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# Acquisition Analysis: Prime Healthcare Services, Inc.

## Eden Township Healthcare District

June 3, 2009

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# Biographical Overview of Prem Reddy, M.D.

# Prem Reddy, M.D., F.A.C.C., F.C.C.P.

## Biography

- Born in 1948 in rural India
- Immigrated to the United States in 1976

## Education

- Residency: Internal Medicine and Cardiovascular Disease, Down State Medical Center, S.U.N.Y., Brooklyn, New York
- Board Certification: Internal Medicine, Cardiology
- Fellow, American College of Cardiology
- Fellow, American College of Chest Physicians

## Business Development

- Founded Desert Valley Medical Group (“DVMG”), a multispecialty medical group, in 1985
  - ▶ DVMG later became PrimeCare International, Inc., a physician practice management company with operations in several states including California, New York, Florida, and Oklahoma, totaling over 250,000 managed care patients
  - ▶ In 1988, PrimeCare International, Inc. was sold to PhyCor, a Tennessee-based publicly traded company
- Built Desert Valley Hospital, an 83-bed acute care hospital located in Victorville, California, in 1994
- Founded Prime Healthcare Services (“PHS”), Inc. in 2001, and in that same year, repurchased Desert Valley Hospital (“DVH”) and DVMG from Phycor



# Prem Reddy, M.D., F.A.C.C., F.C.C.P. (cont'd.)

## Philanthropy

- Established the Dr. Prem Reddy Family Foundation (also referred to as the Desert Valley Charitable Foundation), a 501(c)(3) not-for-profit charitable organization, with an initial gift of \$1,000,000, and has since contributed over \$20,000,000 since its founding
  - ▶ Purpose of the organization is to serve the healthcare needs of the High Desert communities vis-à-vis: free public health library, scholarship program for students in the healthcare field, and support of other healthcare related charities

## Awards/Recognition

- Recognized as one of the Nation's "50 most powerful physician executives in healthcare" and "Top 25 minority executives in healthcare" by Modern Healthcare magazine for the year 2008
- Recipient of the Boy Scouts of America, Inland Empire Council "Distinguished Citizen of the Year" award (2005)
- Recipient of the American Heart Association "Honoree of the Year" award (2004)
- Received the "Life Time Achievement Award" (2003) from the Inland Empire Leaders of Distinction
- Entrepreneur of the Year, given by the Ernst & Young Accounting Company, Inc. Magazine, and Merrill Lynch Financial Company (1994)
- Republican of the Year Award, awarded by the San Bernardino County, Republican Central Committee (1995)
- Victor Valley College Foundation Distinguished Service Award (1996) and Member of the Order of William Harvey, awarded by the American College of Cardiology
- Recipient of the American Heart Association "Friend with a Heart" award (1996)

## Other

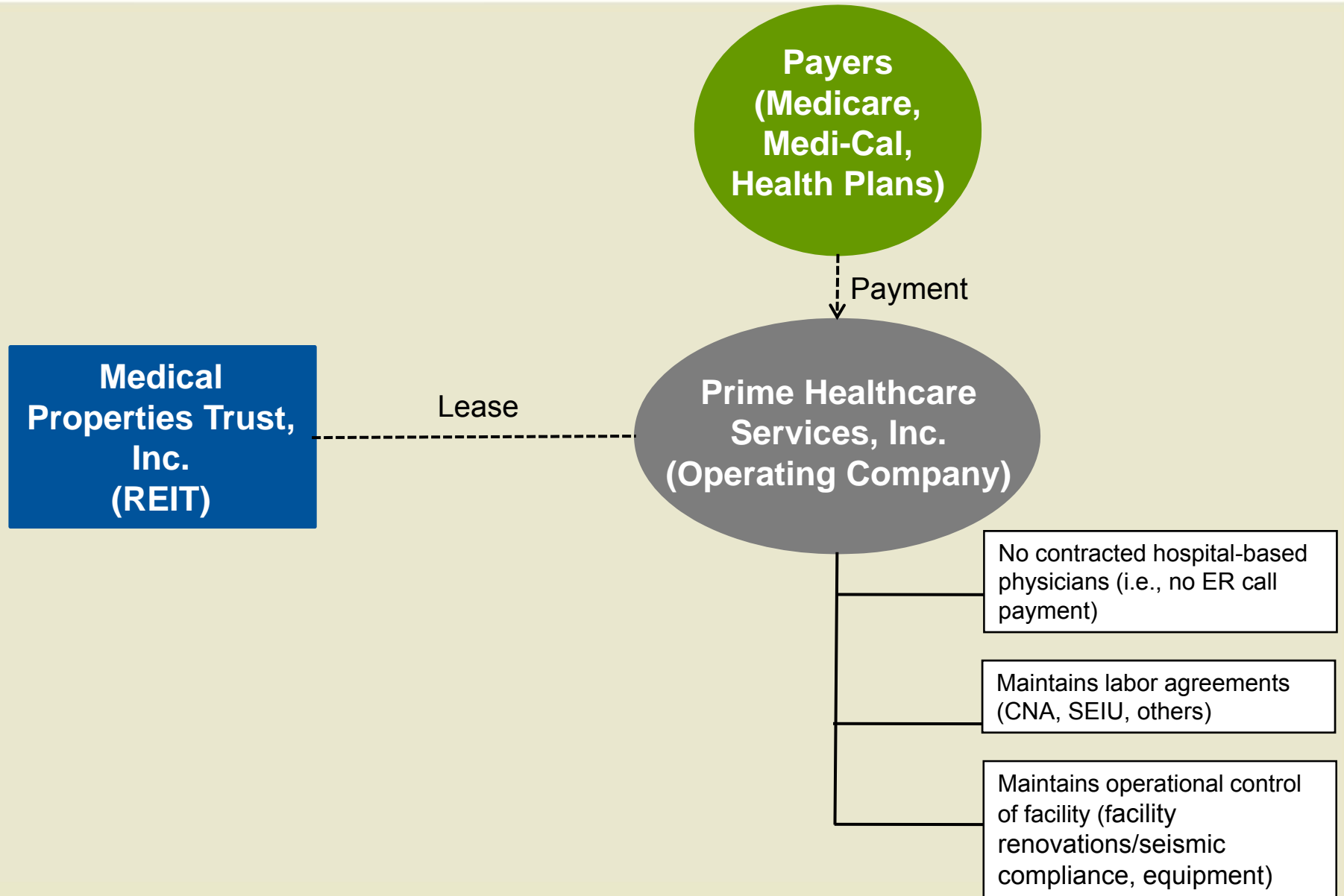
- Victor Valley Community College named their student health clinic, "Dr. Prem Reddy Student and Staff Health Center" and its allied health program, the "Dr. Prem Reddy School of Health Sciences," in honor of his \$1 million donation to the program
- Western University of Health Science in Pomona, California, named its largest lecture hall the "Dr. Prem Reddy Lecture Hall" in honor of his contributions to education in the healthcare field

# Overview of Prime Healthcare Services, Inc.

# Prime Healthcare Services, Inc.

- Established in 2001, PHS, headquartered in Victorville, California, is a “progressive, innovative, and rapidly expanding hospital management company in Southern California” whose mission is to provide comprehensive quality healthcare in a compassionate, convenient, and cost-effective manner.
- Governance and leadership:
  - ▶ Prem Reddy, M.D., Chairman of the Board
  - ▶ Lex Reddy, MBA, MHA, President and Chief Executive Officer
- With more than 6,000 employees, PHS currently owns and operates 13 acute care hospitals and three medical groups in California, serving the San Bernardino, San Diego, Los Angeles, and Orange County communities. Hospitals are as follows:
  - ▶ Centinela Hospital Medical Center, Inglewood, CA
  - ▶ Chino Valley Medical Center, Chino, CA
  - ▶ Desert Valley Hospital, Victorville, CA
  - ▶ Encino Hospital Medical Center, Encino, CA
  - ▶ Garden Grove Hospital Medical Center, Garden Grove, CA
  - ▶ Huntington Beach Hospital, Huntington Beach, CA
  - ▶ La Palma Intercommunity Hospital, La Palma, CA
  - ▶ Montclair Hospital Medical Center, Montclair, CA
  - ▶ Paradise Valley Hospital, National City, CA
  - ▶ San Dimas Community Hospital, San Dimas, CA
  - ▶ Shasta Regional Medical Center, Redding, CA
  - ▶ Sherman Oaks Hospital, Sherman Oaks, CA
  - ▶ West Anaheim Medical Center, Anaheim, CA

# Structural Overview of Prime Healthcare Services, Inc.



# Overview of PHS Hospital Acquisition Transactions

- PHS has acquired each of its hospitals through a Real Estate Investment Trust (“REIT”), all of which have been financed by Medical Properties Trust, Inc. (“MPT”)
  - ▶ A REIT is defined as a company that owns, and in most cases, operates income-producing real estate
    - To be a REIT, a company must distribute at least 90 percent of its taxable income to shareholders annually in the form of dividends
- Services provided by MPT include the following:
  - ▶ Acquisitions of up to a maximum of \$1,000,000,000
  - ▶ Financing of up to 100 percent of total amount for new development and/or expansion of existing facilities
  - ▶ Sale-leasebacks of existing facilities vis-à-vis an off-balance sheet lease, of which benefits include the following:
    - Reduces liabilities
    - Reduced lease payments via lower cost of capital in comparison to a traditional debt/equity structure, including principal amortization
    - Reduced tax expenses, since lease payments are deductible
    - Improves debt-to-equity ratio
    - Increases both return-on-assets and return-on-equity ratios
- REIT/Ownership Parameters:
  - ▶ The tenant is responsible for all facility upgrades, including both facility and mandated seismic compliance renovations.
    - Frequently, the REIT will provide financing for facility renovations and/or upgrades if the tenant is considered to be within good operational and financial standing
  - ▶ All equipment is owned and maintained by the tenant
    - The tenant may require financing from the REIT to purchase equipment; however, the tenant is ultimately responsible for all equipment maintenance, upgrades, compliance, etc.

Source: Health Care REIT [www.hcreit.com](http://www.hcreit.com), Medical Properties Trust, Inc. [www.medicalpropiertiestrust.com](http://www.medicalpropiertiestrust.com)

## September 11, 2008: Healthcare Finance Group, Inc. Provides Four Revolving Credit Facilities Totaling \$34 Million to PHS

- The financing facilities that the Healthcare Finance Group, Inc. (“HFG”) provided will be used for working capital as part of PHS’s acquisition of three Orange County hospitals in late 2006, including:
  - ▶ \$10 million revolver for West Anaheim Medical Center
  - ▶ \$7 million revolver for Huntington Beach Hospital
  - ▶ \$7 million revolver for La Palma Intercommunity Hospital
- Additionally, HFG also provided a \$10 million revolver to Paradise Valley Hospital, a safety net hospital that had been converted from non-profit to for-profit status in late 2007.
  - ▶ As part of the Attorney General's consent to the sale of Paradise Valley Hospital, PHS has agreed to operate the facility as an acute care hospital for a minimum of five years from March 1, 2007.

Source: Financing News from Healthcare Finance Group Inc., September 11, 2008.

# Interview Themes

# Process

- We visited three PHS facilities in the Los Angeles Metropolitan Area:
  - ▶ Centinela Hospital and Medical Center – acquired by PHS November 1, 2007
  - ▶ Encino Hospital and Medical Center – acquired by PHS June 1, 2008
  - ▶ Sherman Oaks Hospital – acquired by PHS January 3, 2006
- Over three days we interviewed 21 members of the hospital staff who held the following positions:
  - ▶ Medical Director
  - ▶ Chief Financial Officer
  - ▶ Emergency Room Director
  - ▶ Chief Nursing Officer
  - ▶ Telemetry Director
  - ▶ Operation Room Director
  - ▶ Manager of the Medical Staff
  - ▶ Physician on Staff

# Interview Themes

## Volume

- The impact on volume varies greatly by hospital access point and payer category. In general, the immediate impact of an acquisition by PHS is for volume to decrease, largely driven by a percentage of physicians either resigning from the medical staff or severely reducing the proportion of their volume at the hospital.
- The cancellation of underperforming payer contracts results in a drastic decrease in elective procedures performed and direct admits of patients.
- Due to a common practice of PHS to increase the capacity and/or efficiency of the emergency room (“ED”), the number of total admits tends to recover over time. However, the overall acuteness of the average patient increases as the vast majority of patients admitted are emergent. It is clear that the improved operational efficiencies gained in the ED and the nursing units improves the access to care for the patients that enter the facility through the ED, which is now the primary portal into the facility. A significant focus is placed on appropriate utilization of services, with patients getting treated for the medical condition whose diagnosis led to their admission. The length-of-stay (“LOS”) is closely monitored, and steps are taken to ensure that ancillary departments such as the laboratory, pharmacy, and radiology, do not contribute to a longer than required LOS due to their own inefficiencies.
- The payer mix of patients at the facilities we visited has changed since the acquisition, due to some of the aforementioned changes in operating practices. The cancellation of underperforming contracts results in a significant decrease on HMO and PPO patients that use the facility, as their physicians steer them to hospitals where the contracts are in place. Conversely, the improved efficiencies gained in the emergency room and on the inpatient units result in a higher proportion of Medicare, Medi-Cal and uninsured accessing the facility.

# Interview Themes

## Facilities

- Capital spending experiences a significant spike as PHS upgrades a number of systems at each facility to be in line with all of the other PHS sites. They add Meditech, a revenue and charge capture system, Pyxis, a supplies management program, and PACS, a picture archiving and communication radiology system that allows for electronic image transfer and remote review by physicians. In addition, a large amount is spent on upgrading imaging equipment, monitoring equipment, and miscellaneous information systems terminals. The facilities we visited have moved to electronic medical records in a rapid fashion.
- Due to the general lack of upkeep by most PHS facilities previous owners, the facilities undergo a number of cosmetic and upkeep refurbishments. In some cases, the emergency rooms are remodeled and/or expanded.

## Workforce and Physician Relations

- The medical staff experiences the biggest changes, as the physicians who have a larger proportion of managed care patients either leave the medical staff or reduce their use of the facility. The cancellation of most, if not all, medical directorships results in some physicians leaving the facility due to a feeling of disenfranchisement.
- The nursing and support staff have to flex to adjust to initially lower volumes, with particular impact in the operating rooms. It is common for the number of OR's in operation to drop by 30 to 40 percent due to the lack of elective cases for a period of time.
- PHS makes significant cuts in staffing once they are running a facility. These cuts include any in-house education coordinators that may have been in place. PHS contracts with an outside firm called Flex-Ed, which provides customized education programs to fit the individual needs of each facility. Common criticisms expressed about Flex-Ed were that they take longer to set up classes than under the previous model and that they have strict rules about the number of confirmed attendees that must be in place before a class can be scheduled, which can be prohibitive.

# Interview Themes

## Operations/Services

- The improved efficiencies gained in the emergency room result in improved access for most patients, according to those we interviewed. ER wait times are reduced significantly, by one to two hours on average. The “wall time”, the time spent by paramedic crews with a patient at the hospital until the patient can be seen by an ER physician, is also greatly reduced, resulting in higher satisfaction for paramedic personnel and contributing to a larger number of paramedic runs seen.
- Interviewees stated that the majority of services are maintained after being acquired by PHS, however it is clear that financial considerations are the primary factors in deciding whether to continue to offer any one particular service or program.
  - ▶ In the facilities we visited we found that acute rehab, tertiary care units, and a geriatric psychiatry inpatient unit were the programs and services terminated by new management. It should be noted, that the geriatric psychiatry inpatient unit that was closed has now been remodeled and is in the process of being opened for service again.
  - ▶ In one facility a new cath lab has been built, and is pending approval by the Department of Health Services.

# Interview Themes

## Quality/Service

- Interviewees feel that clinical outcomes appear to stay the same or improve under the new management. There is a very strong focus placed on core measures, which result in better results from outside agency (e.g., joint commission) evaluations. However, the sharp decline in direct admits or elective procedures results in a much larger proportion of highly acute patients using the facility.
- Patient satisfaction scores are improving per the interviewees comments, however they state that they are not where they need to be. Since the initial focus of PHS is on improving the financial performance of a facility, it is only after that process is well under way that focus is put on other areas of how the hospital operates.
  - ▶ Interviewees stated that they have created a patient care experience team that is evaluating the situation, with the ultimate goal of improving processes to assure an optimum patient experience. They have also tried to find the personnel to do more “rounding” so that patient comments and complaints can be heard and addressed.

