

Supplemental Response to
11 Cal. Code Reg.
Section 999.5(d)(1)(B)

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A complete copy of all proposed written agreements or contracts to be entered into by the applicant and the transferee that relate to or effectuate any part of the proposed transaction

Attached to this Supplemental Response to Section 999.5(d)(1)(B) as **Exhibit 1** is a copy of Schedule 1.1(h) to the Contribution Agreement between SMMC and the LLC. The remaining schedules to the Contribution Agreement have been submitted under separate cover as a confidential document in accordance with Section 999.5(c)(3).

Exhibit 1 to
Supplemental Response
to
Section 999.5(d)(1)(B)

Schedule 1.1(h)
Licenses and Permits

Description of License/Permit	Licensing Agency	License/Permit Identification #
Advanced Primary Stroke Center Certification	The Joint Commission	ID: 9737
Chest Pain Center v5 with Primary PCI Accreditation	ACC Accreditation Services	Granted December 30, 2017 Expires December 2023
Wholesale Drug Permit	California Board of Pharmacy	WLS 2904
Hospital Pharmacy Permit	California Board of Pharmacy	HSP 18737
Laboratory Accreditation Program	The Joint Commission	ID: 9737
Controlled Substance Registration Certificate	U.S. DOJ Drug Enforcement Administration	AS1049558
Hospital Accreditation Program	The Joint Commission	ID: 9737
Certificate of Cardiovascular ST Elevation Myocardial Infraction (STEMI) Receiving Center	Inland Counties Emergency Medical Agency	July 1, 2020 through June 30, 2025
Certificate of Primary Stroke Receiving Center	Inland Counties Emergency Medical Agency	July 1, 2020 through June 30, 2025
General Acute Care Hospital License	CDPH	License: 240000207 Effective December 22, 2020 Expired December 21, 2021
Sterile Compounding License	California Board of Pharmacy	LSC 99891
Tissue Bank License	CDPH	CTB00082126 April 19, 2020 through April 18, 2021
Certificate of Registration	CDPH	FAC00010326 Expires November 30, 2022
Certificate of Accreditation	CLIA	05D0573048 Effective January 3, 2021 Expires January 2, 2023

Certificate of Waiver	CLIA	05D0935663 Effective March 27, 2020 Expires March 26, 2022
Certificate of Waiver	CLIA	05D2008083 Effective June 3, 2020 Expires June 2, 2022
Clinical Laboratory License	CDPH	CLF-00001216 Effective December 30, 2020 Expires December 29, 2021
Clinical Laboratory License Certificate of Deemed Status	CDPH	CDF-00004823 Effective December 29, 2020 Expires December 28, 2021
Clinical Laboratory License Certificate of Deemed Status	CDPH	CDF-00322303 Effective December 2, 2020 Expires December 1, 2021
Clinical Laboratory Registration	CDPH	CLR-00339999 Effective May 31, 2020 Expires May 30, 2021
Radioactive Material License	CDPH	2331-36 Expires June 26, 2023

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A description of all charity care provided in the last five years by each health facility that is a subject of the agreement or transaction

Attached to this Supplemental Response to Section 999.5(d)(5)(B) as **Exhibit 1** is a chart describing all charity care provided in the last five years by SMMC. The chart includes the following information:

- Annual total charity care spending
- Inpatient, outpatient and emergency room charity care spending
- Annual charity care inpatient discharges, outpatient visits, and emergency visits

A cost-to-charge ratio based upon gross charges and total expenses net of other operating expenses (available in SMMC's OSHPD data) has been applied to charity care charges to determine the amount of charity care spending. The information provided on **Exhibit 1**, attached hereto, reflects this calculation methodology.

All types of medically necessary hospital services, including inpatient, outpatient, and emergency department services, are available to charity care patients.

The charity care policy, which includes eligibility requirements for the provision of charity care, is attached as Exhibit A to the Management Services Agreement between SMMC and the LLC. See Exhibit B to the Contribution Agreement between SMMC and the LLC submitted as **Exhibit 1** to Section 999.5(d)(1)(B) for a copy of the Management Services Agreement between SMMC and the LLC.

