

**CITY OF HAYWARD**  
**AGENDA REPORT**

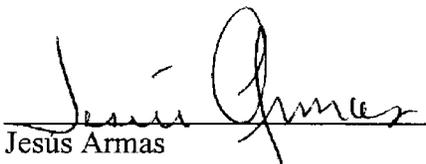
AGENDA DATE 07/05/05  
AGENDA ITEM 5  
WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council  
**FROM:** City Manager  
**SUBJECT:** St. Rose Hospital

Under state law, the Attorney General must review and consent to the sale or transfer of a non-profit hospital. In this regard, the Attorney General's Office is holding a meeting on July 6 to receive public input concerning the proposed sale of St. Rose Hospital, from Via Christi Health System to St. Rose Hospital. If the transaction is approved, St. Rose will become an independent community hospital.

As part of its review process, the Attorney General's office commissioned a study to identify "the possible effects that the proposed transfer may have on the delivery, accessibility and availability of healthcare services in the service area." The study has been provided to the city, and a copy is attached. The report documents what many Hayward residents know first hand, which is that St. Rose plays a vital role in meeting the medical needs of this community, particularly for the less fortunate.

Given St. Rose's significant presence in our community, it would be appropriate to convey support for the proposed transaction. In this regard we would recommend that the Council authorize submittal of a letter. If the Council concurs, a letter will be prepared for the Mayor's signature.

  
Jesus Armas  
City Manager

Attachment



*St. Rose*  
HOSPITAL  
*Via Christi Health System*

June 29, 2005

Mr. Jesús Armas  
City Manager  
777 "B" Street  
Hayward, CA 94541

27200 Calaroga Avenue  
Hayward, CA 94545-4383

510.264.4000  
www.StRoseHospital.org

Dear Jesús:

My purpose in writing is twofold. As you know, we are in the final stages of the Attorney General approval process as we transition to an independent community hospital. A brief update of that process is provided below.

The City of Hayward will, of course, play a particularly important role in this process, which brings me to the second reason for my letter. It would be extremely helpful to us to have a formal statement by the Hayward City Council in support of this transaction and our ongoing efforts to provide critical health care services to the members of our community. I ask if you will facilitate that action.

I've enclosed a copy of the health care impact study recently completed by Medical Development Specialists. A significant acknowledgement in the report is the vital role the hospital plays as the "safety net" provider for Central and Southern Alameda County. Recommendations of the report include continuance of most patient care services for at least five years while also continuing to expend a minimum of \$1.5 million in charity costs and at least \$300,000 in community services annually (not including Silva Clinic) to provide education, screening, primary care and similar services.

I continue to be optimistic about the future of St. Rose Hospital. The hospital board remains fully committed to meeting the challenges ahead including mandated state requirements such as seismic retrofitting.

I am most appreciative of the continued support of the City of Hayward and the impact our collaborative efforts have had in our community over the years.

You are cordially invited and encouraged to attend the July 6, 2005 public meeting at 1:30 in St. Joseph Pavilion at the hospital where interested parties, including Attorney General staff, will be present to hear opinion regarding the hospital's transition. I hope that you will take this opportunity to speak to the assembly, both as a stakeholder and as a representative of the citizens of Hayward.

Thank you, Jesús. I look forward to hearing from you soon and to seeing you at St. Rose Hospital next Wednesday.

Sincerely,

  
Michael P. Mahoney  
President & Chief Executive Officer  
Enclosure

**COPY**

JUN 27 2005

Effect of Via Christi Health System's Transfer of St. Rose Hospital  
on the Accessibility and Availability of Health Care Services

**Prepared for the Office of the  
California Attorney General**

June 24, 2005

*Prepared by:*

**MDS**

MEDICAL DEVELOPMENT SPECIALISTS  
consulting ■ marketing

2301 Rosecrans Avenue, Suite 3180; El Segundo, CA 90245  
Tel. 310 531-8228; Fax 310 531-8232

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## INTRODUCTION AND PURPOSE

Via Christi Health System of Wichita, Kansas ("Via Christi"), a non-profit corporation, and Hayward Sisters Hospital, a California non-profit public benefit corporation doing business as St. Rose Hospital ("SRH" or the "Hospital"), have requested the California Attorney General's consent for the transfer of control of the Hospital to SRH, under California Corporations Code section 5920.

This report, prepared for the Office of the Attorney General, describes the possible effects that the proposed transfer may have on the delivery, accessibility, and availability of healthcare services in the service area.

Via Christi is proposing to transfer control (through an asset transfer agreement) of substantially all of the assets used in the operation of the Hospital to SRH. Also included in this transaction are two separate non-profit public benefit corporations, the St. Rose Hospital Foundation and the St. Rose Medical Office Building, Inc.

Medical Development Specialists Inc. ("MDS"), a healthcare planning and policy consulting firm, was retained to analyze the health impacts of this proposed transaction. MDS has prepared this report based upon the following:

- A review of the documents filed with the Attorney General by Applicant on May 16, 2005 in its notice and request for consent to the transaction.
- Interviews with community members and representatives, SRH medical staff, SRH management, SRH board members, the Via Christi Chief Executive Officer and Chief Financial Officer, the Director of Alameda County Healthcare Services Agency, the Director of the Alameda County Emergency Medical Services Agency, other area hospital representatives and others knowledgeable of potential community health impacts.
- An analysis of financial, utilization and service information provided by SRH management and Via Christi.
- An analysis of area health care services using Office of Statewide Health Planning and Development ("OSHPD") data, the Alameda County Emergency Medical Services Agency diversion report, findings from the 2004 California Health Interview Survey, and other various sources.

## BACKGROUND AND DESCRIPTION OF THE TRANSACTION

St. Rose Hospital is a wholly owned subsidiary of Via Christi. Via Christi is a non-profit, Catholic organization founded in 1995 by the merger of the healthcare ministries of the Sisters of St. Joseph of Wichita, Kansas and the Sisters of the Sorrowful Mother of Broken Arrow, Oklahoma, both religious orders of the Roman Catholic Church.

Via Christi is a healthcare system comprised of medical centers, senior communities, health plans and other organizations in Kansas, Oklahoma and California. SRH is the only Via Christi hospital in California.

VIA CHRISTI STATISTICS (FY 2004)	
Number of Acute Care Hospitals	8
Number of Licensed Beds	2,450
Hospital Patient Days	324,080
Long-Term and Residential Care Days	319,974

The Sisters of St. Joseph of Wichita opened SRH in October 22, 1962 to serve southern Alameda County. SRH is currently licensed for 141 general acute care beds and 22 skilled nursing beds. The acute care beds include 17 perinatal, 9 intensive care, 6 coronary care, and 109 other general acute care beds (medical/surgical). The Hospital has a 17 bed, 24-hour emergency room as well as ancillary and outpatient services. It provides primary and secondary medical/surgical services, obstetrical services, and skilled nursing care and networks with other hospitals and healthcare providers for tertiary care and other needs.

SRH is the sole corporate member of the St. Rose Medical Office Building, Inc. and the St. Rose Hospital Foundation. The primary purpose of the St. Rose Medical Office Building, Inc. is to offer office space to physicians and other medical professionals providing medical services at SRH. The associated medical office building was built in 1988 and has 34,266 square feet.

The St. Rose Hospital Foundation, founded in 1977 to procure and extend financial aid to SRH, has provided about \$500,000, on average, per year to support the Hospital (FY 2000-2004).