## Community Programs

- In terms of community outreach programs, it is clear that this is not a primary focus of a PHS operated facility. While in some cases established programs are maintained, the majority of such efforts are curtailed. It is unclear whether these services would be restarted once a facility has achieved an improved financial profile.
- The same applies for health education services provided to the community, and coordination with non-profit entities. These services are largely curtailed, as the leaner staffing model, combined with the focus on improved hospital operations, makes staffing unavailable for such efforts.

# Prime Healthcare Services, Inc. Hospital Profiles

# Centinela Hospital Medical Center



## Facility Overview

- Location: Inglewood, California
- Acquisition Date: November 1, 2007
- Purchase Price: Undisclosed
- Terms: In bankruptcy proceedings

## Infrastructure

- Total Licensed Beds: 369
  - ▶ Acute Psychiatric: 28
  - ▶ Coronary Care: 12
  - ▶ Intensive Care: 19
  - ▶ Intensive Care – Newborn Nursery: 9
  - ▶ Medical/Surgical: 216
  - ▶ Perinatal: 29
  - ▶ Rehabilitation Center: 32
  - ▶ Skilled Nursing Facility: 24
- Total Staffed Beds: 234
- Emergency Department Stations: 28
- Total Operating Rooms: 30
  - ▶ Inpatient: 13
    - Cardiovascular Surgery: 2
  - ▶ Outpatient: 2
  - ▶ Inpatient and Outpatient: 15

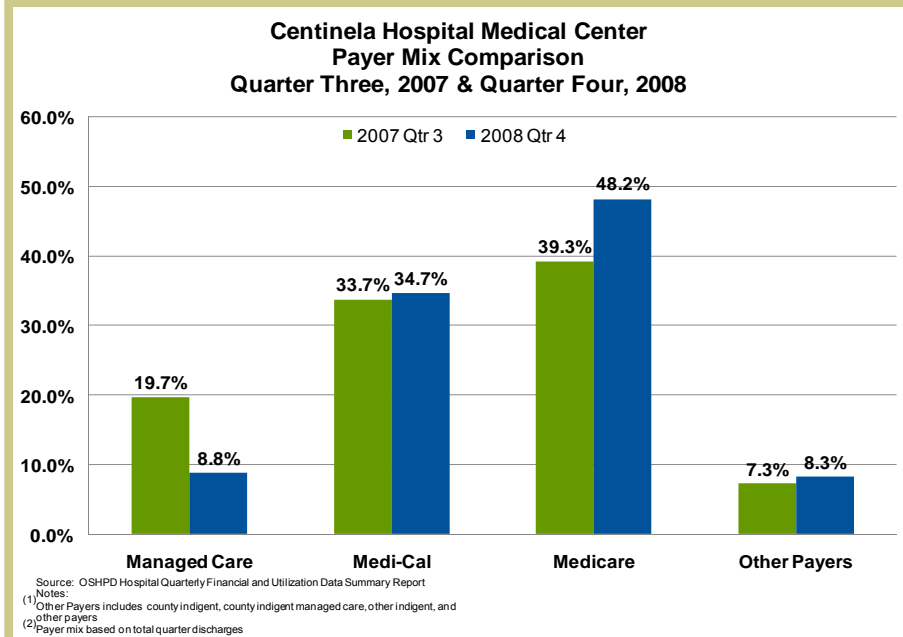
Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

Centinela Hospital Medical Center	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/Percentage Change
Operating Margin	-5.02%	3.16%	8.18%
Total Margin	-5.22%	-2.13%	3.09%
Cost-to-Charges	14.09%	13.06%	-1.03%
Net Inpatient Revenue per Discharge	\$10,328	\$9,172	-11.19%
Net Outpatient Revenue per Visit	\$333	\$357	7.21%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: October 1, 2006 - September 30, 2007



# Centinela Hospital Medical Center: Clinical Program Overview

## Clinical Programs

- Specialty Centers: Tommy Lasorda Heart Institute
- Specialty Services:
  - ▶ Bloodless medicine and surgery program
- Acute care services:
  - ▶ Emergency department
  - ▶ Cardiovascular surgery
  - ▶ Obstetrics/Gynecology
  - ▶ Orthopedics



## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 21,100
- Total Patient Days: 84,168
  - ▶ Percent Medicare: 51.6 percent
  - ▶ Percent Medi-Cal: 33.9 percent
- Average Length –of –Stay: 4.0 days
  - ▶ Medicare: 4.3 days
  - ▶ Medi-Cal: 3.9 days
- Occupancy Rate:
  - ▶ Licensed Beds: 62.7 percent
  - ▶ Staffed Beds: 98.8 percent
- Total Deliveries: 3,100 live births<sup>2</sup>
- Total Emergency Department Visits: 58,866 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 75,140 visits

Source: California ALIRTS, OSHPD, Hospital website

Note:

(1) Data has been annualized based upon actual CY 2008 quarter one volume.

(2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

## Quality Metrics

United States Department of Health and Human Services	Centinela Hospital Medical Center	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	71%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	97%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	77%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	29%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★ ★ ★
Sepsis – In-hospital Mortality (Survival)	★ ★ ★ ★ ★
Stroke – In-hospital Mortality (Survival)	★ ★ ★ ★ ★
Pneumonia – In-hospital Mortality (Survival)	★ ★ ★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

★ Poor




★ ★ ★ As Expected

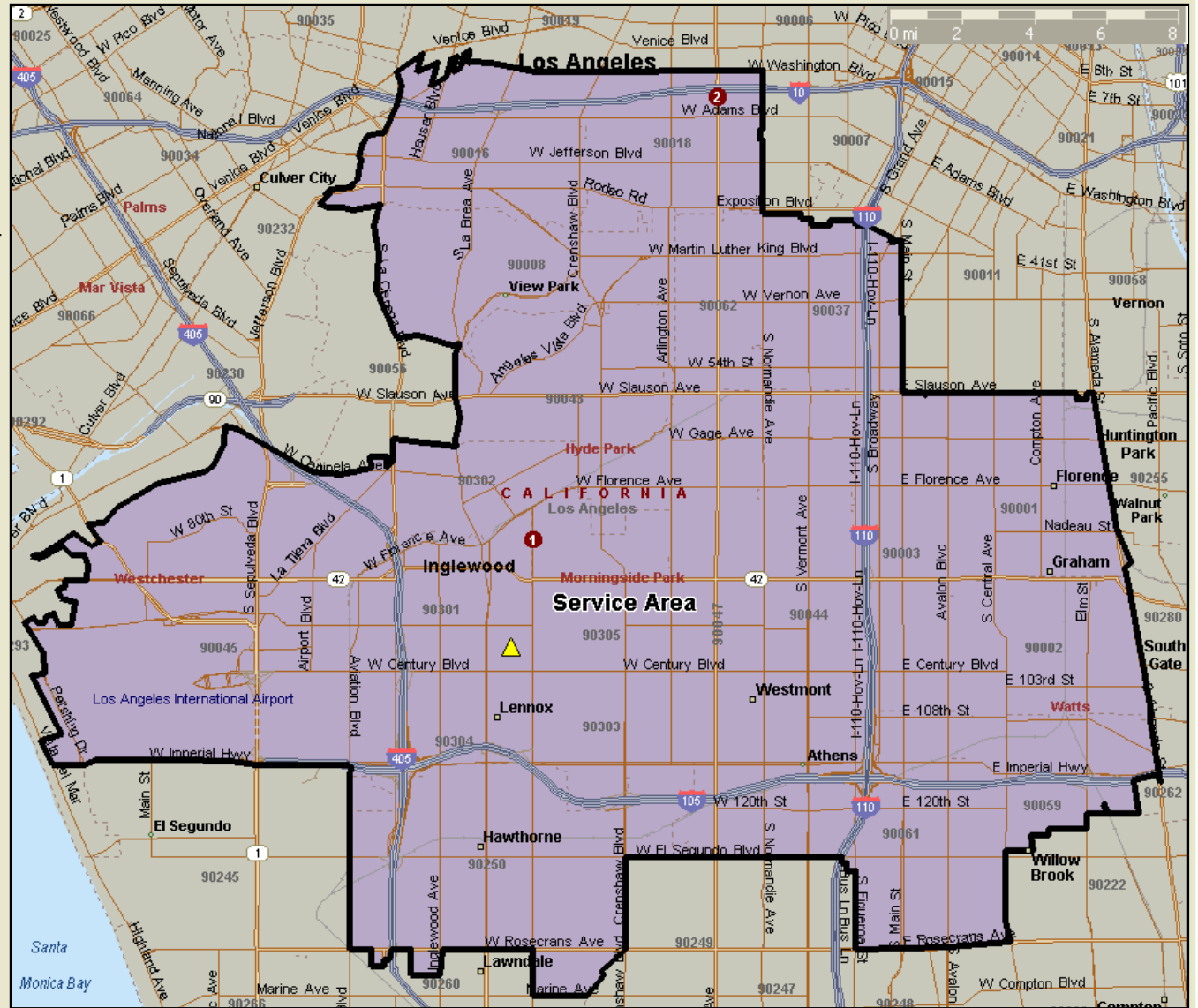
★ ★ ★ ★ ★ Best

# Centinela Freeman Regional Medical Center – Centinela Campus Primary Service Area

 Centinela Freeman Regional Medical Center – Centinela Campus

## Area Hospitals

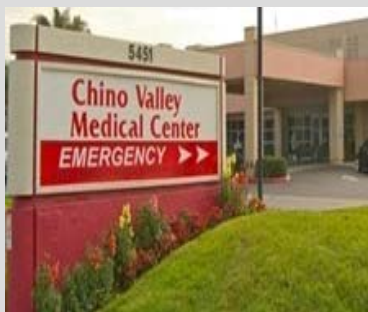
-  Centinela Freeman Regional Medical Center – Memorial Campus
-  Los Angeles Metropolitan Medical Center
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Chino Valley Medical Center



## Facility Overview

- Location: Chino, California
- Acquisition Date: September, 2005
- Purchase Price: Undisclosed
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 126
  - ▶ Intensive Care: 14
  - ▶ Medical/Surgical: 96
  - ▶ Pediatric: 6
  - ▶ Perinatal: 10 (5 beds designated for LDRP services)
- Total Staffed Beds: 112
- Emergency Department Stations: 16
- Total Operating Rooms: 4
  - ▶ Inpatient and Outpatient: 4
  - ▶ No ORs designated for cardiovascular surgery

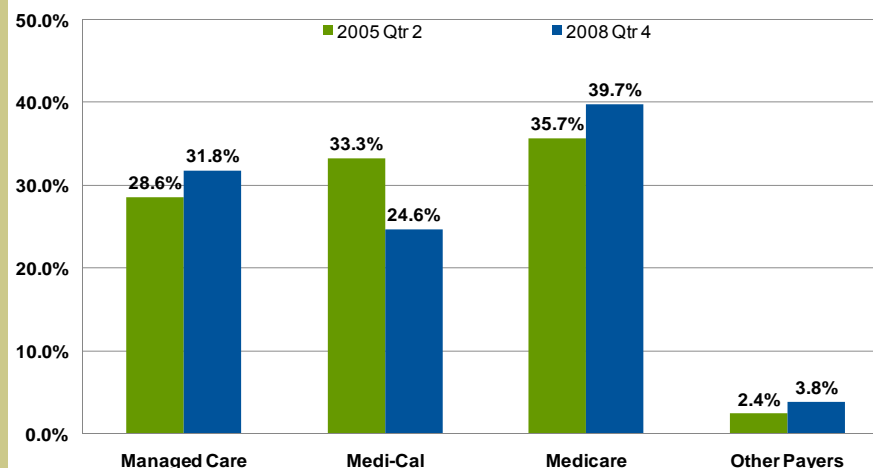
Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

Chino Valley Medical Center	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/ Percentage Change
Operating Margin	17.80%	12.12%	<b>-5.68%</b>
Total Margin	18.23%	12.26%	<b>-5.97%</b>
Cost-to-Charges	23.56%	29.41%	<b>5.85%</b>
Net Inpatient Revenue per Discharge	\$5,662	\$9,649	<b>70.42%</b>
Net Outpatient Revenue per Visit	\$484	\$817	<b>68.80%</b>

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics  
 (1) Reporting Period: July 1, 2004 - June 30, 2005

Chino Valley Medical Center  
 Payer Mix Comparison  
 Quarter Two, 2005 & Quarter Four, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report  
 Notes:  
 (1) Other Payers includes county indigent, county indigent managed care, other indigent, and  
 (2) Other payers  
 \*Payer mix based on total quarter discharges

# Chino Valley Medical Center: Clinical Program Overview

## Clinical Programs

- Acute care services:
  - ▶ Cardiopulmonary/respiratory services
  - ▶ Cardiovascular laboratory
  - ▶ Emergency department (basic)
  - ▶ Obstetrics and Gynecology
- Other:
  - ▶ Family Practice Residency Program

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 5,788
- Total Patient Days: 19,640
  - ▶ Percent Medicare: 50.6 percent
  - ▶ Percent Medi-Cal: 23.6 percent
- Average Length -of- Stay: 3.0 days
  - ▶ Medicare: 3.3 days
  - ▶ Medi-Cal: 3.2 days
- Occupancy Rate:
  - ▶ Licensed Beds: 42.8 percent
  - ▶ Staffed Beds: 48.2 percent
- Total Deliveries: 2 live births<sup>2</sup>
- Total Emergency Department Visits: 32,594 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 75,140 visits

Source: California ALIRTS, OSHPD, Hospital website

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

## Quality Metrics

United States Department of Health and Human Services	Chino Valley Medical Center	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	83%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	100%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	96%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	100%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★★★
Sepsis – In-hospital Mortality (Survival)	★★★★★
Stroke – In-hospital Mortality (Survival)	★★★★★
Pneumonia – In-hospital Mortality (Survival)	★★★★★

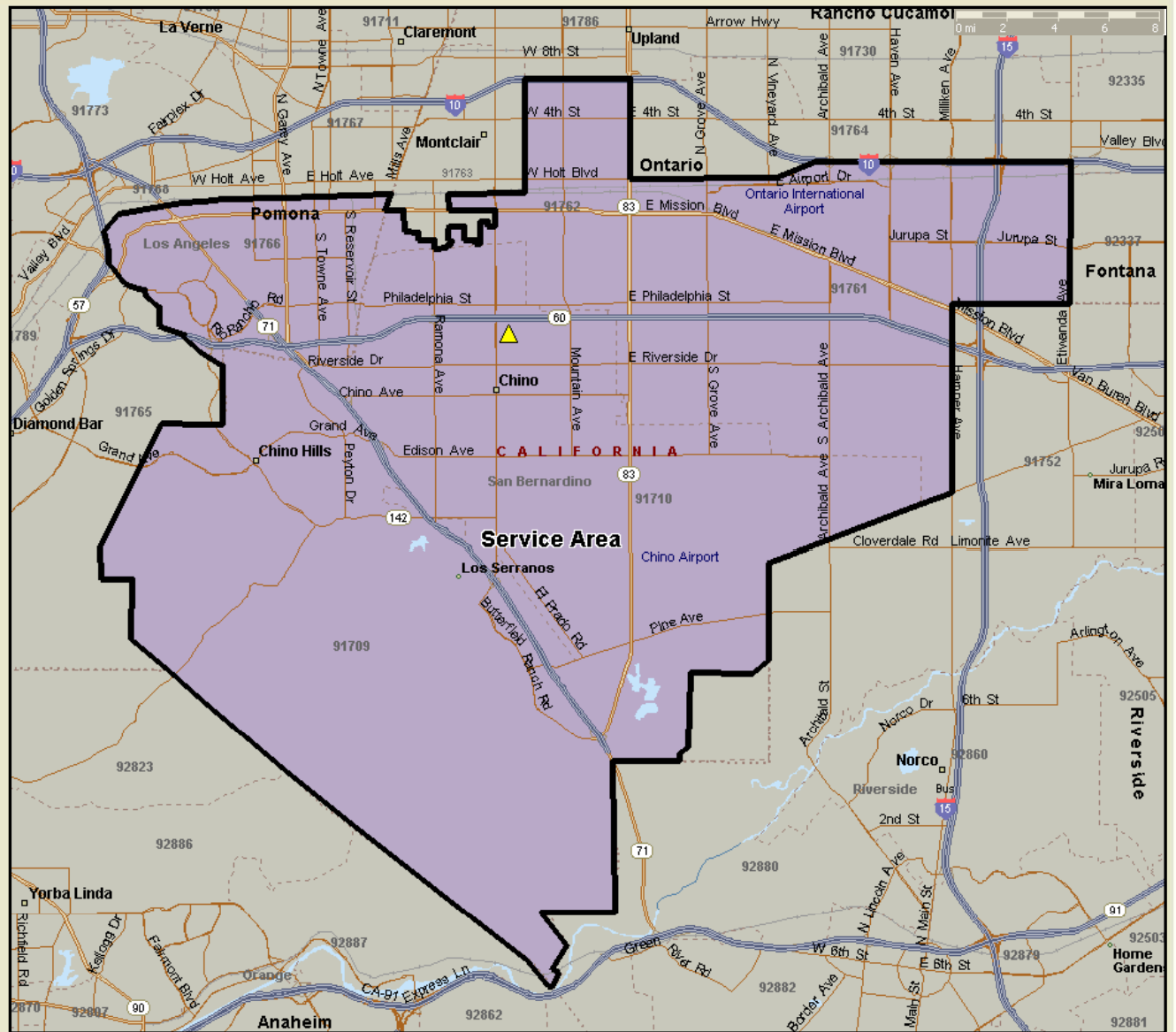
Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