Exhibit 1 to
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to
Section 999.5(d)(5)(B)

**St. Mary Medical Center
Charity Care Comparison**

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Charity Care Cost (Spent) Calculation					
Total Expenses (OSHDP AFDR, Section 8.1,Line 200)	\$ 288,263,709	\$ 289,768,608	\$ 302,430,518	\$ 299,059,942	\$ 316,335,000
Other Operating Revenue (OSHDP AFDR, Section 8.1, Line 135)	\$ 760,006	\$ 2,944,166	\$ 1,703,250	\$ 7,149,622	\$ 12,175,336
Total Expenses Net of Other Operating Revenue	\$ 287,503,703	\$ 286,824,442	\$ 300,727,268	\$ 291,910,320	\$ 304,159,664
Gross Charges (OSHDP AFDR, Section 8.1, Line 030)	\$ 1,476,041,499	\$ 1,545,315,029	\$ 1,585,401,001	\$ 1,723,297,606	\$ 1,677,388,795
Cost to Charge Ratio	19.48%	18.56%	18.97%	16.94%	18.13%
Charity Charges (OSHDP AFDR, Section 8.2, Line 355)	\$ 13,273,987	\$ 12,227,212	\$ 25,038,711	\$ 41,283,730	\$ 30,154,735
Charity Care Cost (Spending)	\$ 2,585,510	\$ 2,269,481	\$ 4,749,468	\$ 6,993,092	\$ 5,467,053
Charity Care Cost (Spending) Break out					
Inpatient	\$ 1,540,130	\$ 1,333,317	\$ 2,599,306	\$ 3,687,841	\$ 2,906,805
Outpatient	\$ 431,482	\$ 366,888	\$ 801,653	\$ 1,233,091	\$ 1,003,705
Emergency	\$ 613,899	\$ 569,276	\$ 1,348,510	\$ 2,072,160	\$ 1,556,543
Total	\$ 2,585,510	\$ 2,269,481	\$ 4,749,468	\$ 6,993,092	\$ 5,467,053
Associated Charity Care Volumes					
Inpatient	134	119	229	341	227
Outpatient	1,319	1,085	2,137	3,112	2,059
Emergency	710	659	1,304	1,909	1,321
Total	2,162	1,863	3,670	5,362	3,606

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Any board minutes or other documents relating or referring to consideration by the board of directors of the applicant and any related entity, or any committee thereof of the transaction or of any other possible transaction involving any of the health facilities that are the subject of the transaction

Attached to this Supplemental Response to Section 999.5(d)(11)(A) as **Exhibit 1** is a copy of the SMMC board meeting minutes reflecting considerations by the SMMC board of the transaction and discussions relating to potential partners for the transaction.

Exhibit 1 to
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to
Section 999.5(d)(11)(A)

**COMMUNITY MINISTRY BOARD
ST. MARY MEDICAL CENTER**

October 28, 2020

The regular meeting of the St. Mary Medical Center Community Ministry Board, a not-for-profit ministry of Providence St. Joseph Health, was held on Wednesday, October 28, 2020, via MS Teams.

Present:

Omer Ahmed, M.D.
CR Burke
Randy Castillo
Adolph Collaso
Sister Paulette Deters
Sister Judith Dugan
Zoheir El-Hajjaoui, M.D.
Paul Gostanian
Syed Raza, M.D.
Regina Weatherspoon-Bell

Also Present:

Victor Jordan, PSJH COO, Health Network
Prub Khuranu, PSJH Chief, Strategic Services
Mendy Hickey, Director, Quality Improvement
Brian Hennebry, Executive Dir., Strategy and Business Development
John Kozyra, Chief Philanthropy Officer
Judy Wagner, Chief Mission Integration Officer
Marilyn Drone, Chief Nursing Officer
Katie Wiltz, Executive Assistant

Absent:

Mark Yates

All motions and actions here authorized and ratified, were fully made, seconded and passed unanimously, unless otherwise noted in these minutes.

CALL TO ORDER / REFLECTION

Paul Gostanian, Chair, called the meeting to order at 12:30 p.m. Judy Wagner shared a reflection.

CALL FOR CONFLICTS

Mr. Gostanian called for any conflicts to be declared based on the items listed on this meeting's agenda, however, there were none.

UNFINISHED BUSINESS

There was no unfinished business requiring discussion at this time.

CMS STAR RATING – Reaching for the Stars

Ms. Hickey presented a roadmap outlining the path toward becoming a CMS four-star rated facility. SMMC declined from a 3-star Hospital in 2017 to a 1-star hospital in 2020. Patient Satisfaction, Readmissions and Hospital Acquired Infections are the top contributors and are all weighted at 22% in determining the rating.

- Patient Experience (rating based on 2016 – 2018 data)

SMMC has experienced a decline in 7 of the 8 measured domains. Steps taken to improve patient experience include the hiring of a Patient Experience leader. Interviews have been held with an announcement anticipated to be made next week. Additional action to be taken includes implementation of an integrated care experience program, physician engagement in care experience, focus on caregiver engagement and the creation of a culture of caring for staff and easing the way of our caregivers. There was discussion of how caregiver engagement relates to patient experience. The Caregiver Engagement Survey field period ended earlier this month. Prior survey results showed that workload, burnout and safety were the top three areas of opportunity. To address workload, a pilot to backfill CNAs/sitters is budgeted for one unit next year. It was noted that Own It will be replaced with Our Caring Way, a PSJH program to engage front line caregivers.