## **Reasons for the Sale**

SRH's financial performance declined from 1996 through 2001, with losses of approximately \$2 million in 2001. Via Christi began considering divestiture of the Hospital in 2001 for the following reasons:

- Other than SRH, Via Christi's facilities and programs are all located in Oklahoma or Kansas, which is their preferred geographic area of focus.
- There is little opportunity to centralize or integrate hospital operations or get economies of scale or efficiencies because of the distance between SRH and other Via Christi facilities.
- Similarly, there are few opportunities for integrating clinical operations between other Via Christi facilities and SRH.
- Because of Via Christi's small market presence in California, it is not able to have a public policy impact at the state level.
- It is increasingly difficult to maintain an active sponsorship with the declining number of Sisters in the Via Christi System.
- Because of poor financial performance and operating losses, SRH's debt to the System has been increasing. The current amount of recorded debt exceeds \$32 million.

Even though SRH's financial performance has improved in recent years, Via Christi is still interested in divesting the Hospital.

## **Summary of the Membership Substitution and Asset Transfer Agreement**

The major provisions of the transaction for the transfer of SRH and its assets include the following:

- The agreement between Via Christi and SRH is structured as a transfer by Via Christi, as the sole corporate member of the Hospital, to SRH and as an acquisition by SRH of substantially all of the assets used or held for use in operation of the Hospital.
- In consideration of the transfer of corporate membership and acquisition of assets, SRH agrees to undertake a financing plan that provides payment to Via Christi of \$22.2 million.

- The St. Rose Foundation and the St. Rose Medical Building, Inc. will continue to be subsidiaries of the restructured SRH.

### **Use of Transaction Proceeds**

Via Christi has provided promissory notes and accounting information showing SRH's obligation to Via Christi to be approximately \$32 million. All of the transaction proceeds will be used to repay this debt and Via Christi has agreed to forgive the balance of the unpaid debt.

## ST. ROSE HOSPITAL'S PROGRAMS AND SERVICES

### *Profile and Key Statistics*

St. Rose Hospital is located in Hayward, California on property consisting of approximately 10.67 acres of land. SRH, additionally, provides ground leases totaling approximately 9.38 acres to the Bay Valley Medical Group, which has an office building on site, and the Alameda Radiation Oncology Center, which operates an outpatient cancer center. The major campus buildings include the following:

Main Hospital Building – constructed in 1967 and containing approximately 123,000 square feet.

Skilled Nursing Facility – built in 1968 with attached physical therapy wing containing approximately 15,000 square feet.

Emergency Room and Intensive Care Wings – constructed in 1981 and containing approximately 15,000 square feet.

Occupational Health Building – constructed in 1978 and containing approximately 4,400 square feet.

A One-Story Hand Therapy Building – constructed in 1978 containing approximately 1,575 square feet.

A Two-Story Medical Arts Building – constructed in 1984 containing approximately 32,250 square feet.

A Two-Story Office Building (St. Joseph Pavilion) & 2<sup>nd</sup> Floor Storage Area – constructed in 1997 containing approximately 27,648 square feet.

## Statistical Profile

Until late 2004, SRH had operated with 175 licensed acute beds, which included 129 general acute care beds and 46 skilled nursing beds. Twenty-four skilled nursing beds were converted so that SRH is now licensed for 163 total beds as follows:

109	General acute care
9	Intensive care
6	Coronary care
17	Perinatal (obstetric)
22	Skilled nursing (distinct part)

ST. ROSE HOSPITAL Fiscal Year 2004 Key Statistics	
Inpatient Discharges	7,409
Average Daily Census	101.7
Outpatient Visits	74,969
Emergency Visits	33,612
Cardiac Catheterizations	1,844
Active Physicians on Medical Staff	93
Number of Employees	798
Sources: FY 2003, 2004 OSHPD Disclosure Reports	

## Programs and Services

St. Rose Hospital is a community hospital that offers the following primary and secondary services:

- 24-hour emergency services
- Medical, surgical and intensive care/coronary care services
- Pulmonary and respiratory services
- Obstetrical and gynecological services
- Physical, speech, hand and occupational therapy services
- Emergency coronary angioplasty
- Cardiac catheterization

### ***Programs and Services (Cont.)***

- Diagnostic imaging services (including ultrasound, CT scan, MRI, nuclear medicine, fluoroscopy, portable X-ray, and mammography)
- Skilled nursing/transitional care
- Occupational health services
- Pain management
- Pharmacy
- Laboratory services
- Outpatient pediatric services
- Outpatient dietician
- Mobile clinic

St. Rose Hospital does not offer the following services:

- Inpatient burn care
- Cardiovascular surgery
- Neonatal or pediatric intensive care
- Mental health or chemical dependency services
- Inpatient rehabilitation unit
- Transplant services
- Complex surgeries – neurosurgery, spine surgery, multi-systemic procedures
- Trauma services (not a designated trauma center)

The following table illustrates volume and capacity trends at SRH for fiscal years 2000 through 2004.

<b>ST. ROSE HOSPITAL - SERVICE VOLUMES</b>					
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>PATIENT DAYS</b>					
Medical ICU/CCU	2,843	2,424	2,629	3,068	3,069
Med/Surg	23,573	19,298	20,077	23,520	25,634
Birthing Center	3,295	3,230	3,650	3,086	2,985
Skilled Nursing	8,103	5,970	5,977	5,566	5,426
<b>Total</b>	<b>37,814</b>	<b>30,922</b>	<b>32,333</b>	<b>35,240</b>	<b>37,114</b>
<b>DISCHARGES</b>					
Medical ICU/CCU	297	311	337	329	194
Med/Surg	4,694	4,115	4,418	4,912	5,491
Birthing Center	1,548	1,494	1,695	1,451	1,354
Skilled Nursing	450	362	429	364	370
<b>Total</b>	<b>6,989</b>	<b>6,282</b>	<b>6,879</b>	<b>7,056</b>	<b>7,409</b>
<b>AVERAGE DAILY CENSUS</b>					
Medical ICU/CCU	7.79	6.64	7.20	8.41	8.41
Med/Surg	64.58	52.87	55.01	64.44	70.23
Birthing Center	9.03	8.85	10.00	8.45	8.18
Skilled Nursing	22.20	16.36	16.38	15.25	14.87
<b>Total</b>	<b>103.60</b>	<b>84.72</b>	<b>88.58</b>	<b>96.55</b>	<b>101.68</b>
<b>OTHER SERVICES</b>					
Outpatient Visits (1)	84,718	74,435	77,448	75,669	74,969
I/P Surgeries	1,017	767	765	891	872
O/P Surgeries	3,508	3,619	3,694	3,566	3,862
Deliveries	1,519	1,363	1,531	1,290	1,217
Cardiac Cath.	1,034	1,126	1,186	1,102	1,844
ER Visits	29,494	28,854	28,571	29,950	33,612
Sources: OSHPD Disclosure Report (fiscal years ending 9/30)					
(1) Includes non-admitted ER visits.					