- ★ Poor
- ★★★ As Expected
- ★★★★★ Best

# Chino Valley Medical Center Primary Service Area

- ▲ Chino Valley Medical Center
- Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Desert Valley Hospital



## Facility Overview

- Location: Victorville, California
- Founded and built by Prem Reddy, M.D., CY 1994

## Infrastructure

- Total Licensed Beds: 83
  - ▶ Intensive Care: 6
  - ▶ Medical/Surgical: 77
- Total Staffed Beds: 83
- Emergency Department Stations: 18
- Total Operating Rooms: 4
  - ▶ Inpatient and Outpatient: 4
  - ▶ No ORs designated for cardiovascular surgery

Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

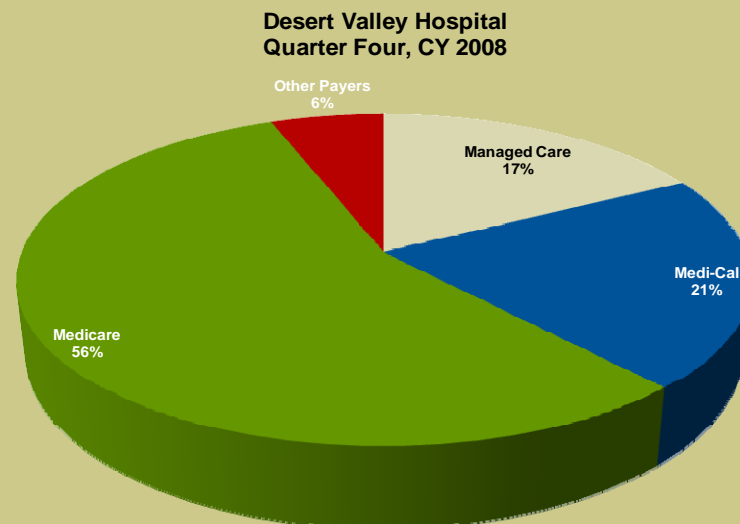
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## Profitability Analysis

Desert Valley Hospital	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/ Percentage Change
Operating Margin		0.66%	NA
Total Margin		1.51%	NA
Cost-to-Charges		22.96%	NA
Net Inpatient Revenue per Discharge		\$7,764	NA
Net Outpatient Revenue per Visit		\$377	NA

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) There is no transaction date as Hospital was built and founded by Prem Reddy, MD in 1994  
NA denotes information not applicable



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report

Notes:  
 (1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers  
 (2) Payer mix based on total quarter discharges  
 (3) There is no transaction date as Hospital was built and founded by Prem Reddy, MD in 1994

# Desert Valley Hospital: Clinical Program Overview

## Clinical Programs

- Acute care services:
  - ▶ Cardio-neuro diagnostics
  - ▶ Cardiovascular laboratory
  - ▶ Emergency department (basic)
  - ▶ Obstetrics and Gynecology
- Other:
  - ▶ Recipient of the 2007 Premier CareScience Select Practice National Quality Leader for superior patient outcomes in both quality and efficiency by Premier Healthcare Alliance

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 7,828
- Total Patient Days: 28,020
  - ▶ Percent Medicare: 66.7 percent
  - ▶ Percent Medi-Cal: 17.7 percent
- Average Length-of-Stay: 3.6 days
  - ▶ Medicare: 3.9 days
  - ▶ Medi-Cal: 3.6 days
- Occupancy Rate:
  - ▶ Licensed Beds: 92.7 percent
  - ▶ Staffed Beds: 92.7 percent
- Total Deliveries: 431 live births<sup>2</sup>
- Total Emergency Department Visits: 24,913 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 69,264 visits

Source: California ALIRTS, OSHPD, Hospital website

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	Desert Valley Hospital	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	98%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	100%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	98%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	96%	66%	66%

Source: HospitalCompare.com

- Note: 1. Data reflects the time period October, 2006 through September, 2007.  
 2. Hospital chose not to participate in latest Cal Hospital Compare Survey


2009 HealthGrades Ratings	
Hip Fracture Repair - Major Complications	★ ★ ★
Sepsis – In-hospital Mortality (Survival)	★ ★ ★ ★ ★
Stroke – In-hospital Mortality (Survival)	★ ★ ★
Pneumonia – In-hospital Mortality (Survival)	★ ★ ★ ★ ★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)




Note:

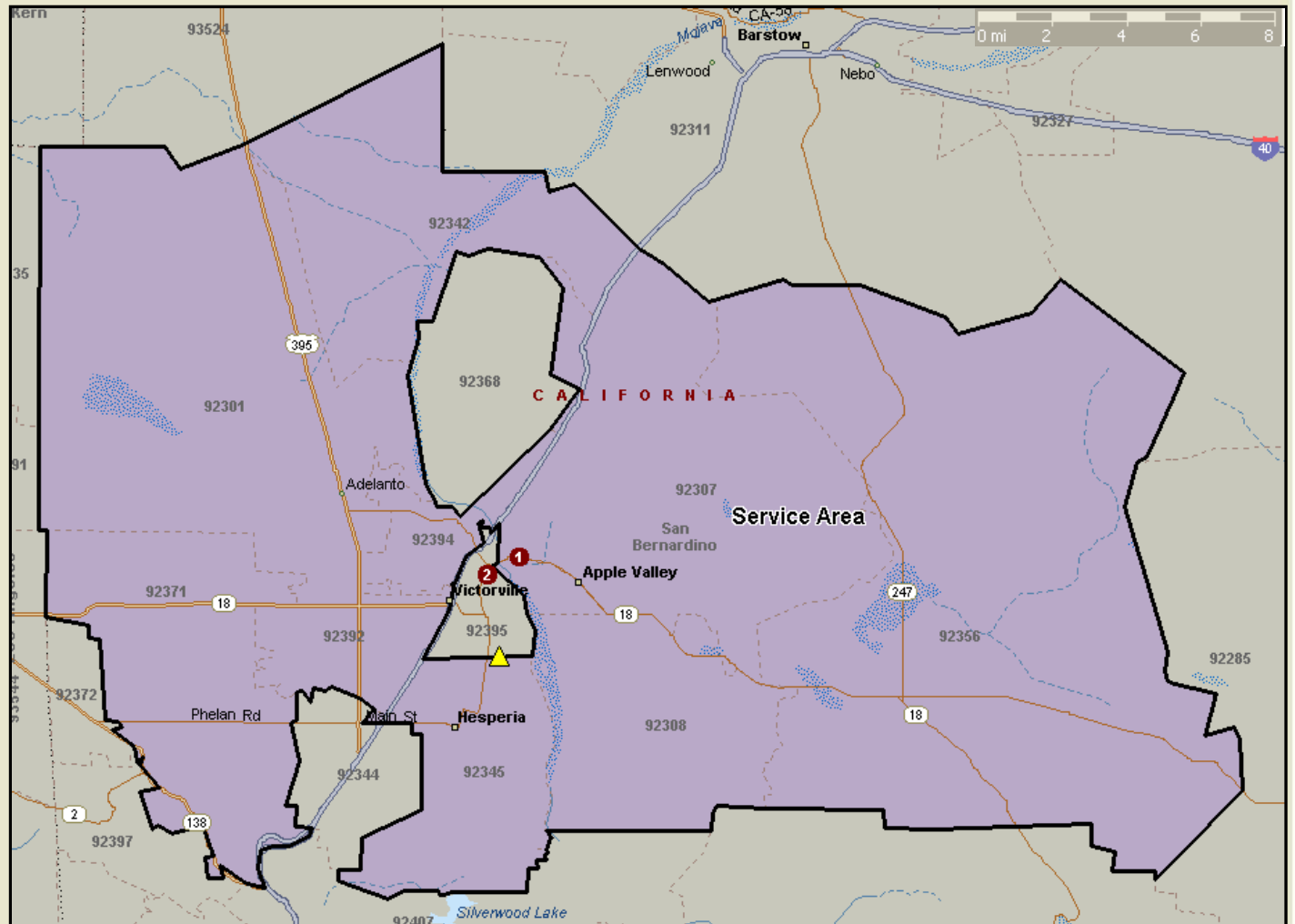
- ★ Poor
- ★ ★ ★ As Expected
- ★ ★ ★ ★ ★ Best

# Desert Valley Hospital Primary Service Area

 Desert Valley Hospital

## Area Hospitals

-  St. Mary Regional Medical Center
-  Victor Valley Community Hospital
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

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# Encino Hospital Medical Center



## Facility Overview

- Location: Encino, California
- Acquisition Date: June 1, 2008
- Purchase Price: Undisclosed
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 151
  - ▶ Acute Psychiatric: 14
  - ▶ Coronary Care: 10
  - ▶ Intensive Care: 20
  - ▶ Medical/Surgical: 54
  - ▶ Rehabilitation Center: 25
  - ▶ Skilled Nursing: 28
- Total Staffed Beds: 101
- Emergency Department Stations: 8
- Total Operating Rooms: 7
  - ▶ Inpatient and Outpatient: 7
  - ▶ No ORs designated for cardiovascular surgery

Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database

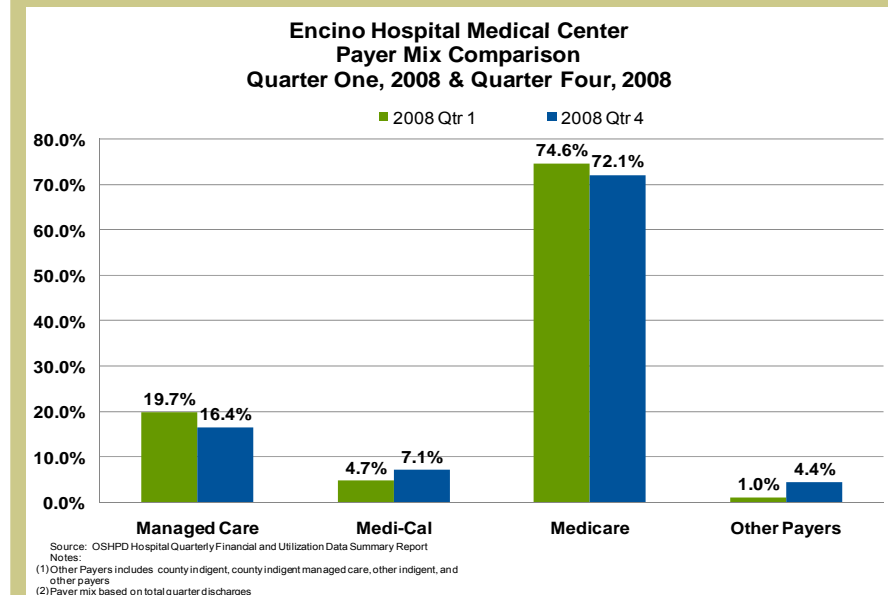
## Profitability Analysis

Encino Hospital Medical Center	Three Quarters Prior to Transaction Date <sup>(1)</sup>	Three Quarters After Transaction Date <sup>(2)</sup>	Percent Point Difference/Percentage Change
Operating Margin	-17.10%	-31.41%	<b>-14.31%</b>
Total Margin	-17.23%	-31.29%	<b>-14.05%</b>
Cost-to-Charges	17.26%	19.61%	<b>2.35%</b>
Net Inpatient Revenue per Discharge	\$12,640	\$11,131	<b>-11.94%</b>
Net Outpatient Revenue per Visit	\$532	\$487	<b>-8.40%</b>

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: July 1, 2007 - March 31, 2008

(2) Reporting Period: April 1, 2008 - December 31, 2008



# Encino Hospital Medical Center: Clinical Program Overview

## Clinical Programs

- Acute care services:
  - ▶ Cardiovascular surgery
  - ▶ Emergency department
  - ▶ Orthopedic
  - ▶ Wound Care
- Sub-acute Care Services:
  - ▶ Psychiatry
  - ▶ Rehabilitation
  - ▶ Skilled Nursing

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 4,116
- Total Patient Days: 36,476
  - ▶ Percent Medicare: 61.7 percent
  - ▶ Percent Medi-Cal: 26.6 percent
- Average Length-of-Stay: 8.9 days
  - ▶ Medicare: 7.3 days
  - ▶ Medi-Cal: 50.6 days
- Occupancy Rate:
  - ▶ Licensed Beds: 66.4 percent
  - ▶ Staffed Beds: 99.2 percent
- Total Deliveries: 0 live births<sup>2</sup>
- Total Emergency Department Visits: 11,527 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 18,860 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

## Quality Metrics

United States Department of Health and Human Services	Encino Hospital Medical Center	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	95%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	92%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	91%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	71%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings





Hip Fracture Repair - Major Complications	★★★★★
Sepsis – In-hospital Mortality (Survival)	★★★
Stroke – In-hospital Mortality (Survival)	★★★
Pneumonia – In-hospital Mortality (Survival)	★★★

