other Approved Services

Basic Emergency Medical
Cardiovascular Surgery
Mobile Unit - Other - CT/PET - Steriotactic
Biopsy
Nuclear Medicine
Occupational Therapy
Outpatient Services - Ambulatory Surgery at
Ambulatory Surgery Center, 1850 Sullivan
Avenue, Suite 400, Daly City
Outpatient Services - Imaging Services at NSI
Imaging Svcs & Block Suite, 1850 Sullivan
Avenue, Suite 100, Daly City
Outpatient Services - Joint Replacement
Program at Seton Orthopedic Institute
Outpatient Center, 1850 Sullivan Avenue,
Suite 150, Daly City
Outpatient Services - Women's Health
Services at Breast Health Center, 1850
Sullivan Avenue, Suite 190, Daly City
Outpatient Services - Wound Care Center at
Wound Care Center, 1500 South Gate
Avenue, Suite 115, Daly City
Physical Therapy
Podiatry Service

(Additional Information Listed on License Addendum)

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

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State of California
Department of Public Health
License Addendum

License: 22000026
Effective: 01/01/2020
Expires: 12/31/2020
Licensed Capacity: 478

Seton Medical Center (Continued)
1900 Sullivan Ave
Daly City, CA 94015-2200

Other Approved Services (cont'd)

Radiation Therapy
Respiratory Care Services
Social Services

Seton Coastside
600 Marine Blvd
Moss Beach, CA 94038-9641

Bed Classifications/Services
5 General Acute Care
116 Skilled Nursing (D/P)

Other Approved Services

Dental Services
Occupational Therapy
Outpatient Services
Physical Therapy
Podiatry Service
Respiratory Care Services
Social Services
Speech Pathology
Standby Emergency Medical Services

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
2 Acute Psychiatric Care beds suspended from 05/13/2019 to 05/12/2020 at 1900 Sullivan Ave.
Rooms 809, 811
CONSOLIDATED

Sonia Y. Angell, MD, MPH

State Public Health Officer & Director

Steven Lee, Staff Services Manager I

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