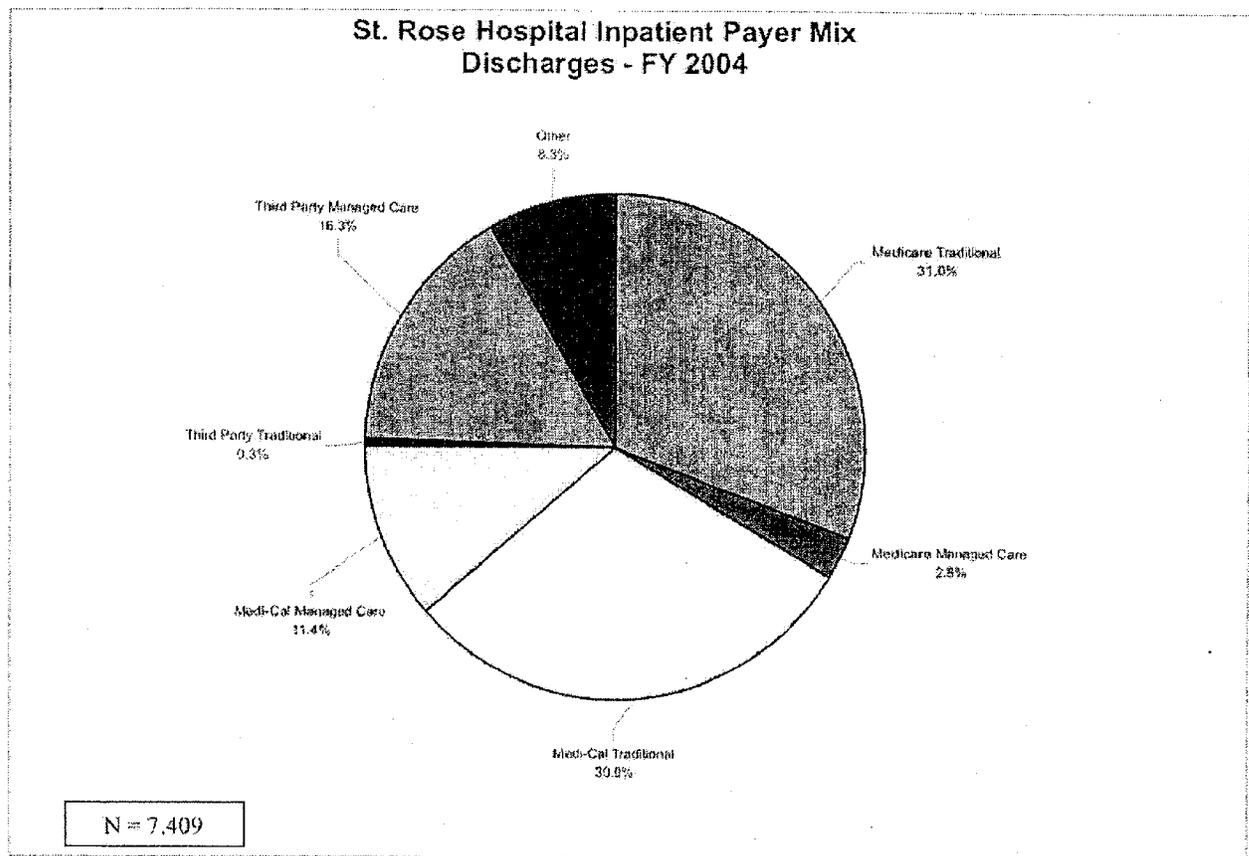
Our review of historical utilization trends supports the following conclusions:

- Discharges and patient days at SRH declined significantly in 2000 and then grew substantially between 2001-2004.
- During FY 2004, SRH averaged approximately 102 inpatients per day, 87 of which were acute care patients (medical/surgical, OB, critical care) and 15 were skilled nursing.
- The average daily census and occupancy rate for the skilled nursing beds has been relatively low with occupancy rates below 33%.

- Obstetrical deliveries have been decreasing slightly and averaged 113 per month in FY 2004.
- In contrast to state and national trends, SRH outpatient visits have declined significantly over the five-year period (11.5%). Hospitals often rely upon growth in outpatient volume and revenues to maintain profitable operations.
- Emergency room visits have increased significantly, which is a statewide trend. With 17 emergency department beds, SRH is able to accommodate its current annual visit volume (33,612 in FY 2004) without frequent diversion of patients to other facilities. We estimate that SRH's emergency department is operating at 80-100% of capacity.
- Unlike overall statewide hospital trends, SRH's inpatient surgeries declined significantly from FY 2000.
- In contrast to a California hospital trend of increasing volume, outpatient surgeries have also declined.
- SRH has substantial available capacity to increase surgical volume within its 4 operating rooms.

## Payer Mix

Medicare (33.8%) and Medi-Cal (41.4%) are the largest single payers for SRH. Approximately 16% of patients at the Hospital are insured through private pay HMOs or PPOs, which is very low compared to most community, non-government hospitals.



Source: OSHPD Financial Disclosure Report, FY 2004

## Medical Staff

There are 93 active physicians on the medical staff, which is a small staff compared to similarly sized hospitals in California. Numerous specialties are not represented (see list below) indicating the relatively narrow service focus at SRH. Seventy-two percent (72%) of SRH's active physicians are board certified which is a lower percentage than industry averages.

SRH ACTIVE MEDICAL STAFF - 2004		
Specialty	Board Certified	Other
Aerospace Medicine		1
Allergy and Immunology	7	
Anesthesiology	1	1
Cardiovascular Disease		
Forensic Pathology		
Emergency Medicine		
Gastroenterology	2	
General/Family Practice	1	3
General Surgery	3	5
Internal Medicine	18	9
Neurological Surgery		
Neurology	1	
OB/Gyn	6	3
Oncology	1	
Oral Surgery		
Ophthalmology		
Orthopedic Surgery	3	
Otolaryngology		
Pathology	2	1
Pediatrics	3	2
Podiatry		
Physical Medicine/Rehab		
Plastic Surgery	2	1
Psychiatry	1	
Pulmonary Disease	1	
Radiology	4	
Thoracic Surgery	1	
Urology	2	
Other	8	1
<b>Total</b>	<b>67</b>	<b>26</b>

Source: OSHPD Disclosure Report, SRH

SRH's largest number of specialties is in internal medicine, allergy and immunology and OB/GYN. Specialties that are not represented on the active medical staff include the following:

- Cardiovascular surgery
- Dermatology
- Endocrinology
- Nephrology
- Neurosurgery
- Ophthalmology
- Perinatology
- Psychiatry
- Vascular surgery

### Financial Profile

<b>ST. ROSE HOSPITAL FINANCIAL/RATIO ANALYSIS</b>						
		<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Patient Days		37,814	30,922	32,333	35,240	37,114
Discharges		6,989	6,282	6,879	7,056	7,409
Average Length of Stay (days)		5.4	4.9	4.7	5.0	5.0
Net Operating Revenue		\$56,561,459	\$55,964,371	\$65,158,479	\$74,725,585	\$82,317,855
Operating Expense		\$58,988,714	\$58,096,820	\$64,788,338	\$73,447,838	\$82,549,263
Net from Operations		-\$2,427,255	-\$2,132,449	\$370,141	\$1,277,747	-\$231,408
Net Non-Operating Rev.		\$113,661	\$215,241	\$12,000	\$0	\$0
Net Income		-\$2,313,594	-\$1,917,208	\$382,141	\$1,277,747	-\$231,408
	California Median*					
Current Asset/Debt Ratio	1.48	1.05	0.93	0.65	1.02	0.75
Days in A/R	71.5	78.7	64.3	66.9	67.9	80.5
Bad Debt Rate	1.7%	3.1%	3.2%	-3.2%	3.3%	3.9%
Operating Margin	0.8%	-4.3%	-3.8%	0.6%	1.7%	-0.3%

Sources: \*Summary of OSHPD Disclosure Reports  
SRH OSHPD Disclosure Reports (fiscal years ending 9/30).