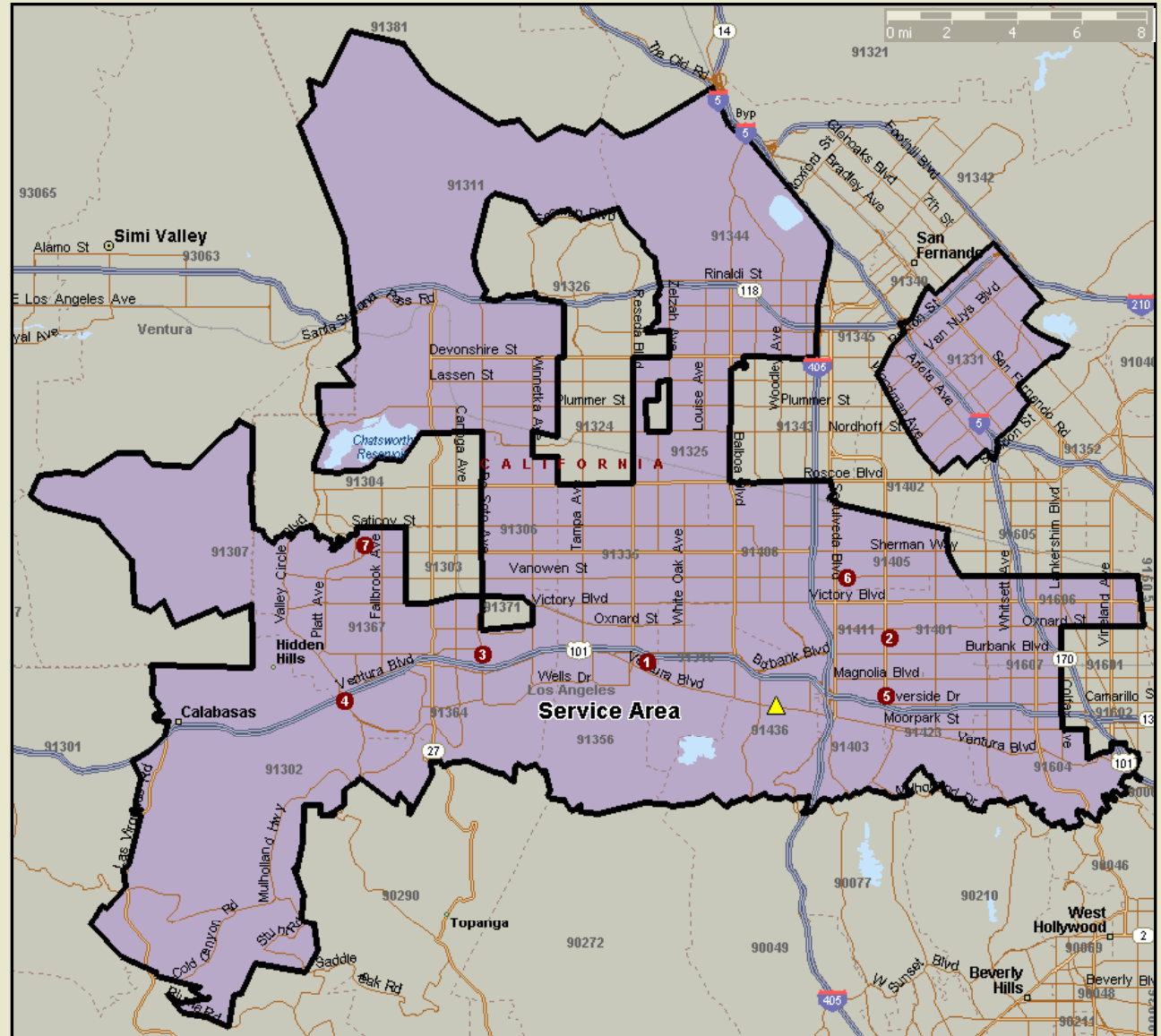
Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

- ★ Poor
- ★★★ As Expected
- ★★★★★ Best

# Encino – Tarzana Regional Medical Center – Encino Campus Primary Service Area

-  Encino – Tarzana Regional Medical Center  
Encino Campus
- Area Hospitals**
-  Encino-Tarzana Regional Med Ctr-Tarzana
-  Hollywood Community Hospital of Van Nuys
-  Kaiser Fnd Hosp - Woodland Hills
-  Motion Picture and Television Hospital
-  Sherman Oaks Hospital
-  Valley Presbyterian Hospital
-  West Hills Hospital and Medical Center
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Garden Grove Hospital Medical Center



## Facility Overview

- Location: Garden Grove, California
- Acquisition Date: July 1, 2008
- Purchase Price/Terms: Tenet Healthcare Corporation sold Garden Grove Hospital Medical Center and San Dimas Community Hospital together for \$104,500,000.

## Infrastructure

- Total Licensed Beds: 167
  - ▶ Intensive Care: 12
  - ▶ Intensive Care Newborn Nursery: 12
  - ▶ Medical/Surgical: 108
  - ▶ Perinatal: 35 (12 of which are designated for Labor and Delivery)
- Total Staffed Beds: 89
- Emergency Department Stations: 12
- Total Operating Rooms: 6
  - ▶ Inpatient and Outpatient: 6
  - ▶ No ORs designated for cardiovascular surgery

Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

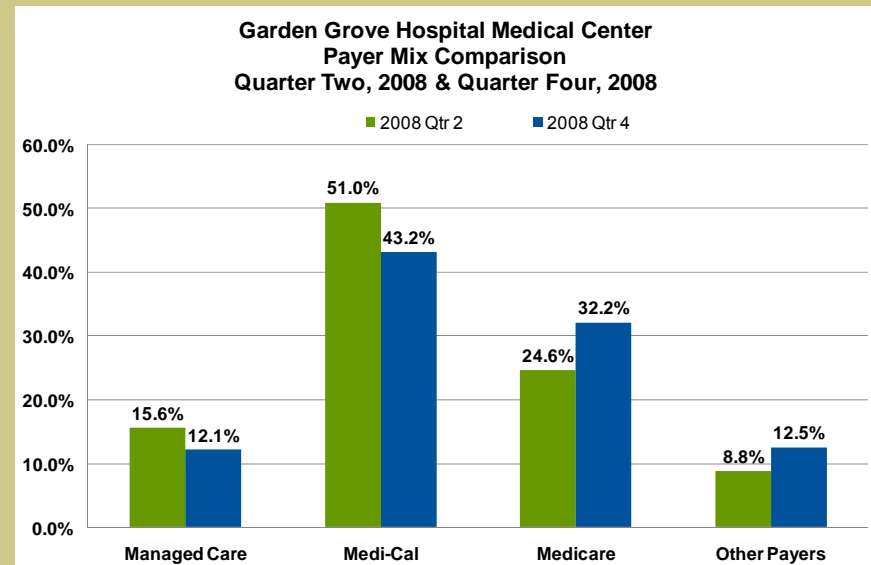
## Profitability Analysis

Garden Grove Hospital Medical Center	Two Quarters Prior to Transaction Date <sup>(1)</sup>	Two Quarters After Transaction Date <sup>(2)</sup>	Percent Point Difference/Percentage Change
Operating Margin	2.07%	-2.08%	<b>-4.14%</b>
Total Margin	2.56%	-6.51%	<b>-9.07%</b>
Cost-to-Charges	17.07%	15.74%	<b>-1.33%</b>
Net Inpatient Revenue per Discharge	\$7,614	\$6,163	<b>-19.06%</b>
Net Outpatient Revenue per Visit	\$659	\$524	<b>-20.51%</b>

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: January 1, 2008 - June 30, 2008

(2) Reporting Period: July 1, 2008 - December 31, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report

Notes:

(1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers

(2) Payer mix based on total quarterly charges

# Garden Grove Hospital and Medical Center: Clinical Program Overview

## Clinical Programs

- Acute care services:
  - ▶ Cardiovascular services
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 7,986
- Total Patient Days: 32,064
  - ▶ Percent Medicare: 38.7 percent
  - ▶ Percent Medi-Cal: 40.0 percent
- Average Length-of-Stay: 4.0 days
  - ▶ Medicare: 5.5 days
  - ▶ Medi-Cal: 3.4 days
- Occupancy Rate:
  - ▶ Licensed Beds: 52.8 percent
  - ▶ Staffed Beds: 99.0 percent
- Total Deliveries: 2,984 live births<sup>2</sup>
- Total Emergency Department Visits: 26,120 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 38,380 visits

Source: American Hospital Directory, California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	Garden Grove Hospital Medical Center	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	97%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	98%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	96%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	96%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings













Hip Fracture Repair - Major Complications	★★★★★
Sepsis – In-hospital Mortality (Survival)	★★★★★
Stroke – In-hospital Mortality (Survival)	★★★★★
Pneumonia – In-hospital Mortality (Survival)	★★★

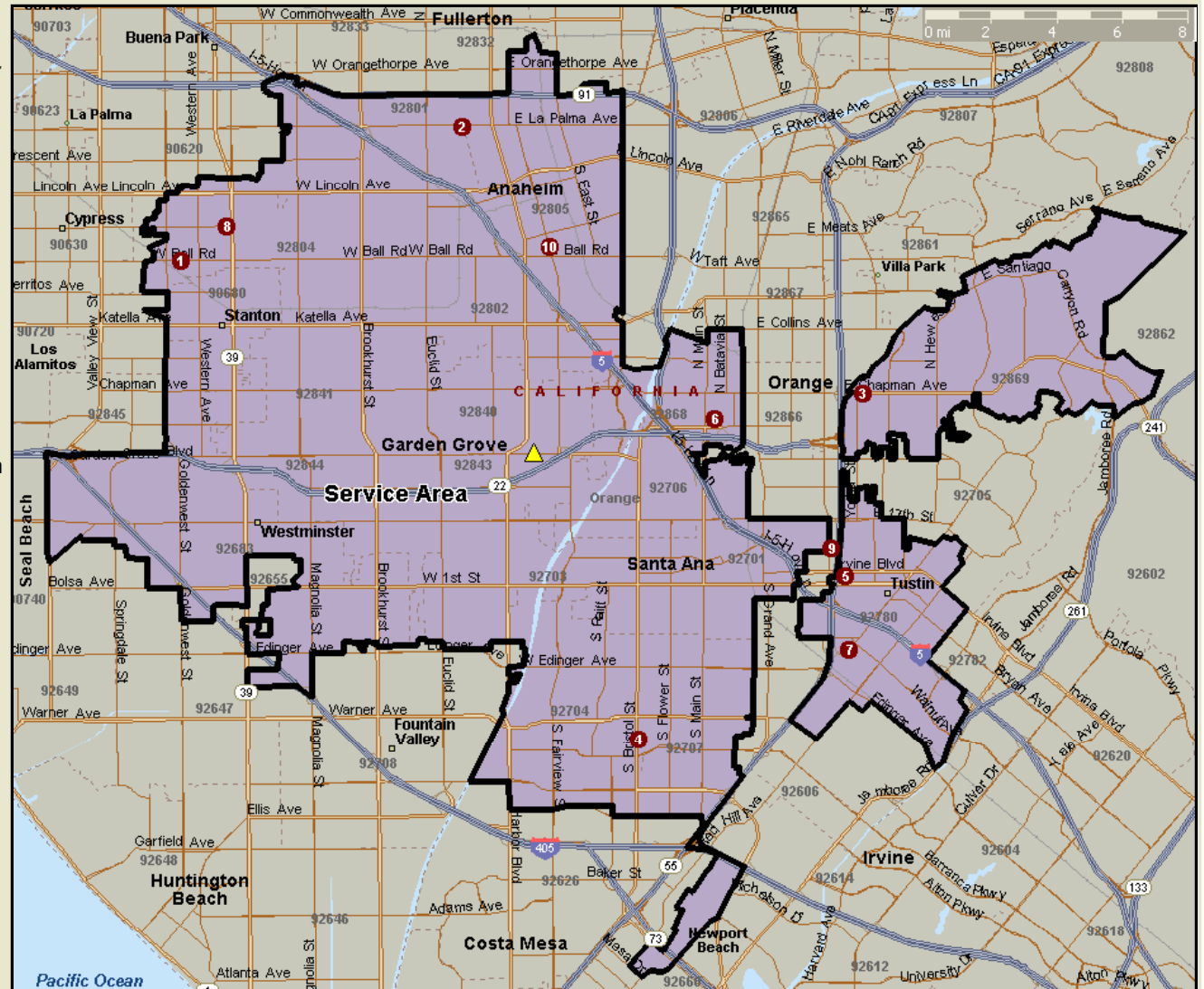
Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

- ★ Poor
- ★★★ As Expected
- ★★★★★ Best

# Garden Grove Hospital and Medical Center Primary Service Area

-  Garden Grove Hospital & Medical Center
- Area Hospitals**
-  Anaheim General Hospital
-  Anaheim Memorial Medical Center
-  Chapman Medical Center
-  Coastal Communities Hospital
-  Healthsouth Tustin Rehabilitation Hospital
-  St. Joseph Hospital - Orange
-  Tustin Hospital Medical Center
-  West Anaheim Medical Center
-  Western Medical Center - Santa Ana
-  Western Medical Center Hospital - Anaheim
-  Primary Service Area



Note: ZIP Code 90211, Beverly Hills was excluded from the map based on it's distance from the rest of the patient origin.

Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Huntington Beach Hospital



## Facility Overview

- Location: Huntington Beach, California
- Acquisition Date: October 1, 2006
- Purchase Price: Undisclosed
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 131
  - ▶ Acute psychiatric: 25
  - ▶ Coronary Care: 6
  - ▶ Intensive Care: 6
  - ▶ Medical/Surgical: 94
- Total Staffed Beds: 130
- Emergency Department Stations: 12
- Total Operating Rooms: 3
  - ▶ Inpatient and Outpatient: 3
  - ▶ No ORs designated for cardiovascular surgery

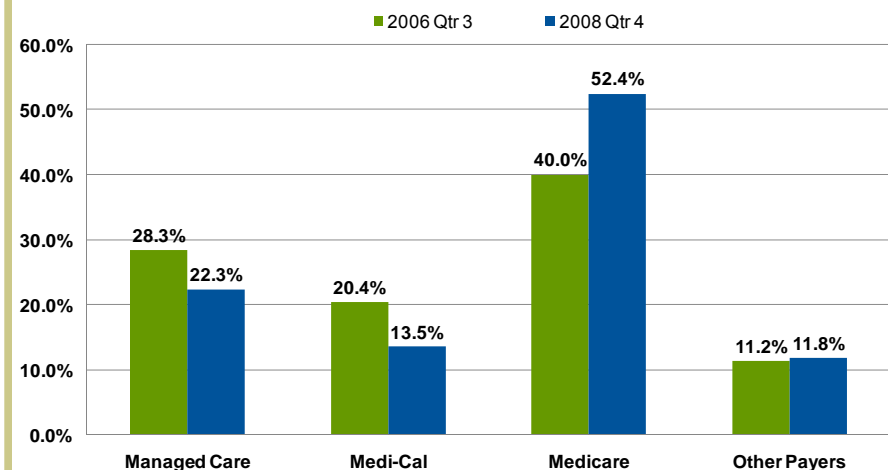
Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

Huntington Beach Hospital	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/ Percentage Change
Operating Margin	0.51%	7.96%	7.45%
Total Margin	0.51%	5.68%	5.17%
Cost-to-Charges	22.13%	23.79%	1.66%
Net Inpatient Revenue per Discharge	\$7,762	\$8,586	10.62%
Net Outpatient Revenue per Visit	\$318	\$354	11.32%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics  
 (1) Reporting Period: October 1, 2005 - September 30, 2006

Huntington Beach Hospital  
 Payer Mix Comparison  
 Quarter Three, 2006 & Quarter Four, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report  
 Notes:  
 (1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers  
 (2) Payer mix based on total quarter discharges

# Huntington Beach Hospital: Clinical Program Overview

## Clinical Programs

- Acute care services:
  - ▶ Cardiovascular services
  - ▶ Emergency department
  - ▶ Neurology
  - ▶ Oncology
  - ▶ Orthopedics
  - ▶ Women's Services: NICU, Obstetrics, and Gynecology
  - ▶ Wound care
- Sub-acute Care Services:
  - ▶ Psychiatry
  - ▶ Rehabilitation

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 5,120
- Total Patient Days: 20,628
  - ▶ Percent Medicare: 57.6 percent
  - ▶ Percent Medi-Cal: 17.6 percent
- Average Length-of-Stay: 4.0 days
  - ▶ Medicare: 4.8 days
  - ▶ Medi-Cal: 4.6 days
- Occupancy Rate:
  - ▶ Licensed Beds: 43.6 percent
  - ▶ Staffed Beds: 43.6 percent
- Total Deliveries: 0 live births<sup>2</sup>
- Total Emergency Department Visits: 19,450 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 39,572 visits

Source: California ALIRTS, OSHPD

Note:

(1) Data has been annualized based upon actual CY 2008 quarter one volume.