- Readmissions (rating based on 2016 data)

- Opportunities/Challenges include:

- Physician leadership and buy-in to improve post discharge follow-up. Providers view this as a hospital problem and lack the insight to understand they play a large role in readmissions.
- Implementation of a multidisciplinary team to build systems that will provide care to patients 30 days post discharge and full implementation of the readmission bundle.
- Over utilization of admissions by individual providers.
- Lack of follow-up care in the community due to full schedules at doctors' offices.
- Full services are not available or the patient does not have transportation for follow-up appointments.
- Community physicians are not always aware their patient was in the hospital.

Care Management is working on developing a system to schedule discharge appointments, although there continues to be pushback from physicians as patients frequently do not show for the appointment. In addition, partnering with the discharging physician or a designated physician from a medical group to ensure continuum of care is being explored.

A question was raised of whether there are any readmission concerns identified with any of the four previously identified physician outliers. It was noted that this is a systemic issue although those with higher length of stay also have a higher number of readmissions, although they also have comparatively high volumes.

- Safety of Care

Opportunities include Hospital Acquired Infections and CLABSI. Physician champions are in place. Next steps include restructuring of PI Teams to include nursing leadership and clinical education, increased involvement in regional work as well as implementation of an intensivist group.

CONCLUSION: Ms. Hickey will provide future progress updates.

INTEGRATED STRATEGIC AND FINANCIAL PLAN

Mr. Hennebry presented the local ministry 2021 (year four) strategic plan outlining the regional strategic priorities and local ministry initiatives (see attached). The financial plan to support the local initiatives was also presented. It was noted that the 2021 budget will be reset to the 2020 budget. Ministry initiatives, metrics and goals for each of those initiatives in support of the health system goals of Strengthen the Core, Partnering with the Community and Transforming our Future were presented.

MOTION: It was moved, seconded and carried to recommend approval of the 2021 ISFP as presented.

CE UPDATE

Mr. Castillo, Chief Executive, reported the following:

- **CMO Update:** Charlie Abraham, M.D. will begin his new role of Chief Medical Officer on November 30, 2020. It was noted that Dr. Abraham currently serves as a consultant to PSJH regarding length of stay and readmissions.
- **Covid-19 Update:** SMMC has lost two caregivers to the coronavirus in addition to losing the Director of the Lab, a lab employee and an ER nurse to cancer. Spiritual Health has held services for those lost and is providing support to caregivers. A monument to commemorate the journey of those who have gone before us is being commissioned and will be paid for by the health system.

Procedure volume is returning, although it is still down by approximately 20%. Expenses are exceeding budget due to supplies related to Covid-19 and higher labor costs. SMMC is currently utilizing 64 travelers, which are a much higher cost than a fulltime caregiver.

- **Loma Linda:** Loma Linda began as the cardiothoracic surgical team effective September 1, 2020. Additional services in partnership with Loma Linda include an Electrophysiology Program, which will soon be available. Additionally, a surgical oncologist has expressed interest in providing service in this area.
- **Caregiver Engagement Survey:** The field period for the Caregiver Engagement Survey ended mid-October. SMMC response rate for this survey exceeded 90%, rendering responses to be statistically significant.
- **PSJH Leader Update:** Syl Trepanier has been promoted from his regional role of Clinical Executive to the position of PSJH Chief Nursing Officer. James Noble and Mary Leahy are leaving the system for other opportunities effective November 20, 2020.

REGIONAL BOARD UPDATE

Ms. Weatherspoon-Bell reported that the PSJH Regional Board has met four times (virtually). Dialogue has focused on the region's strategic plan, leadership changes experienced throughout the health system as well as the impact of Covid-19. In addition, the Board is addressing healthcare disparities in the regional Board Committees. An Ad Hoc Nominating Committee is being established to fill three remaining seats.

FOUNDATION

John Kozyra, SMMC Chief Philanthropy Officer, invited the Board to a virtual celebration scheduled for the evening of October 29, hosted by Randy Castillo and Jay Obernolte, California State Assembly member. This virtual event will replace this year's gala. In terms of fundraising, the Foundation has exceeded the goal to purchase equipment for the Electrophysiology Lab.

CHIEF OF STAFF UPDATE

Dr. Ahmed, Chief of Medical Staff, reported the following:

- **Credentialing Matters:**
 - A physician who had previously been a member of the Medical Staff relocated back to the area and submitted a new application for Medical Staff membership and privileges. The Credentials Committee recommended a two-year appointment with a one-year FPPE and a behavioral contract due to history of peer review and behavioral issues while previously on the Medical Staff at SMMC. The MEC, however, determined to deny the application based on prior behavioral issues, peer review cases, issues at another hospital and recent behavioral issues experienced by the SMMC Credentials Committee Chair.
 - The MEC also addressed a quality of care concern and voted to summarily suspend privileges and membership of a physician due to issues relating to quality of care, failure to obtain appropriate informed consent and performing procedures without privileges as well as reported behavior issues. In response to concerns raised, Dr. Ahmed assured the Board that due process was followed.