SRH reported a loss in net income for three out of the past five fiscal years with a cumulative loss of \$3.1 million on operations. While the Hospital's net operating revenue has increased 47% over the past three years, operating expenses have increased 42%. The increased revenues compared to cost have allowed the Hospital to show profit in two of the last three years. The current asset/debt ratio (current assets divided by current debts) has dropped, reflecting the deteriorating financial performance of the Hospital. The current ratio is used as a measure of SRH's declining ability to cover debts that are due and payable.

SRH's bad debt rate (i.e. write-offs) is more than double the California hospital median. The days in accounts receivable increased dramatically in 2004, to 14% greater than the hospital median for California.

## Cost of Services

The cost of services for both inpatients and outpatients was calculated for the past five years. Approximately three-fourths of discharges and costs at SRH are for Medicare and Medi-Cal patients.

SRH COST OF SERVICES - BY PAYER CATEGORY					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Operating Expenses	\$59,013,374	\$58,096,820	\$64,788,338	\$73,447,838	\$82,549,263
Cost of Services By Category					
Medicare	\$20,424,098	\$28,292,019	\$25,721,482	\$28,790,761	\$30,519,608
Medi-Cal	\$17,523,890	\$17,774,596	\$22,977,769	\$27,227,446	\$31,887,590
Other Indigent <sup>1</sup>	\$907,579	\$882,858	\$0	\$0	\$0
Third Party	\$19,503,885	\$9,643,327	\$14,311,094	\$15,170,592	\$17,436,756
Other	\$653,921	\$1,504,021	\$1,777,993	\$2,259,028	\$2,705,309

Source: OSHPD Disclosure Reports, SRH's fiscal years ends 9/30.

<sup>1</sup> Other indigent included in Other for 2002-2004.

## Charity Care

Because individual hospital reports of charity care charges often differ, MDS attempted to measure the five-year trend of charity care charges from various sources.

SRH provided the following report of charity care, which differs slightly from OSHPD reported numbers:

- 2000 total charity care charges: \$1,222,548
- 2001 total charity care charges: \$2,119,141
- 2002 total charity care charges: \$3,190,495
- 2003 total charity care charges: \$6,757,604
- 2004 total charity care charges: \$7,446,493

Because of the differences, MDS relied on the final OSHPD reports and the OSHPD website (shown on the table on the next page) for the five year period.

The last five years of charity care as reported to OSHPD represent an average annual amount of \$4,195,200 in charges. SRH's charity care expenditures, as a percentage of total charges, are high compared to other community hospitals with emergency departments in California.

In fiscal year 2004, the cost of charity care, estimated by applying SRH's overall ratio of its costs to its charges, was \$2,270,088. The average for the five years, 2000-2004, was \$1,493,087.

<b>COST OF CHARITY CARE TO ST. ROSE HOSPITAL</b>				
<b>FY Year</b>	<b>SRH Charity Care Charges (1)</b>	<b>Cost to Charge Ratio</b>	<b>Cost of Charity Care to SRH</b>	<b>Percent of Total Costs Represented by Charity Care</b>
2004	\$7,559,681	30.0%	\$2,270,088	2.7%
2003	\$6,798,544	29.8%	\$2,028,936	2.8%
2002	\$3,221,732	38.4%	\$1,236,953	1.9%
2001	\$2,144,941	55.6%	\$1,192,152	2.1%
2000	\$1,251,100	58.9%	\$737,304	1.2%

(1) Charity Care charges are based on final OSHPD figures.

A five-year trend of charity care by type of service was provided by SRH as shown below:

<b>CHARITY CARE BY SERVICE</b>					
<b>St. Rose Hospital - FY 2000 to 2004</b>					
	<b>Inpatient</b>	<b>Outpatient</b>	<b>Emergency Room</b>	<b>SNF</b>	<b>Total Charges</b>
<b>2004:</b>					
Charges	\$6,864,166	\$58,974	\$378,442	\$144,911	\$7,446,493
Cases/Visits	269	21	231	10	531
<b>2003:</b>					
Charges	\$6,337,310	\$53,201	\$335,533	\$31,560	\$6,757,604
Cases/Visits	303	16	210	5	534
<b>2002:</b>					
Charges	\$2,922,882	\$104,285	\$163,328	\$0	\$3,190,495
Cases/Visits	246	35	169		450
<b>2001:</b>					
Charges	\$1,974,980	\$39,851	\$93,627	\$10,683	\$2,119,141
Cases/Visits	160	23	132	3	318
<b>2000:</b>					
Charges	\$1,045,713	\$57,174	\$93,329	\$26,333	\$1,222,548
Cases/Visits	105	22	282	1	410

Source: St. Rose Hospital

## ***Community Benefit Services***

As required by California Senate Bill 697, SRH has completed annual community benefit plans. The recent plans were based on the results of the Community Needs Assessments conducted in 2001 and 2004. The priorities for healthcare improvement identified in the 2004 Community Benefit Plan relate to the following:

- Mental health
- Language/culturally – appropriate services/access
- Health education
- Drug/alcohol abuse
- Insurance/health coverage/access to healthcare (particularly for the poor)
- Children’s health
- Preventive care (including immunizations)
- Intra-county health disparities
- Shortage of healthcare workers
- Isolation of seniors and single adults
- Cardiovascular and pulmonary issues

The SRH community benefit plans report a number of programs and activities with a total economic value averaging \$660,000 per year (2000-2004) including the following:

- Silva Pediatric Medical and Dental Clinic

The clinic opened in 1995 and currently provides for about 11,000 patient visits per year. The clinic is located at Eden Youth and Family Services in a high poverty neighborhood of Hayward. It is staffed with two nurse practitioners, two advice nurses, seven part-time pediatricians, one LVN and five medical assistants. The Alameda County Public Health department also provides mental health counseling and maternal and child health services at the clinic.

The clinic expanded its services to include dental care in May 2000. It is currently staffed with one dentist and one registered dental assistant. The clinic provides dental care to about 3,000 children per year.

The net loss for the operation of the medical clinic that was supported by the Hospital and the Foundation was \$234,000 in 2004 and averaged \$344,000 a year during the 5 years of operation from 2000 through 2004.

The net loss for the operation of the dental clinic was \$70,000 in 2004 and averaged \$14,000 a year during the five years of operation from 2000-2004.

- St. Rose Hospital Community Care-A-Van

The Hospital operates a 40-foot mobile clinic providing primary care and preventative services at eight schools in Hayward. It is staffed with a pediatric nurse practitioner and a licensed vocational nurse.

The net loss for the operation that was supported by the Hospital and the Foundation was \$138,000 in 2004 and averaged \$142,000 a year for the five years from 2000-2004.