(2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	Huntington Beach Hospital	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	86%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	98%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	96%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	91%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★
Sepsis – In-hospital Mortality (Survival)	★★★★★
Stroke – In-hospital Mortality (Survival)	★★★
Pneumonia – In-hospital Mortality (Survival)	★★★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)


Note:

★ Poor





★★★★ As Expected

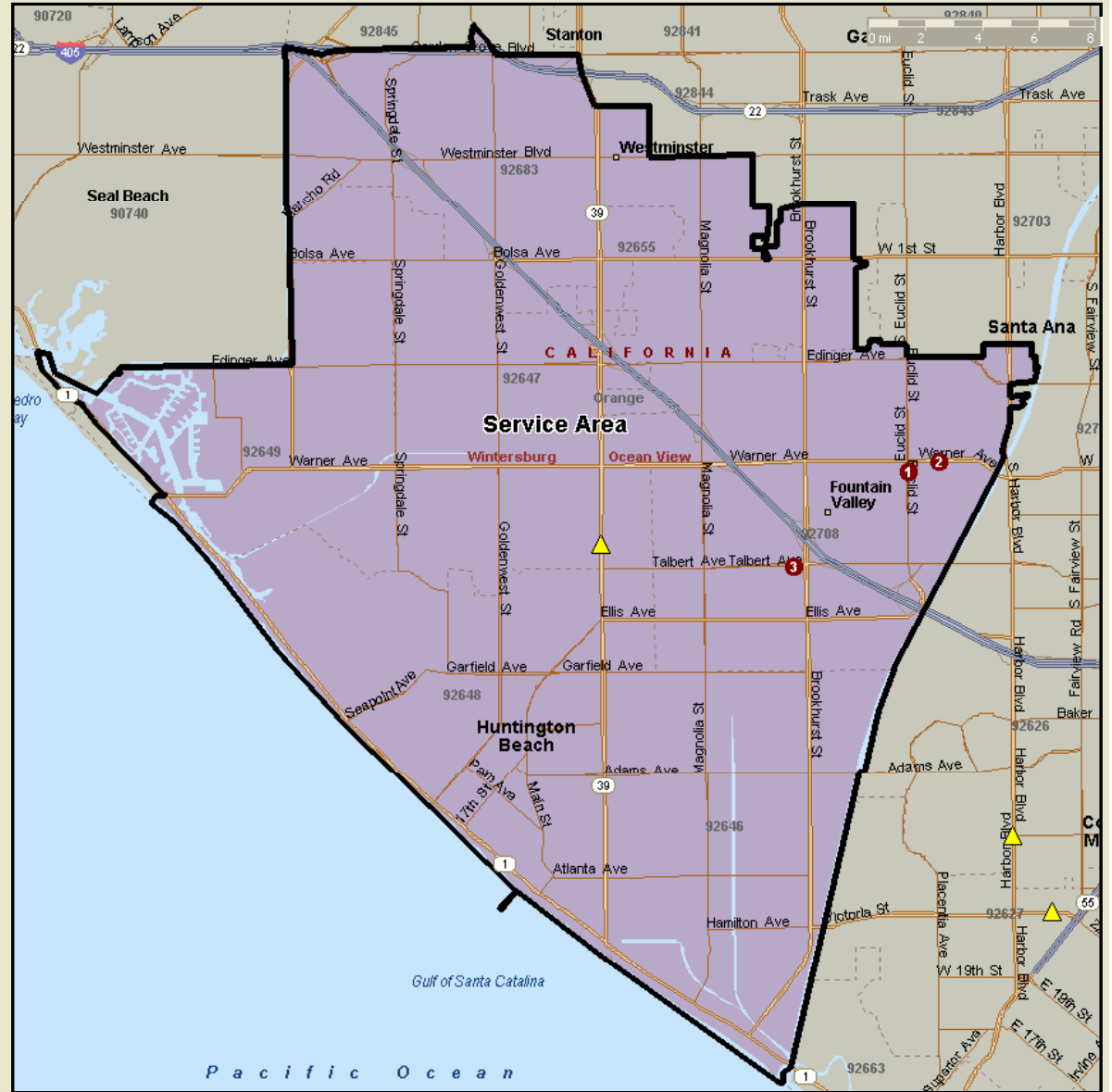
★★★★★ Best

# Huntington Beach Hospital Primary Service Area

 **Huntington Beach Hospital**

**Area Hospitals**

-  Fountain Valley Rgnl Hosp and Med Ctr - Euclid
-  Fountain Valley Rgnl Hosp and Med Ctr - Warner
-  Orange Coast Memorial Medical Center
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# La Palma Intercommunity Hospital



## Facility Overview

- Location: La Palma, California
- Acquisition Date: October 1, 2006
- Purchase Price: Undisclosed
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 141
  - ▶ Acute psychiatric: 17
  - ▶ Coronary Care: 4
  - ▶ Intensive Care: 4
  - ▶ Medical/Surgical: 105
  - ▶ Perinatal: 11
- Total Staffed Beds: 141
- Emergency Department Stations: 10
- Total Operating Rooms: 4
  - ▶ Inpatient: 1
  - ▶ Inpatient and Outpatient: 3
  - ▶ No ORs designated for cardiovascular surgery

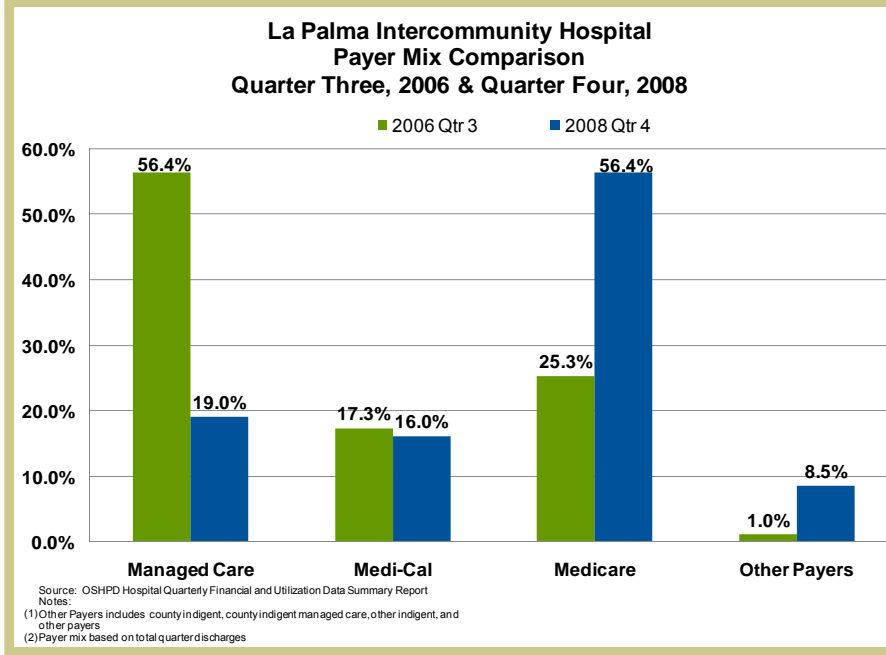
Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

La Palma Intercommunity Hospital	Four Quarters Prior to Transaction Date (1)	CY 2008	Percent Point Difference/Percentage Change
Operating Margin	-15.88%	8.19%	24.07%
Total Margin	-3.42%	5.40%	8.82%
Cost-to-Charges	27.30%	28.73%	1.43%
Net Inpatient Revenue per Discharge	\$4,988	\$7,713	54.63%
Net Outpatient Revenue per Visit	\$335	\$479	42.99%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: October 1, 2005 - September 30, 2006



# La Palma Intercommunity Hospital: Clinical Program Overview

## Clinical Programs

- Specialty Centers:
  - ▶ Wound Healing Center
- Acute care services:
  - ▶ Cardiac catheterization laboratory
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology
- Sub-acute Care Services:
  - ▶ Psychiatry

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 3,540
- Total Patient Days: 12,508
  - ▶ Percent Medicare: 57.2 percent
  - ▶ Percent Medi-Cal: 27.3 percent
- Average Length-of-Stay: 4.0 days
  - ▶ Medicare: 4.4 days
  - ▶ Medi-Cal: 4.7 days
- Occupancy Rate:
  - ▶ Licensed Beds: 27.5 percent
  - ▶ Staffed Beds: 27.5 percent
- Total Deliveries: 314 live births<sup>2</sup>
- Total Emergency Department Visits: 14,521 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 26,868 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	La Palma Intercommunity Hospital	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	88%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	97%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	95%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	100%	66%	66%

Source: HospitalCompare.com

- Note: 1. Data reflects the time period October, 2006 through September, 2007.
- 2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★ ★ ★
Sepsis – In-hospital Mortality (Survival)	★ ★ ★
Stroke – In-hospital Mortality (Survival)	★ ★ ★
Pneumonia – In-hospital Mortality (Survival)	★ ★ ★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

- ★ Poor
- ★ ★ ★ As Expected
- ★ ★ ★ ★ ★ Best

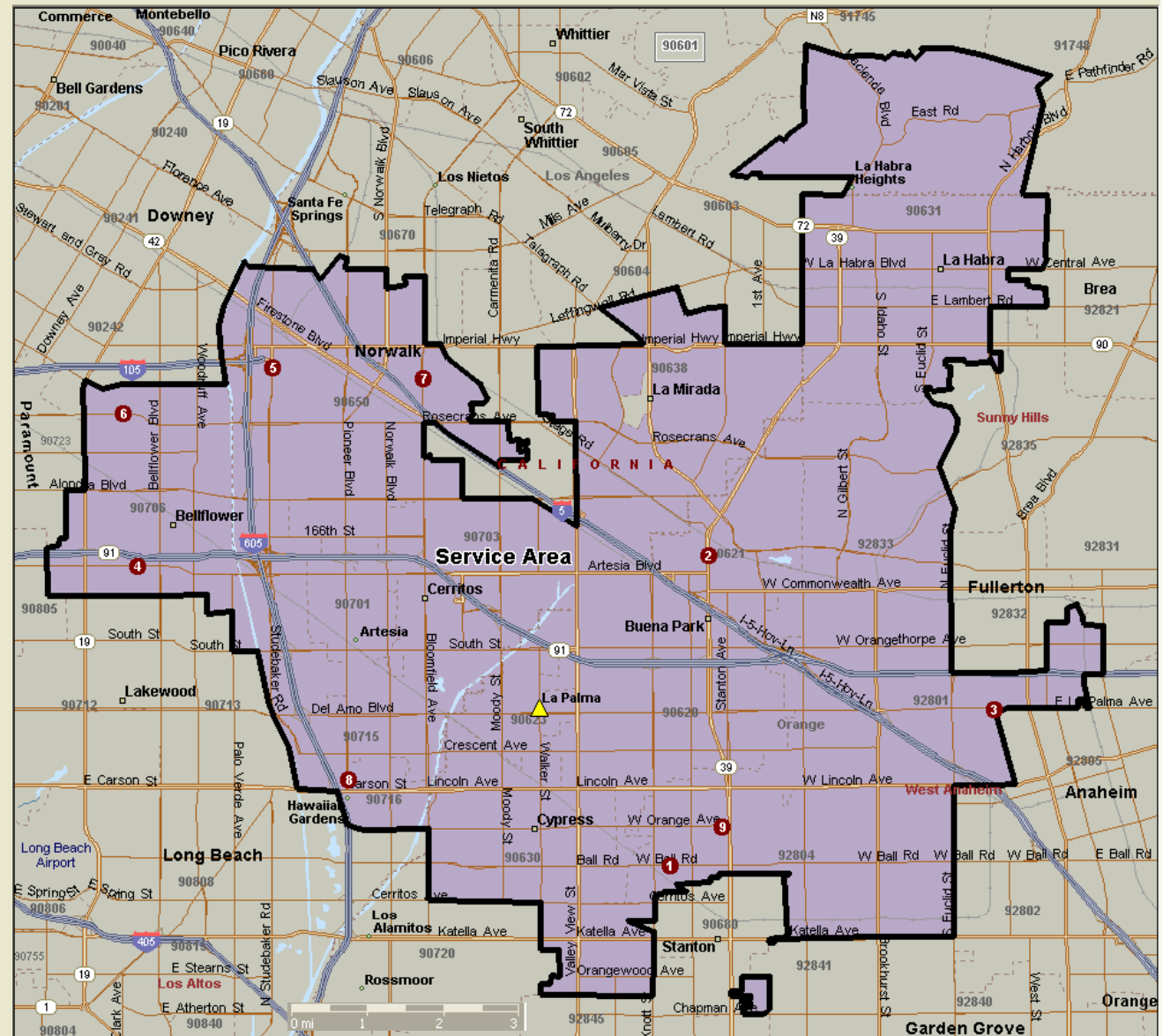
# La Palma Intercommunity Hospital Primary Service Area

▲ La Palma Intercommunity Hospital

## Service Area Hospitals

- ① Anaheim General Hospital
- ② Anaheim General Hospital – Buena Park
- ③ Anaheim Memorial Medical Center
- ④ Bellflower Medical Center
- ⑤ Coast Plaza Doctors Hospital
- ⑥ Kaiser Hospital – Bellflower
- ⑦ Norwalk Community Hospital
- ⑧ Tri-City Regional Medical Center
- ⑨ West Anaheim Medical Center

■ Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Montclair Hospital Medical Center



## Facility Overview

- Location: Montclair, California
- Acquisition Date: July 1, 2006
- Purchase Price: Undisclosed
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 102
  - ▶ Intensive Care: 8
  - ▶ Medical/Surgical: 78
  - ▶ Perinatal: 16
- Total Staffed Beds: 102
- Emergency Department Stations: 8
- Total Operating Rooms: 3
  - ▶ Inpatient and Outpatient: 3
  - ▶ No ORs designated for cardiovascular surgery

Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

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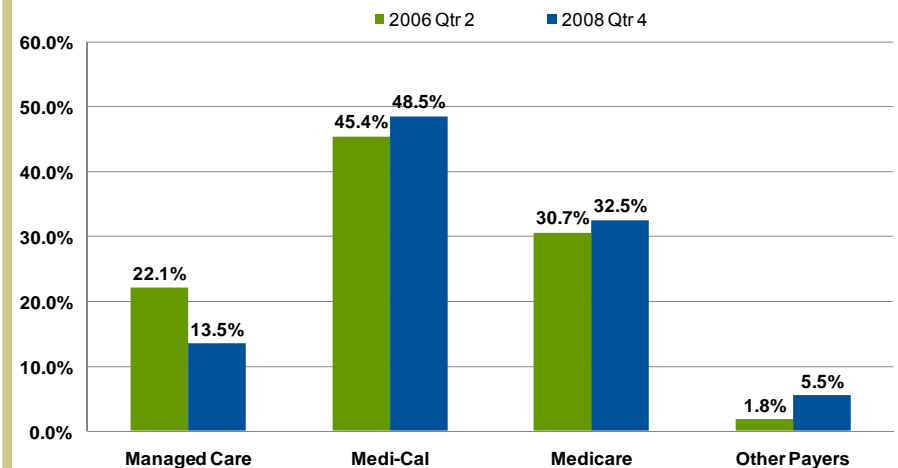
## Profitability Analysis

Montclair Hospital Medical Center	Four Quarters Prior to Transaction Date (1)	CY 2008	Percent Point Difference/Percentage Change
Operating Margin	-4.78%	7.12%	11.90%
Total Margin	-5.24%	7.88%	13.12%
Cost-to-Charges	20.49%	22.99%	2.50%
Net Inpatient Revenue per Discharge	\$4,399	\$6,917	57.24%
Net Outpatient Revenue per Visit	\$320	\$71	-77.81%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: July 1, 2005 - June 30, 2006

## Montclair Hospital Medical Group Payer Mix Comparison Quarter Two, 2006 & Quarter Four, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report  
 Notes:  
 (1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers  
 (2) Payer mix based on total quarter discharges

# Montclair Hospital Medical Center: Clinical Program Overview

## Clinical Programs

- Acute care services:
  - ▶ Cardiopulmonary services
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology
  - ▶ Emphasis on outpatient services

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 5,792
- Total Patient Days: 18,196
  - ▶ Percent Medicare: 37.2 percent
  - ▶ Percent Medi-Cal: 41.5 percent
- Average Length-of-Stay: 3.1 days
  - ▶ Medicare: 3.2 days
  - ▶ Medi-Cal: 3.1 days
- Occupancy Rate:
  - ▶ Licensed Beds: 49.0 percent
  - ▶ Staffed Beds: 49.0 percent
- Total Deliveries: 957 live births<sup>2</sup>
- Total Emergency Department Visits: 16,601 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 155,128 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	Montclair Hospital Medical Center	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	92%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	100%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	88%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	97%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings


Hip Fracture Repair - Major Complications	<b>Not Rated</b>
Sepsis – In-hospital Mortality (Survival)	★★★★★
Stroke – In-hospital Mortality (Survival)	★★★
Pneumonia – In-hospital Mortality (Survival)	★★★★★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)






Note:

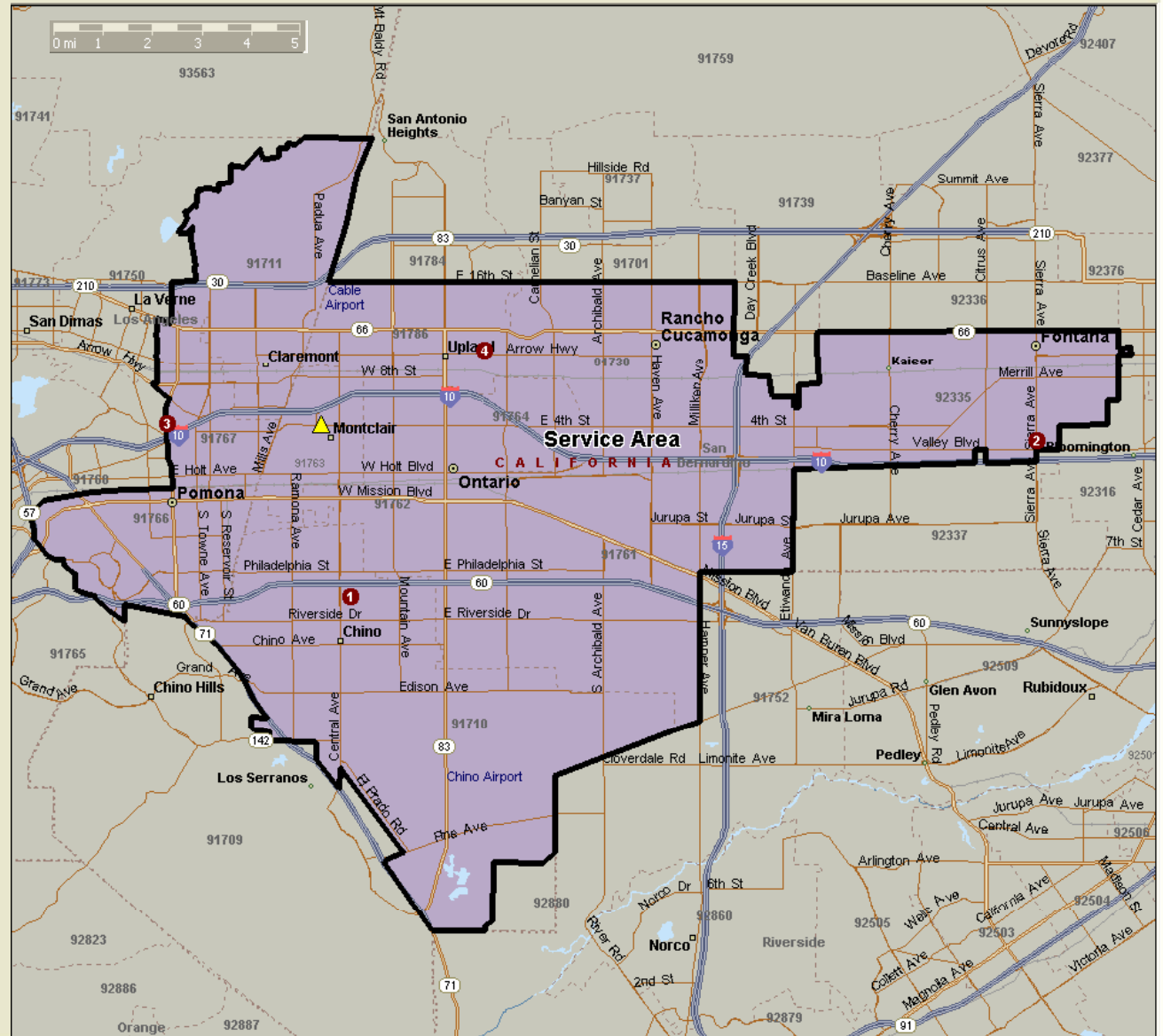
- ★ Poor
- ★★★ As Expected
- ★★★★★ Best

# Montclair Hospital Medical Center Primary Service Area

 Montclair Hospital Medical Center

## Service Area Hospitals

-  Chino Valley Medical Center
-  Kaiser Hospital – Fontana
-  Pomona Valley Hospital Medical Center
-  San Antonio Community Hospital
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Paradise Valley Hospital



## Facility Overview

- Location: National City, California
- Acquisition Date: March 1, 2007
- Purchase Price: \$30,000,000
- Terms: In bankruptcy proceedings

## Infrastructure

- Total Licensed Beds: 301
  - ▶ Paradise Valley Hospital:
    - Acute psychiatric: 39
    - Coronary Care: 5
    - Intensive Care: 10
    - Intensive Care – Newborn Nursery: 10
    - Medical/Surgical: 118
    - Pediatric: 10
    - Perinatal: 23
    - Rehabilitation Center: 22
  - ▶ Paradise Valley Hospital/Bayview Behavioral Health
    - Acute psychiatric: 46
    - Chemical Dependency Recovery: 18
- Total Staffed Beds: 301
- Emergency Department Stations: 20
- Total Operating Rooms: 4
  - ▶ Inpatient and Outpatient: 4
  - ▶ No ORs designated for cardiovascular surgery

Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

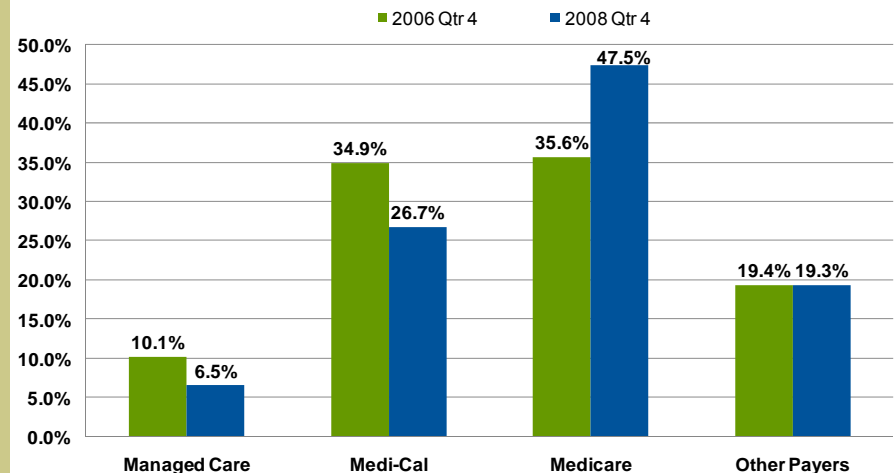
## Profitability Analysis

Paradise Valley Hospital	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/Percentage Change
Operating Margin	-10.70%	2.38%	13.08%
Total Margin	-9.62%	3.25%	12.87%
Cost-to-Charges	24.35%	24.18%	-0.17%
Net Inpatient Revenue per Discharge	\$7,317	\$7,870	7.56%
Net Outpatient Revenue per Visit	\$212	\$253	19.34%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: January 1, 2006 - December 31, 2006

Paradise Valley Hospital  
Payer Mix Comparison  
Quarter Four, 2006 & Quarter Four, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report  
Notes:  
(1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers  
(2) Payer mix based on total quarter discharges

# Paradise Valley Hospital: Clinical Program Overview

## Clinical Programs

- Specialty Centers:
  - ▶ Center for Wound Healing and Hyperbaric Medicine
- Acute care services:
  - ▶ Cardiac catheterization laboratory
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology
  - ▶ Emphasis on outpatient services
- Sub-acute Care Services:
  - ▶ Behavioral health services on the Bayview Behavioral Health campus
  - ▶ South Bay Rehabilitation Center

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 10,564
- Total Patient Days: 55,956
  - ▶ Percent Medicare: 51.3 percent
  - ▶ Percent Medi-Cal: 35.1 percent
- Average Length-of-Stay: 5.3 days
  - ▶ Medicare: 5.0 days
  - ▶ Medi-Cal: 6.3 days
- Occupancy Rate:
  - ▶ Licensed Beds: 51.1 percent
  - ▶ Staffed Beds: 51.1 percent
- Total Deliveries: 1,280 live births<sup>2</sup>
- Total Emergency Department Visits: 27,110 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 144,516 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	Paradise Valley Hospital	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	<b>84%</b>	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	<b>95%</b>	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	<b>72%</b>	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	<b>81%</b>	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★ ★ ★
Sepsis – In-hospital Mortality (Survival)	★ ★ ★ ★ ★
Stroke – In-hospital Mortality (Survival)	★ ★ ★
Pneumonia – In-hospital Mortality (Survival)	★ ★ ★ ★ ★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)





Note:

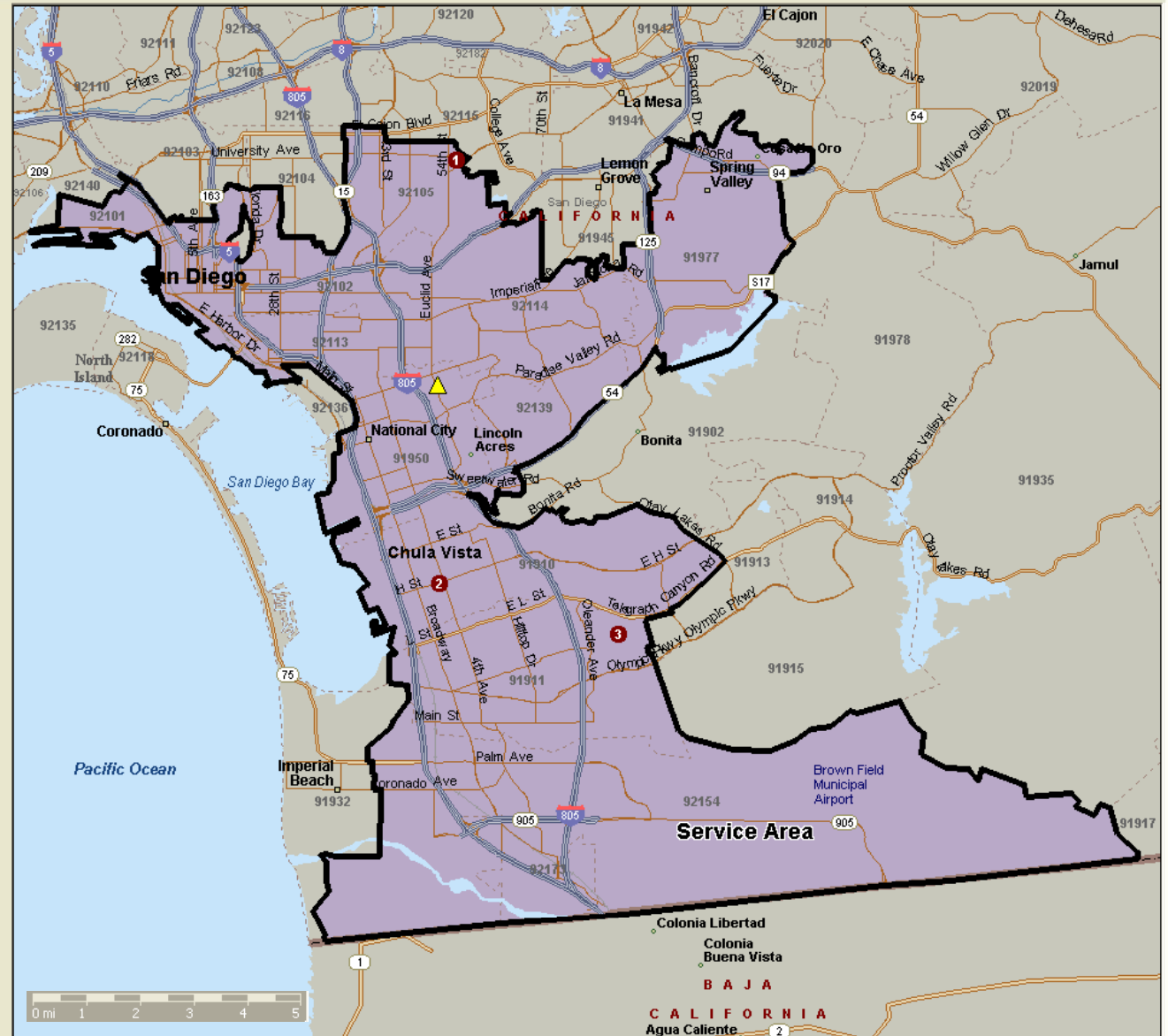
- ★ Poor
- ★ ★ ★ As Expected
- ★ ★ ★ ★ ★ Best

# Paradise Valley Hospital Primary Service Area

 Paradise Valley Hospital

## Service Area Hospitals

-  Promise Hospital of San Diego
-  Scripps Mercy Hospital – Chula Vista
-  Sharp Chula Vista Medical Center
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# San Dimas Community Hospital



## Facility Overview

- Location: San Dimas, California
- Acquisition Date: July 1, 2008
- Purchase Price/Terms: Tenet Healthcare Corporation sold Garden Grove Hospital Medical Center and San Dimas Community Hospital together for \$104,500,000.

## Infrastructure

- Total Licensed Beds: 64
  - ▶ Coronary care: 4
  - ▶ Intensive care: 4
  - ▶ Medical/Surgical: 49
  - ▶ Perinatal: 7
- Total Staffed Beds: 47
- Emergency Department Stations: 9
- Total Operating Rooms: 4
  - ▶ Inpatient and Outpatient: 4
  - ▶ No ORs designated for cardiovascular surgery

Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

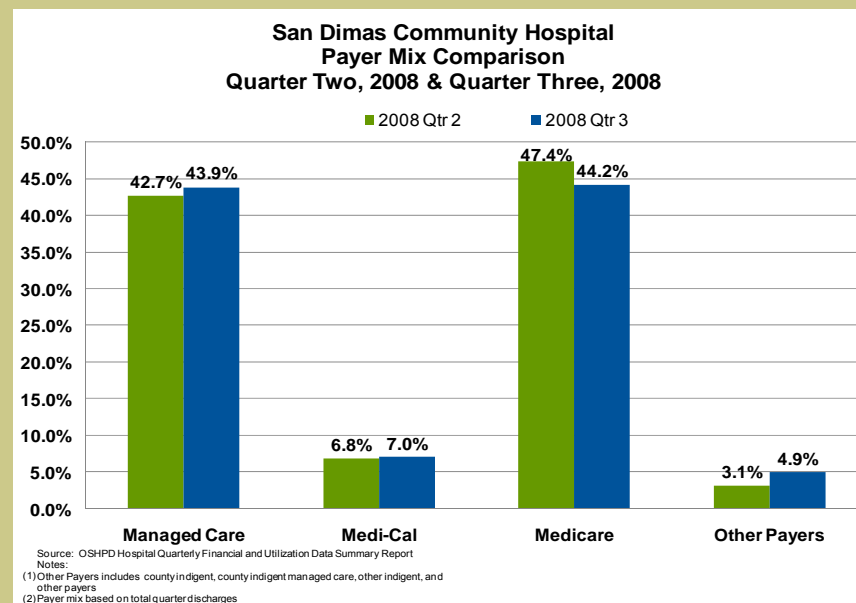
San Dimas Community Hospital	One Quarter Prior to Transaction Date <sup>(1)</sup>	One Quarter After Transaction Date <sup>(2)</sup>	Percent Point Difference/Percentage Change
Operating Margin	7.97%	0.69%	<b>-7.28%</b>
Total Margin	8.53%	0.94%	<b>-7.59%</b>
Cost-to-Charges	14.53%	13.92%	<b>-0.61%</b>
Net Inpatient Revenue per Discharge	\$8,052	\$6,881	<b>-14.54%</b>
Net Outpatient Revenue per Visit	\$723	\$624	<b>-13.69%</b>