NEW CAMPUS UPDATE

Victor Jordan and Prub Khuranu participated in the meeting to give an update on Project Blossom. PSJH has been negotiating closely with Kaiser to establish a strategic partnership with the goal of creating a joint venture for the capitalization of a replacement facility for the Hospital in Apple Valley and the co-ownership of the Hospital between SMMC and Kaiser where SMMC would own a majority of ownership interest in the joint venture and Kaiser would own a minority ownership interest in the joint venture.

It was noted that drivers for this venture include:

- The current campus is not seismic compliant.
- The High Desert Community has significant health needs.
- SMMC is highly dependent on Medicaid and supplemental payments from the government while Kaiser has 80% of commercial memberships.
- The High Desert is a challenging environment for physician recruitment.
- The new location will improve access.

Material Terms of the agreement are noted as follows:

- SMMC and KP will form a joint venture to build a replacement hospital.
- SMMC will contribute hospital assets and business (other than existing facility) land to build the new hospital and approximately \$600M cash in exchange for a majority control (70%). Kaiser Permanente will contribute between approximately \$280M - \$300M in cash in exchange for a minority interest (30%). The remaining balance for construction costs will be debt-financed by the joint venture.
- Until the new hospital facility is operational, all results of operations will be solely for PSJH. KP's participation in upside/downside begins when the new hospital facility is operational, which is expected to be in 2026.
- The new hospital will be Catholic-sponsored and operated in compliance with the ERDs
- PSJH will occupy 7 of 10 board seats and all operations, staffing and leadership will be provided by PSJH.
- There will be a Quality Committee that will review and address issues related to quality of services provided at SMMC Hospital.
- SMMC will continue to utilize PSJH payer contracts.
- Simultaneous with LLC formation, SMMC and KP will enter into a non-exclusive agreement for the provision of health care services at a discounted rate to KP members.
- The joint venture will agree to be bound by a Care Model Agreement to ensure the quality of care and continuity of care of KP members of the new hospital.

The timeline is to seek approval from KP and PSJH Boards and Sponsors Council in December. Preliminary discussions have occurred with the Bishop and will continue in December. In January 2021, notice will be given to the Attorney General. Messaging to the community will be coordinated with KP once all Boards and Sponsors Council have approved the joint venture.

Redeployment of the current SMMC site is being considered through a community visioning process. Kindred has expressed interest in long term acute care, inpatient psych and inpatient rehab, none of which are currently available in the High Desert. Other alternatives include development of senior living and community housing or converting the existing site to another community need. Board members felt strongly that use of the existing facility must be carefully considered.

MOTION: It was moved, seconded and carried to recommend approval of Project Blossom as presented to the PSJH Regional Board.

BOARD CHAIR UPDATE

Mr. Gostanian presented nominations for new Board members effective January 2021 as well as reappointments as follows:

Reappointments – second term (01/01/2021 – 12/31/2023)

- Adolph Collaso
- Sister Paulette Deters
- Sister Judith Dugan
- Syed Raza, M.D.

Appointments – first term (01/01/2021 – 12/31/2023)

- Jason Cunningham
- Jeannette Gehrke – Ex Officio, Foundation Board Chair (01/01/2021 – 12/31/2022)
- Derek King
- Jason Lamoreaux
- Jovy Yankaskas

Removals (terms completed)

- Zoheir El-Hajjaoui, M.D. (second term completed)
- Mark Yates – Ex Officio, Foundation Board Chair (term completed)

MOTION: It was moved, seconded and carried to recommend to the PSJH Regional Board approval of the appointments and reappointments as presented.

CONSENT AGENDA

- Financial Performance – September 2020
- Quality Update
- Medical Executive Committee
 - MEC, Department & Committee Summary – October 2020
 - Policies and Procedures, Scopes of Service, Preprinted Orders, Forms – October 2020
 - Credentialing Recommendations – October 2020
 - PIAC – Tabled
 - MEC Meeting Minutes – August 11, 2020
- Policies and Procedures, Plans, Scopes of Service – October 2020

MOTION: It was moved, seconded and carried to approve the Consent Agenda items as presented.

MINUTES OF BOARD OF TRUSTEES MEETING – August 26, 2020

MOTION: It was moved, seconded and carried to approve the minutes from the August 26, 2020, Board of Trustees meeting as presented.

EXECUTIVE SESSION

No Executive Session was held, although opportunity was provided.

ADJOURN

The meeting adjourned at 3:10 pm.



Paul Gostanian
Chair, Board of Trustees