- Other Mission and Health Ministry Services

SRH provided an annual average of \$160,000 of other community benefit services from 2000 through 2004. These services included:

- Breast care services – providing low cost breast cancer surgery and follow-up.
- Charity College Student Health Center – providing various healthcare services including immunizations, physicals, gynecology, consults, etc. The center is staffed with a Medical Director and a nurse practitioner.
- Community Education Preventative Services – SRH provides childbirth preparation, parenting, cancer screening, support groups, professional training, health insurance outreach and other various programs and services to the community.

## HEALTHCARE SERVICE AREA DESCRIPTION

### Service Area Definition

A hospital service area is usually defined as those ZIP Codes from which a hospital receives approximately 80% of its discharges. Approximately 82% of SRH discharges are from the eight ZIP Codes in the following table. Approximately 62% of the Hospital's discharges are from the four geographic ZIP Codes comprising Hayward.

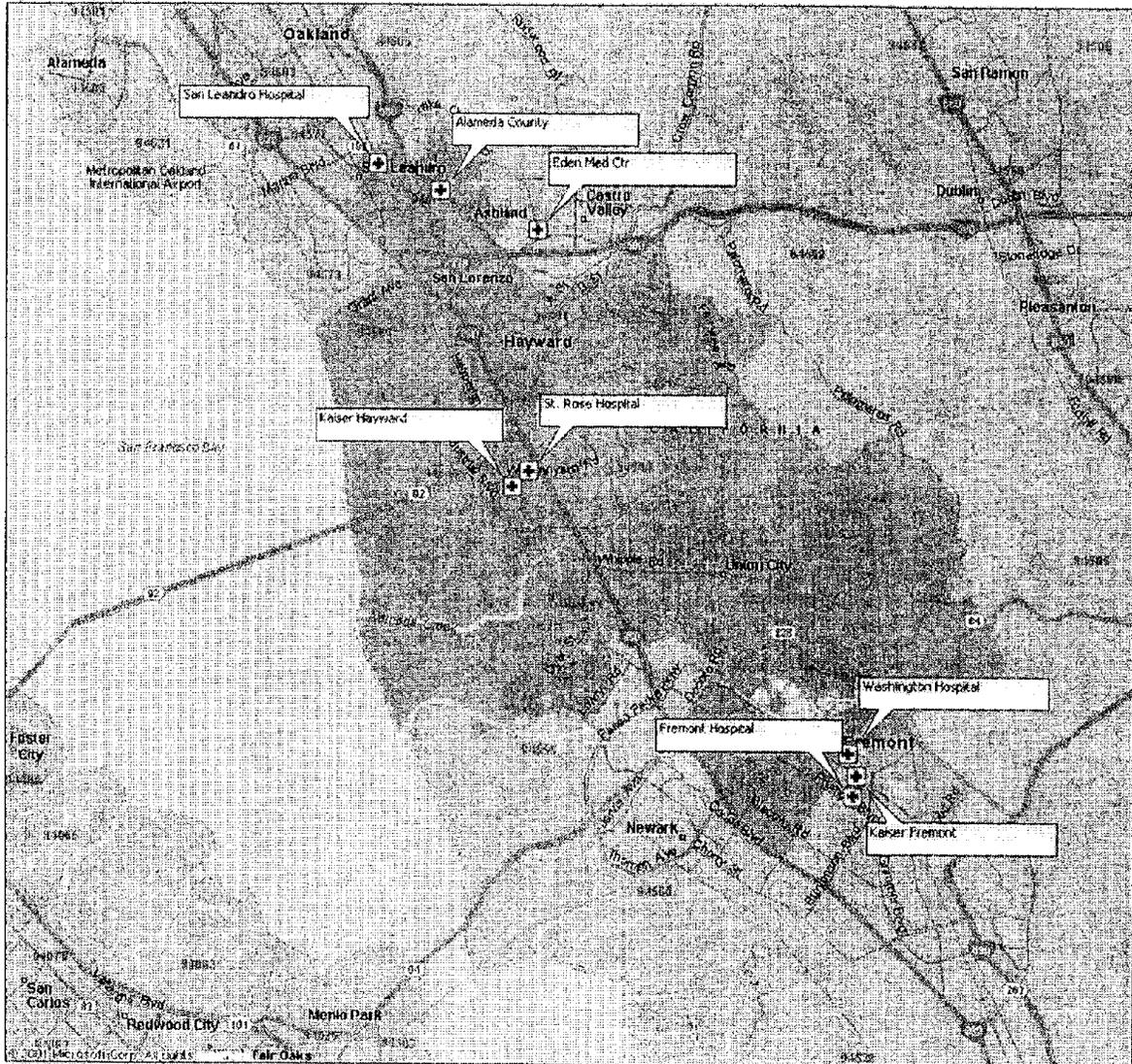
ST. ROSE HOSPITAL						
Service Area Patient Origin and Market Share - 2003						
ZIP	City	SRH Discharges	Patient Origin	Cumulative Patient Origin	Total Discharges from ZIP	SRH Market Share
94544	Hayward	2,140	29.0%		7,828	27.3%
94541	Hayward	1,335	18.1%	47.0%	7,120	18.8%
94545	Hayward	1,027	13.9%	60.9%	3,240	31.7%
94587	Union City	759	10.3%	71.2%	6,296	12.1%
94578	San Leandro	236	3.2%	74.4%	4,183	5.6%
94580	San Lorenzo	229	3.1%	77.5%	2,739	8.4%
94536	Fremont	211	2.9%	80.3%	6,186	3.4%
94542	Hayward	98	1.3%	81.6%	901	10.9%
	SUB-TOTAL	6,035	81.6%		38,493	15.7%
	ALL OTHER	1,357	18.4%			
	TOTAL	7,392	100.0%			

Source: OSHPD, 2003 (excludes normal newborn DRG 391)

## Service Area Map

The map below shows St. Rose Hospital's service area. From St. Rose Hospital to the most northern point of the service area is approximately 8 miles and approximately 11 ½ miles to the most southern point of the service area.

### ST. ROSE HOSPITAL – SERVICE AREA



## Demographic Profile

The service area has a total population of 378,403 (2004 estimate). It is projected to grow by 3.7% over the next five years. This growth rate is approximately 50% lower than the expected growth rate of the State of California.

<b>SERVICE AREA DEMOGRAPHICS 2004 &amp; 2009 Population Statistics</b>			
	<b>2004</b>	<b>2009</b>	<b>% Change</b>
Total Population	378,403	392,561	3.7%
Households	122,354	124,693	1.9%
Avg. Household Size	3.09	3.15	1.8%
% Female	50.4%	50.3%	-0.1%
Source: Claritas			

The average age of the population in the service area is slightly older, at 35.3 years, than the State of California (33.7). The percentage of seniors, over age 65, will grow at a slightly faster rate than other age cohorts. However, the percentage of seniors in the service area will remain lower than the current statewide average, which is approximately 12%.

<b>SERVICE AREA DEMOGRAPHICS 2004 &amp; 2009 Age Distribution</b>			
	<b>2004</b>	<b>2009</b>	<b>% Change</b>
Age 0-14	22.0%	21.2%	-3.7%
Age 15 - 64	67.6%	68.0%	0.6%
Age 65+	10.4%	10.8%	4.1%
Female 15 - 44	22.3%	21.6%	-2.8%
Average Age	35.3	36.0	2.0%
Source: Claritas			

## Demographic Profile (Cont.)

The Asian population is projected to grow at the fastest rate in the service area, increasing to 30.7% of the service area population by 2009. The percentage of Hispanic population is also expected to grow, increasing to 32% of the population. The percentage of White population will decline from 27.6% of the total population in 2004 to 21.5% in 2009.