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

(1) Reporting Period: April 1, 2008 - June 30, 2008

(2) Reporting Period: July 1, 2008 - September 30, 2008

(3) Q4 2008 data unavailable for this Hospital



# San Dimas Community Hospital: Clinical Program Overview

## Clinical Programs

- Specialty services:
  - ▶ Bloodless medicine and surgery program
- Acute care services:
  - ▶ Cardiopulmonary services
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 4,456
- Total Patient Days: 16,824
  - ▶ Percent Medicare: 57.3 percent
  - ▶ Percent Medi-Cal: 9.0 percent
- Average Length-of-Stay: 3.8 days
  - ▶ Medicare: 4.5 days
  - ▶ Medi-Cal: 5.0 days
- Occupancy Rate:
  - ▶ Licensed Beds: 49.7 percent
  - ▶ Staffed Beds: 98.3 percent
- Total Deliveries: 770 live births<sup>2</sup>
- Total Emergency Department Visits: 13,783 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 27,392 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

## Quality Metrics

United States Department of Health and Human Services	San Dimas Community Hospital	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	92%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	93%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	90%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	98%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings


Hip Fracture Repair - Major Complications	★ ★ ★
Sepsis – In-hospital Mortality (Survival)	★ ★ ★ ★ ★
Stroke – In-hospital Mortality (Survival)	★ ★ ★
Pneumonia – In-hospital Mortality (Survival)	★ ★ ★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)









Note:

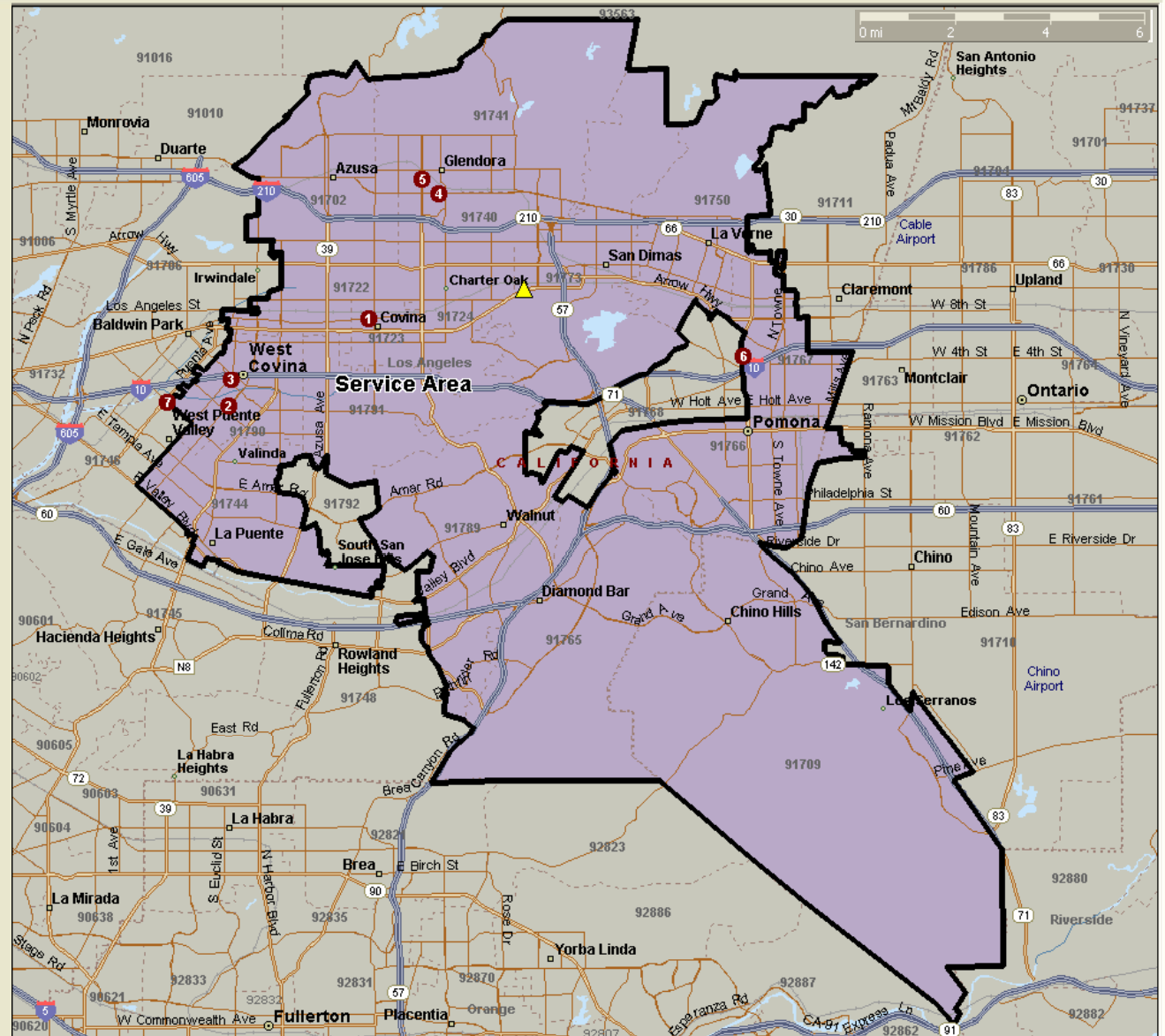
- ★ Poor
- ★ ★ ★ As Expected
- ★ ★ ★ ★ ★ Best

# San Dimas Community Hospital Primary Service Area

 San Dimas Community Hospital

## Service Area Hospitals

-  Citrus Valley Medical Center – IC
-  Citrus Valley Medical Center – QV
-  Doctors Hospital of West Covina
-  East Valley Hospital Medical Center
-  Foothill Presbyterian Hospital – Johnston Memorial
-  Pomona Valley Hospital Medical Center
-  Vista Hospital of San Gabriel Valley
-  Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Shasta Regional Medical Center



## Facility Overview

- Location: Redding, California
- Acquisition Date: October 31, 2008
- Purchase Price/Terms: Prime Health Services took over operations of Hospital from Hospital Partners of America, which filed for bankruptcy.

## Infrastructure

- Total Licensed Beds: 246
  - ▶ Coronary care: 8
  - ▶ Intensive care: 35
  - ▶ Medical/Surgical: 203
- Total Staffed Beds: 124
- Emergency Department Stations: 19
- Total Operating Rooms: 12
  - ▶ Inpatient and Outpatient: 12
  - ▶ ORs designated for cardiovascular surgery: 2

Source: California ALIRTS, OSHPD Individual Four Quarter Hospital Profile Characteristics

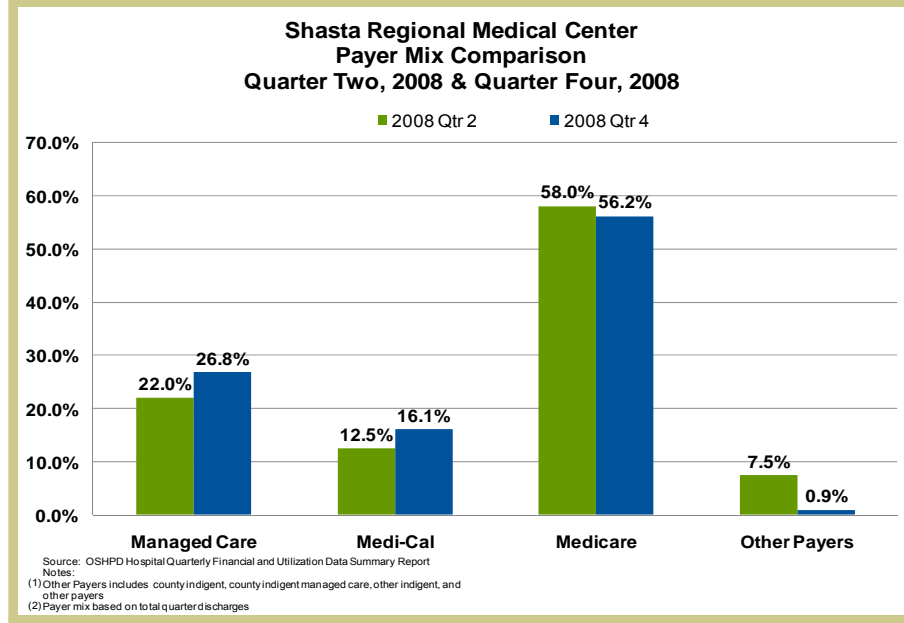
## Profitability Analysis

Shasta Regional Medical Center	Four Quarters Prior to Transaction Date <sup>(1)</sup>	No data available after transaction	Percent Point Difference/Percentage Change
Operating Margin	1.36%		NA
Total Margin	1.36%		NA
Cost-to-Charges	13.30%		NA
Net Inpatient Revenue per Discharge	\$11,236		NA
Net Outpatient Revenue per Visit	\$745		NA

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics

\* Note - no data available for Q4 2008

(1) Reporting Period: July 1, 2007 - June 30, 2008; Q3 2008 data unavailable



# Shasta Regional Medical Center: Clinical Program Overview

## Clinical Programs

- Specialty services:
  - ▶ Center for Wound Care
- Acute care services:
  - ▶ Heart care services
  - ▶ Emergency department
  - ▶ ICU/Telemetry
  - ▶ Surgical services

## CY 2008 Utilization

- Total Discharges: 5,616
- Total Patient Days: 23,820
  - ▶ Percent Medicare: 62.1 percent
  - ▶ Percent Medi-Cal: 13.8 percent
- Average Length-of-Stay: 4.2 days
  - ▶ Medicare: 4.6 days
  - ▶ Medi-Cal: 4.4 days
- Occupancy Rate:
  - ▶ Licensed Beds: 26.5 percent
- Total Deliveries: 0
- Total Emergency Department Visits: 31,097 visits<sup>1</sup>
- Total Outpatient Clinic Visits: 7,174 visits<sup>1</sup>

Source: California ALIRTS, OSHPD Individual Four Quarter Hospital Profile Characteristics

Note:

(1) Data from CY 2007 as 2008 data was incomplete

## Quality Metrics

- Hospital chose not to participate in latest Cal Hospital Compare Survey

2009 HealthGrades Ratings	
Hip Fracture Repair - Major Complications	★ ★ ★
Sepsis – In-hospital Mortality (Survival)	★ ★ ★
Stroke – In-hospital Mortality (Survival)	★ ★ ★
Pneumonia – In-hospital Mortality (Survival)	★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)


Note:

★ Poor

★ ★ ★ As Expected


★ ★ ★ ★ ★ Best

# Shasta Regional Medical Center Primary Service Area


 Shasta Regional Medical Center

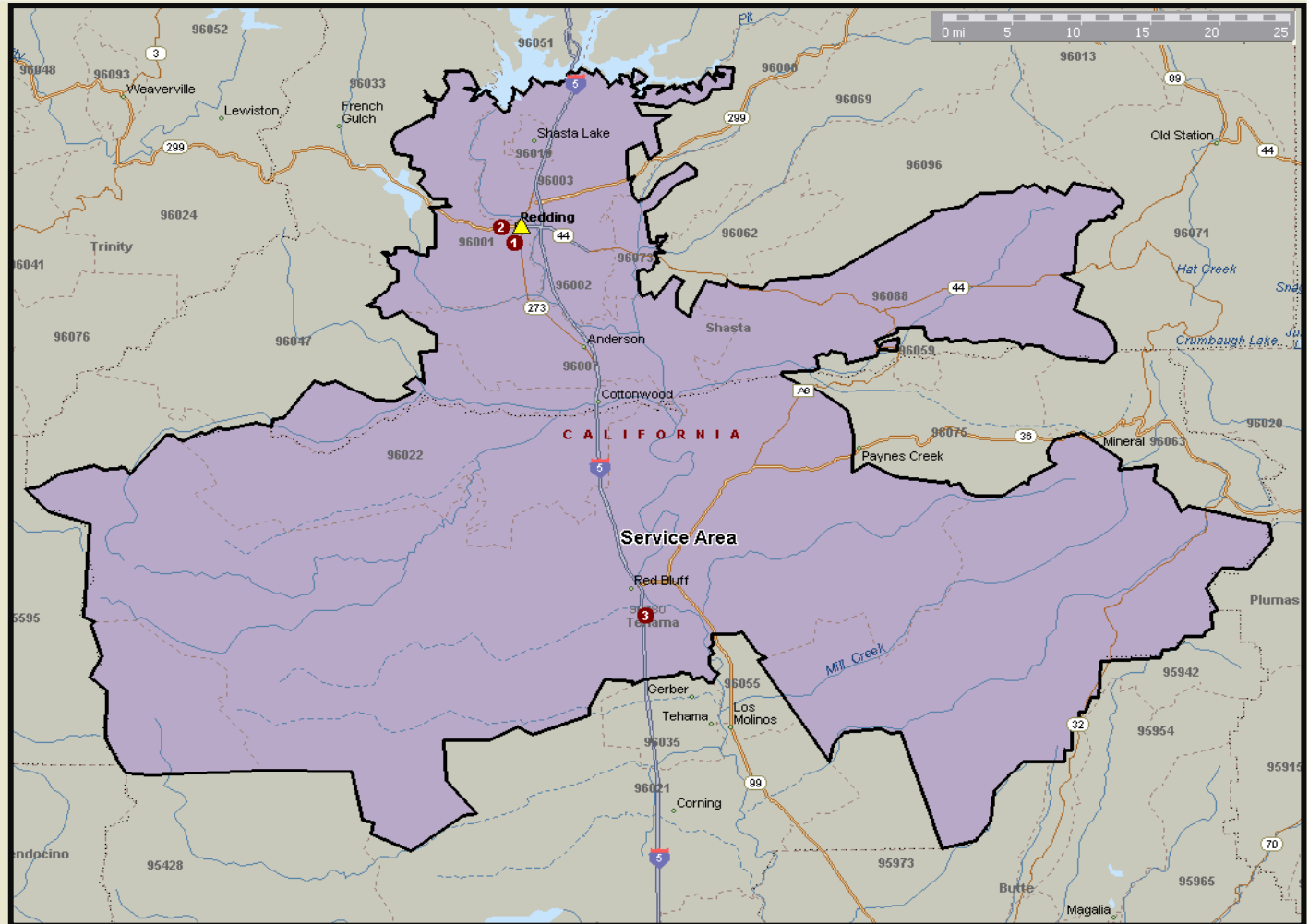
## Service Area Hospitals

 Mercy Medical Center

 Patients' Hospital of Redding

 St. Elizabeth Community Hospital

 Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# Sherman Oaks Hospital



## Facility Overview

- Location: Sherman Oaks, California
- Acquisition Date: January 3, 2006
- Purchase Price: \$17,000,000
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 153
  - ▶ Acute psychiatric: 19
  - ▶ Burn: 30
  - ▶ Coronary care: 8
  - ▶ Intensive care: 8
  - ▶ Medical/Surgical: 66
  - ▶ Skilled nursing: 22
- Total Staffed Beds: 153
- Emergency Department Stations: 7
- Total Operating Rooms: 9
  - ▶ Inpatient and Outpatient: 9
  - ▶ No ORs designated for cardiovascular surgery

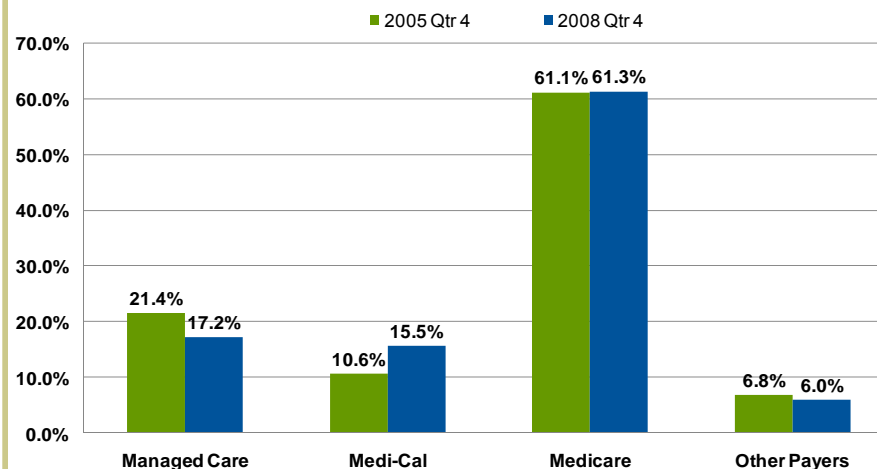
Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

Sherman Oaks Hospital	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/ Percentage Change
Operating Margin	2.82%	9.60%	6.78%
Total Margin	30.14%	9.80%	-20.34%
Cost-to-Charges	23.03%	26.03%	3.00%
Net Inpatient Revenue per Discharge	\$9,446	\$12,636	33.77%
Net Outpatient Revenue per Visit	\$409	\$568	38.88%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics  
 (1) Reporting Period: January 1, 2005 - December 31, 2005

Sherman Oaks Hospital  
 Payer Mix Comparison  
 Quarter Four, 2005 & Quarter Four, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report  
 Notes:  
 (1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers  
 (2) Payer mix based on total quarter discharges

# Sherman Oaks Hospital: Clinical Program Overview

## Clinical Programs

- Specialty Centers:
  - ▶ Wound Healing Center
- Acute care services:
  - ▶ Cardiology
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology
- Sub-acute Care Services:
  - ▶ Psychiatry

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 5,712
- Total Patient Days: 25,444
  - ▶ Percent Medicare: 65.0 percent
  - ▶ Percent Medi-Cal: 12.9 percent
- Average Length-of-Stay: 4.5 days
  - ▶ Medicare: 4.8 days
  - ▶ Medi-Cal: 4.3 days
- Occupancy Rate:
  - ▶ Licensed Beds: 45.7 percent
  - ▶ Staffed Beds: 45.7 percent
- Total Deliveries: 0 live births<sup>2</sup>
- Total Emergency Department Visits: 18,994 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 34,772 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	Sherman Oaks Hospital	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	100%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	100%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	97%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	100%	66%	66%

Source: HospitalCompare.com

Note: 1. Data reflects the time period October, 2006 through September, 2007.