<b>SERVICE AREA DEMOGRAPHICS 2004 &amp; 2009</b>			
<b>Ethnicity Distribution</b>			
	<b>2004</b>	<b>2009</b>	<b>% Change</b>
White	27.6%	21.5%	-22.1%
Black	9.2%	9.2%	0.0%
Hispanic	29.6%	32.0%	7.8%
Asian	26.9%	30.7%	13.8%
Other	6.6%	6.7%	1.4%

Source: Claritas

The average household income (aggregate household income divided by total households) is \$79,833 and is projected to grow by nearly 20% in the next five years. This is considerably higher than the State of California's average household income, which is approximately \$63,000. Approximately 8% of households in the service area are below the federal poverty level (\$15,260 for a family of three in 2004).

<b>SERVICE AREA DEMOGRAPHICS 2004 &amp; 2009</b>			
<b>Household Income Distribution</b>			
	<b>2004</b>	<b>2009</b>	<b>% Change</b>
\$0 - 14,999	8.1%	6.7%	-17.8%
\$15,000 - 24,999	6.8%	5.5%	-18.9%
\$25,000 - 34,999	8.5%	6.4%	-24.5%
\$35,000 - 49,999	13.3%	11.8%	-11.1%
\$50,000 - 74,999	20.9%	18.2%	-12.5%
\$75,000 - 99,999	16.6%	15.7%	-5.0%
\$100,000 - 149,999	16.1%	20.7%	28.7%
\$150,000 +	9.8%	14.9%	51.9%
Ave HH Income	\$79,833	\$95,642	19.8%

Source: Claritas

## Area Payer/Insurance Mix

In the service area 13.7% of the population is on Medi-Cal. The Hayward ZIP Codes collectively have a higher proportion of Medi-Cal beneficiaries. In SRH's home ZIP Code (94545) 13.7% of the population is on Medi-Cal. In the State of California as a whole there are 6,551,000 Medi-Cal beneficiaries or approximately 18% of the population.

SRH SERVICE AREA MEDICAL BENEFICIARIES				
ZIP	City	Medi-Cal Beneficiaries	Total Population 2004	Percent of Population
94544	Hayward	12,642	73,825	17.1%
94541	Hayward	10,510	60,875	17.3%
94545	Hayward	3,818	27,795	13.7%
94587	Union City	9,309	71,725	13.0%
94578	San Leandro	6,465	39,091	16.5%
94580	San Lorenzo	2,522	25,499	9.9%
94536	Fremont	5,584	66,721	8.4%
94542	Hayward	840	12,872	6.5%
<b>TOTAL</b>		<b>51,690</b>	<b>378,403</b>	<b>13.7%</b>

Sources: DHS Website (data as of April 2004), Claritas

Nearly 33% of all Medicare beneficiaries in the service area are enrolled in Kaiser. PacifiCare (3.2%) and Health Net (2.4%) have a small Medicare penetration.

SRH SERVICE AREA MEDICARE BENEFICIARIES AND HMO ENROLLMENT							
ZIP	City	Beneficiaries	Kaiser	PacifiCare	Health Net	Total	Market Penetration
94544	Hayward	7,294	2,594	379	179	3,152	43.2%
94541	Hayward	6,238	1,941	350	88	2,379	38.1%
94545	Hayward	3,841	1,462	146	34	1,642	42.7%
94587	Union City	6,993	1,917	0	189	2,106	30.1%
94578	San Leandro	4,316	1,218	229	137	1,584	36.7%
94580	San Lorenzo	3,927	1,500	201	92	1,793	45.7%
94536	Fremont	6,897	2,346	0	271	2,617	37.9%
94542	Hayward	1,227	404	12	0	416	33.9%
<b>TOTAL</b>		<b>40,733</b>	<b>13,382</b>	<b>1,317</b>	<b>990</b>	<b>15,689</b>	<b>38.5%</b>
<b>Penetration</b>			<b>32.9%</b>	<b>3.2%</b>	<b>2.4%</b>		

Sources: CMS (as of March, 2004)

## Selected Health Indicators<sup>1</sup>

Approximately 177,000 uninsured children and adults reside in Alameda County. Alameda County has a lower percent of the uninsured non-elderly adult population compared to California (11% compared to 18%). It has been reported that a higher percentage of uninsured reside in SRH's service area than overall in Alameda County.

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

- The area faces some challenges related to obstetrics and prenatal care (Refer to Table A).
  - The infant mortality rate (6.3 per 1,000 births) is higher than the national goal (4.5).
  - The percentage of low birth weight infants is higher (6.5%) than the state rate (6.3%) and the national goal (5.0%).
- The overall mortality rate is lower than the state mortality rate (Refer to Table B). Chronic diseases are the main cause of death with heart disease and cancer accounting for almost half the mortality rate. Cerebrovascular disease and cancer have higher death rates in Alameda County than state averages and are significantly above national goals.
- Chlamydia is the most frequently reported disease in the county and exceeds the incidence rate for California. The rates of incidence of AIDS and TB are both significantly higher than the state rate (Refer to Table C).

The following tables are based on California Department of Health Services reports regarding Alameda County:

TABLE A: NATALITY STATISTICS 2004			
	Alameda County	California	National Goal
Low Birth Weight Infants	6.8%	6.3%	5.0%
Late or no Prenatal Care	9.7%	14.5%	10.0%
Birth Rate to Adolescents (per 1,000 births)	32.9	45.0	N/E
Infant Mortality Rate (per 1,000 births)	5.4	5.5	4.5

<sup>1</sup> California Department of Health Services, The State of Health Insurance in California, UCLA Center for Health Policy Research

<b>TABLE B: MORTALITY STATISTICS, 2004</b>			
<b>Rate per 100,000 Population</b>			
<b>Selected Cause</b>	<b>Alameda County</b>	<b>California</b>	<b>National Goal</b>
Cancer	175.8	172.7	159.9
Heart Disease	168.0	186.0	166.0
Cerebrovascular Disease	64.0	58.9	48.0
Unintentional Injuries	23.8	27.6	17.5
Diabetes	18.7	21.0	N/A
Suicide	8.4	9.5	5.0
Drug-Related Deaths	8.7	8.6	1.0
All Causes	735.9	745.0	N/E

<b>TABLE C: MORBIDITY STATISTICS, 2004</b>			
<b>Incidence Rate per 100,000 Population</b>			
<b>Health Status Indicator</b>	<b>Alameda County</b>	<b>California</b>	<b>National Goal</b>
Hepatitis C	.11	.27	1.0
AIDS	18.40	15.23	1.0
Tuberculosis	14.83	9.27	1.0
Chlamydia	334.25	291.09	N/A

## Hospital Supply, Demand and Market Share

There are seven acute care hospitals located in or very near the service area of SRH. Additional hospitals beyond this geographic region have significant market share because of their tertiary healthcare services and reputation. There are in excess of 600 acute care beds within 7 ½ miles of St. Rose Hospital (not counting Kaiser).

The following pages analyze the services offered by St. Rose Hospital and compare these services to like services offered by other providers. The hospitals shown below were the primary facilities analyzed to determine the area hospital capacity by service.

AREA HOSPITALS						
Facility	Ownership/ Affiliation	City	Licensed Beds	Days	Occupied Beds	Miles from SRH
St. Rose Hospital	Hayward Sisters Hospital/NFP	Hayward	175 <sup>1</sup>	37,114	101.7	-
Eden Med Ctr & Laurel Grove	Eden Medical Center/ Sutter Health/NFP	Castro Valley	356	68,654	188.1	6.0
Alameda County Med Ctr - Fairmont	Alameda County/County	San Leandro	159	44,853	122.9	7.2
San Leandro Hospital	Sutter Health/NFP	San Leandro	122	15,762	43.2	7.5
Washington Hospital	Health Care District	Fremont	311	66,076	181.0	11.2
Alameda Hospital	Health Care District	Alameda	135	20,193	55.3	15.9
Alameda County Med Ctr	Alameda County/County	Oakland	316	68,147	186.7	16.1
Packard Children's Hosp at Stanford	Lucille Salter Packard Children's Hosp at Stanford	Palo Alto	264	78,860	216.1	18.2
Alta Bates Summit Med Ctrs	Sutter Health/NFP	Oakland	524	101,212	277.3	18.4
Stanford Hospital	Stanford University Hospital/NFP	Palo Alto	613	119,881	328.4	19.1
Children's Hospital - Oakland	Children's Hosp & Research Ctr	Oakland	170	50,078	137.2	19.7
Alta Bates Summit-Alta Bates Campus	Sutter Health/NFP	Berkeley	543	149,246	408.9	21.5
<b>Other Hospitals:</b>						
Kaiser - Hayward	Kaiser Foundation (Membership)	Hayward	210	49,060	134.4	0.9
BHC Fremont Hospital (Behavioral Hospital)	Ardent Health Services	Fremont	78	20,993	57.5	11.1
Kaiser - Fremont	Kaiser Foundation (Membership)	Fremont	106	21,787	59.7	11.3

Source: OSHPD Disclosure Reports (most recent closed fiscal year), OSHPD Annual Utilization Summary 2003, Mapquest.

<sup>1</sup> St. Rose Hospital licensed beds in 2004 before change to current configurations.

SRH SERVICE AREA MARKET SHARE - 2003		
Facility	Discharges	Market Share
All Kaiser	9,987	25.9%
Kaiser - Hayward: 19.2%		
Kaiser - Fremont: 3.3%		
Kaiser - Other: 3.4%		
Washington Hospital	6,752	17.5%
St. Rose Hospital	6,035	15.7%
Eden Med Ctr & Laurel Grove	4,648	12.1%
Alameda County Med Ctrs	2,092	5.4%
San Leandro Hospital	1,537	4.0%
Alta Bates Summit Med Ctrs	1,127	2.9%
Childrens Hospital - Oakland	1,119	2.9%
Alta Bates Summit-Alta Bates Campus	785	2.0%
Stanford Hospital	610	1.6%
Packard Children's Hosp at Stanford	524	1.4%
Fremont Hospital	396	1.0%
All Other	2,881	7.5%
<b>Total</b>	<b>38,493</b>	<b>100.0%</b>
Source: OSHPD Patient Discharge Study, 2003		

Kaiser has the largest market share as determined by the percentage of service area inpatient discharges. Of the non-Kaiser facilities, Washington Hospital is the market leader with 17.5%, while SRH has 15.7% market share. SRH is in a very competitive market with 13 facilities having 1% or more market share in the SRH service area.

**MARKET SHARE BY ZIP  
2003**

Facility	94536 Fremont	94541 Hayward	94542 Hayward	94544 Hayward	94545 Hayward	94578 San Leandro	94580 San Lorenzo	94587 Union City	TOTAL
Kaiser - Hayward	8.5%	19.4%	25.4%	23.0%	25.6%	17.2%	26.5%	18.7%	19.2%
Washington Hospital	50.1%	3.8%	6.5%	8.4%	6.1%	1.7%	2.0%	37.1%	17.5%
St. Rose Hospital	3.4%	18.8%	10.9%	27.3%	31.7%	5.6%	8.4%	12.1%	15.7%
Eden Med Ctr & Laurel Grove	2.2%	24.5%	20.1%	10.9%	8.6%	17.2%	19.1%	3.3%	12.1%
Alameda County Med Ctrs	2.2%	7.0%	3.9%	6.9%	5.1%	8.4%	5.0%	3.7%	5.4%
San Leandro Hospital	0.2%	4.0%	1.6%	1.7%	1.4%	16.7%	11.7%	0.5%	4.0%
Kaiser - Fremont	12.6%	0.6%	1.3%	1.1%	1.2%	0.7%	1.4%	4.2%	3.4%
Alta Bates Summit Med Ctrs	1.0%	3.4%	4.0%	2.6%	2.7%	6.9%	4.5%	1.4%	2.9%
Childrens Hospital - Oakland	1.1%	4.0%	2.7%	3.7%	2.3%	3.9%	2.9%	2.2%	2.9%
Alta Bates Summit-Alta Bates Campus	0.6%	1.9%	2.6%	1.4%	1.7%	5.2%	5.1%	1.1%	2.0%
Stanford Hospital	3.5%	0.8%	2.3%	1.2%	1.2%	0.6%	1.3%	2.0%	1.6%
Packard Children's Hosp at Stanford	3.3%	0.6%	1.9%	0.8%	0.6%	0.2%	0.4%	2.4%	1.4%
Fremont Hospital	1.4%	0.8%	0.9%	1.0%	1.2%	0.8%	0.6%	1.3%	1.0%
All Other	9.9%	10.4%	16.0%	10.0%	10.5%	14.9%	11.0%	10.1%	10.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Discharges</b>	<b>6,186</b>	<b>7,120</b>	<b>901</b>	<b>7,828</b>	<b>3,240</b>	<b>4,183</b>	<b>2,739</b>	<b>6,296</b>	<b>38,493</b>

Source: OSHPD Patient Discharge Study, 2003

- SRH is the market share leader in the Hayward ZIP Codes of 94544 (27.3% market share) and 94545 (31.7% market share).
- Washington Hospital is the market share leader in the Fremont ZIP Code of 94536 (50.1% market share) and the Union City ZIP Code of 94587 (37.1% market share).
- Kaiser-Hayward is the market share leader in the Hayward ZIP Code of 94542 (25.4% market share) and the San Lorenzo ZIP Code of 94580 (26.5% market share).
- Eden Medical Center and Laurel Grove is the market share leader in the Hayward ZIP Code of 94541 (24.5% market share).