2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★★★
Sepsis – In-hospital Mortality (Survival)	★★★★★
Stroke – In-hospital Mortality (Survival)	★★★★★
Pneumonia – In-hospital Mortality (Survival)	★★★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

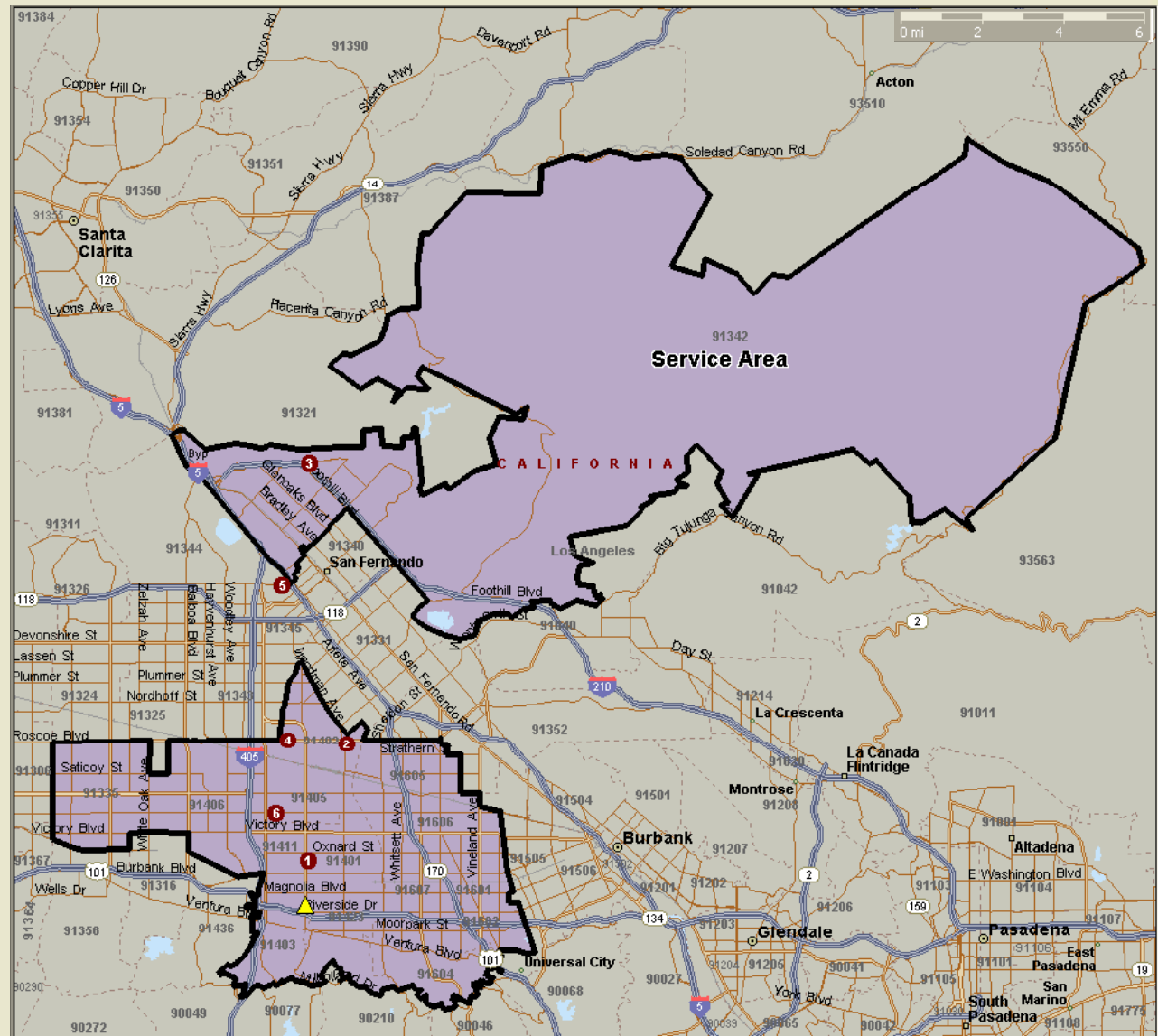
- ★ Poor
- ★★★★ As Expected
- ★★★★★ Best

# Sherman Oaks Hospital Primary Service Area

▲ Sherman Oaks Hospital

## Service Area Hospitals

- ① Hollywood Community Hospital of Van Nuys
  - ② Kaiser Hospital – Panorama City
  - ③ Los Angeles County Olive View-UCLA Medical Center
  - ④ Mission Community Hospital – Panorama
  - ⑤ Providence Holy Cross Medical Center
  - ⑥ Valley Presbyterian Hospital
- Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.

# West Anaheim Medical Center



## Facility Overview

- Location: Anaheim, California
- Acquisition Date: September 30, 2006
- Purchase Price: Undisclosed
- Terms: Undisclosed

## Infrastructure

- Total Licensed Beds: 219
  - ▶ Acute psychiatric: 30
  - ▶ Coronary care: 10
  - ▶ Intensive care: 10
  - ▶ Medical/Surgical: 147
  - ▶ Skilled nursing: 22
- Total Staffed Beds: 181
- Emergency Department Stations: 11
- Total Operating Rooms: 5
  - ▶ Inpatient and Outpatient: 5
  - ▶ Designated for cardiovascular surgery: 2

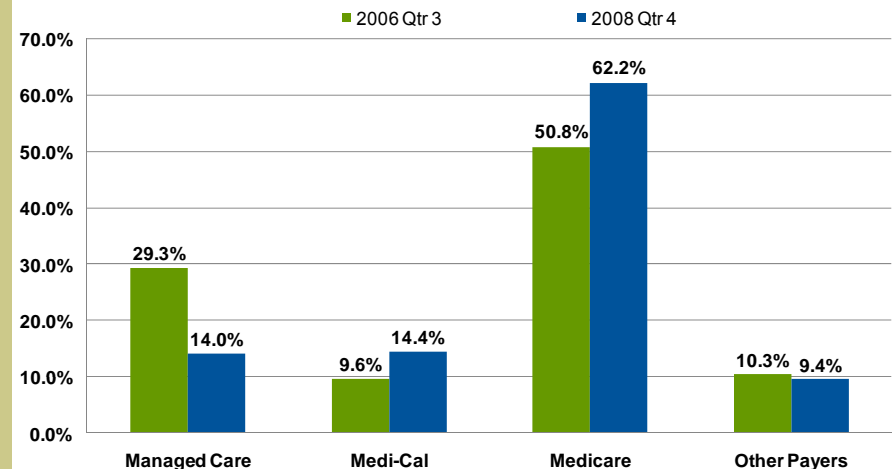
Source: California ALIRTS, OSHPD, Irving Levin Associates, Inc. Merger and Acquisition Database, Hospital website

## Profitability Analysis

West Anaheim Medical Center	Four Quarters Prior to Transaction Date <sup>(1)</sup>	CY 2008	Percent Point Difference/ Percentage Change
Operating Margin	-36.25%	9.32%	45.57%
Total Margin	-36.25%	7.32%	43.57%
Cost-to-Charges	26.05%	24.56%	-1.49%
Net Inpatient Revenue per Discharge	\$5,823	\$10,315	77.14%
Net Outpatient Revenue per Visit	\$329	\$391	18.84%

Source: OSHPD Individual Four Quarter Hospital Profile Characteristics  
 (1) Reporting Period: October 1, 2005 - September 30, 2006

West Anaheim Medical Center  
 Payer Mix Comparison  
 Quarter Three, 2006 & Quarter Four, 2008



Source: OSHPD Hospital Quarterly Financial and Utilization Data Summary Report  
 Notes:  
 (1) Other Payers includes county indigent, county indigent managed care, other indigent, and other payers  
 (2) Payer mix based on total quarter discharges

# West Anaheim Medical Center: Clinical Program Overview

## Clinical Programs

- Specialty Centers:
  - ▶ Chest Pain Center
- Acute care services:
  - ▶ Cardiovascular services
  - ▶ Emergency department
  - ▶ Obstetrics and Gynecology
- Sub-acute Care Services:
  - ▶ Psychiatry

## CY 2008 Utilization<sup>1</sup>

- Total Discharges: 8,420
- Total Patient Days: 49,640
  - ▶ Percent Medicare: 27.6 percent
  - ▶ Percent Medi-Cal: 48.8 percent
- Average Length-of-Stay: 5.9 days
  - ▶ Medicare: 6.8 days
  - ▶ Medi-Cal: 5.6 days
- Occupancy Rate:
  - ▶ Licensed Beds: 72.5 percent
  - ▶ Staffed Beds: 75.3 percent
- Total Deliveries: 2,912 live births<sup>2</sup>
- Total Emergency Department Visits: 17,847 visits<sup>2</sup>
- Total Outpatient Clinic Visits: 30,320 visits

Source: California ALIRTS, OSHPD

Note:

- (1) Data has been annualized based upon actual CY 2008 quarter one volume.
- (2) Reflects total CY 2007 volume because CY 2008 quarter one volume was not available.

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## Quality Metrics

United States Department of Health and Human Services	West Anaheim Medical Center	Southern California	United States
Percent of Surgery Patients Who Received the Appropriate Preventative Antibiotic(s) for Their Surgery	95%	90%	90%
Percent of Heart Attack Patients Given Aspirin at Arrival	95%	96%	93%
Percent of Pneumonia Patients Assessed and Given Pneumococcal Vaccination	83%	68%	75%
Percent of Heart Failure Patients Given Discharge Instructions	77%	66%	66%

Source: HospitalCompare.com

- Note: 1. Data reflects the time period October, 2006 through September, 2007.
- 2. Hospital chose not to participate in latest Cal Hospital Compare Survey

## 2009 HealthGrades Ratings

Hip Fracture Repair - Major Complications	★★★★★
Sepsis – In-hospital Mortality (Survival)	★★★★★
Stroke – In-hospital Mortality (Survival)	★★★★★
Pneumonia – In-hospital Mortality (Survival)	★★★

Source: HealthGrades.com (Centers for Medicare and Medicaid Services for years 2005 – 2007)

Note:

- ★ Poor
- ★★★ As Expected
- ★★★★★ Best

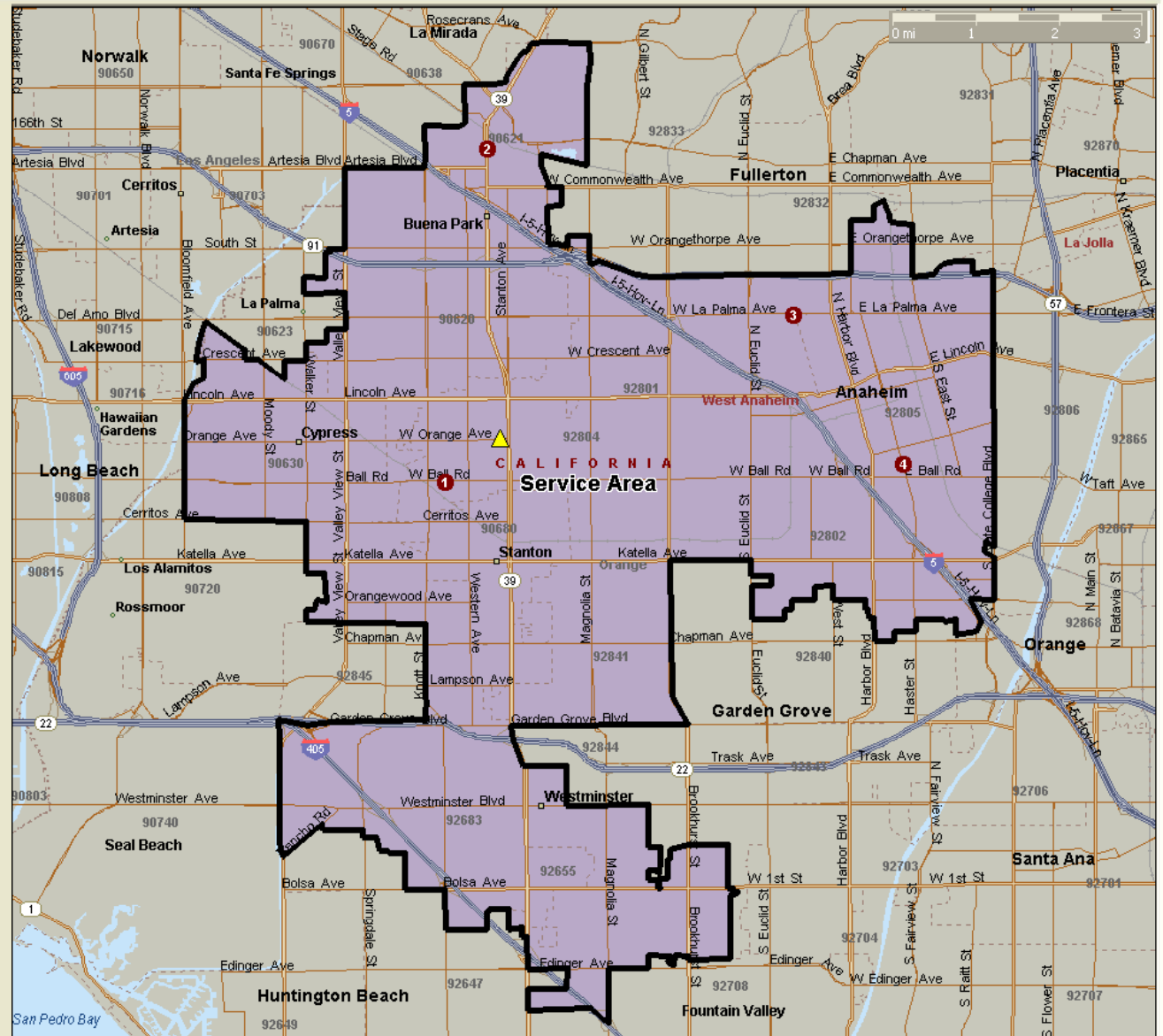
# West Anaheim Medical Center Primary Service Area

▲ West Anaheim Medical Center

## Service Area Hospitals

- ① Anaheim General Hospital
- ② Anaheim General Hospital – Buena Park
- ③ Anaheim Memorial Medical Center
- ④ Western Medical Center Hospital - Anaheim

■ Primary Service Area



Source: OSHPD 2007 Inpatient Database

Note: Primary Service Area defined as 75 percent of the Hospital's total discharges.