## MARKET SHARE BY PAYER - 2003

Facility	Total Discharges	Traditional (Fee for Service)		Managed			PPO/EPO/POS	Private Insured	Workers Comp	Self Pay	Other Indigent	County Indigent	Other
		Medicare	Medi-Cal	Medicare	Commercial	Medi-Cal							
Kaiser - Hayward	7,388	4.4%	0.1%	51.3%	41.4%	7.5%	0.0%	0.0%	3.8%	7.4%	0.0%	0.0%	1.0%
Washington Hospital	6,752	28.3%	13.9%	3.8%	10.3%	15.1%	42.1%	3.8%	17.8%	18.9%	0.0%	0.0%	1.3%
St. Rose Hospital	6,035	22.4%	33.5%	6.3%	4.9%	29.5%	8.8%	9.5%	8.9%	31.6%	2.8%	0.0%	2.9%
Eden Med Ctr & Laurel Grove	4,648	17.2%	9.1%	12.2%	6.8%	15.5%	13.1%	35.5%	23.1%	21.8%	0.0%	0.0%	2.4%
Alameda County Med Ctrs	2,092	1.9%	19.5%	0.2%	0.6%	4.0%	0.0%	0.7%	0.3%	5.9%	33.3%	90.9%	40.3%
San Leandro Hospital	1,537	12.4%	1.1%	2.8%	1.1%	0.9%	1.4%	1.6%	3.6%	3.5%	0.0%	0.0%	1.3%
Kaiser - Fremont	1,296	1.0%	0.1%	14.6%	5.0%	0.1%	0.0%	0.9%	2.8%	0.5%	0.0%	0.0%	0.0%
Alta Bates Summit Med Ctrs	1,127	3.0%	5.0%	1.6%	2.2%	5.7%	3.2%	0.7%	4.3%	0.3%	22.2%	5.3%	1.5%
Children's Hospital - Oakland	1,119	0.0%	6.0%	0.0%	1.0%	13.4%	3.4%	20.6%	0.0%	1.5%	0.0%	0.0%	22.3%
Alta Bates Summit - Alta Bates Campus	785	0.5%	3.4%	0.6%	3.5%	3.0%	2.1%	1.6%	0.0%	0.6%	2.8%	0.0%	0.1%
Stanford Hospital	610	1.9%	1.0%	0.3%	1.3%	0.7%	4.1%	0.0%	5.3%	0.1%	0.0%	0.0%	5.9%
Packard Children's Hosp at Stanford	524	0.0%	1.4%	0.0%	1.0%	1.1%	5.5%	0.2%	0.0%	0.2%	0.0%	0.0%	1.2%
Fremont Hospital	396	0.6%	0.0%	0.0%	2.9%	0.0%	0.2%	5.0%	0.0%	0.1%	0.0%	0.3%	0.0%
All Other	4184	6.6%	6.0%	7.3%	16.9%	3.4%	15.3%	19.9%	30.2%	7.6%	38.9%	3.5%	19.7%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total Discharges</b>	<b>38,493</b>	<b>8,754</b>	<b>5,374</b>	<b>4,398</b>	<b>10,755</b>	<b>1,977</b>	<b>3,742</b>	<b>442</b>	<b>394</b>	<b>1,479</b>	<b>36</b>	<b>318</b>	<b>824</b>

Source: OSHPD Patient Discharge Study, 2003



Denotes market share leader

Market share for acute hospitals is calculated by using the percentage of acute discharges from a hospital within the service area.

- There were a total of 8,754 Traditional Medicare (fee for service) discharges in the service area. Washington Hospital is the market share leader in the Traditional Medicare payer category with 28.3%. SRH has relatively strong market share in the Traditional Medicare payer category with 22.4% considering that their overall market share is 15.7%.
- SRH has a 33.5% market share in the Traditional Medi-Cal payer category. There were 5,374 Traditional Medi-Cal discharges in the service area.
- Kaiser facilities dominate the Medicare and Commercial managed care payer categories. Kaiser-Hayward has a 51.3% market share in the Managed Medicare payer category and 41.4% in the Managed Commercial payer category. The table titled "SRH Service Area Medicare Beneficiaries and Enrolled" shows that of the 15,689 Medicare beneficiaries enrolled in health plans, 85.3% were enrolled in Kaiser.
- There are 3,742 discharges in the service area from PPO/EPO/POS (non HMO managed care) products and Washington Hospital is the market share leader with 42.1%

**ST. ROSE HOSPITAL**  
**Service Line Market Share - 2003**

Facility	Kaiser Hayward	Washington Hospital	St. Rose Hosp.	Eden Med. Ctr. & Laurel Grove	Alameda County Med Ctr.	San Leandro Hosp.	Kaiser Fremont	Alta Bates Summit Med Ctr.	Children's Hosp. Oakland	Alta Bates Summit/Alta Bates Campus	Stanford Hosp.	Packard Children's Hospital Stanford	Fremont Hosp.	All Other	Total Discharges
TOTAL DISCHARGES	7,388	6,752	6,035	4,648	2,092	1,537	1,295	1,127	1,119	785	610	524	396	4,184	38,493
COMPLICATED DELIVERY	30.6%	18.5%	12.6%	10.1%	7.0%	0.0%	0.0%	3.8%	0.0%	6.6%	0.1%	2.1%	0.0%	8.6%	1,996
HIGH-RISK NEWBORNS	17.5%	22.1%	7.8%	8.4%	3.5%	0.0%	0.0%	2.9%	5.1%	11.4%	0.0%	12.4%	0.0%	8.9%	909
MEDICAL - CARDIOVASCULAR	21.9%	22.4%	20.4%	10.8%	2.6%	6.2%	5.4%	2.1%	0.3%	0.4%	0.9%	0.3%	0.0%	6.2%	5,156
MEDICAL - GENITOURINARY	15.2%	20.3%	18.1%	12.1%	3.5%	5.6%	2.5%	0.8%	5.7%	8.9%	1.1%	0.2%	0.0%	5.8%	827
MEDICAL - NERVOUS SYSTEM	12.0%	17.3%	16.9%	28.1%	3.4%	4.3%	2.5%	0.8%	3.4%	0.3%	1.9%	0.4%	0.0%	7.6%	1,085
MEDICAL - RESPIRATORY	18.5%	18.2%	29.3%	12.7%	2.6%	5.6%	5.0%	1.5%	0.5%	0.2%	0.9%	0.2%	0.0%	4.9%	3,004
MEDICAL GI/ENDOCRINE	16.8%	21.8%	23.1%	12.6%	3.2%	6.5%	5.0%	1.6%	1.1%	0.8%	1.5%	0.1%	0.0%	6.1%	3,472
MEDICAL ORTHOPEDIC	13.7%	13.7%	11.7%	36.7%	2.0%	5.7%	3.2%	2.1%	2.1%	0.4%	2.1%	0.2%	0.0%	6.4%	562
NEOPLASIA	21.0%	14.0%	13.9%	11.6%	4.2%	7.0%	4.7%	3.1%	3.2%	1.5%	4.4%	0.5%	0.0%	10.8%	1,018
NORMAL DELIVERIES	27.0%	18.8%	19.2%	9.7%	5.7%	0.0%	0.0%	4.9%	0.0%	4.4%	0.0%	1.4%	0.0%	8.8%	4,034
NORMAL NEWBORNS	17.7%	16.4%	24.7%	8.1%	5.8%	0.0%	0.0%	4.4%	1.2%	5.0%	0.0%	8.1%	0.0%	8.6%	847
PEDIATRICS	24.1%	12.0%	0.2%	2.3%	0.0%	0.0%	0.0%	0.0%	47.2%	0.2%	0.0%	4.9%	0.0%	9.1%	1,196
PSYCHIATRY	1.5%	0.9%	1.1%	9.4%	34.0%	0.6%	0.4%	0.9%	0.1%	0.2%	0.9%	0.1%	19.2%	30.8%	1,957
REHABILITATION	0.0%	0.0%	20.7%	27.7%	16.7%	22.9%	0.0%	4.0%	0.5%	0.0%	1.6%	0.0%	0.0%	11.9%	628
SUBSTANCE ABUSE	9.3%	8.0%	8.0%	12.7%	23.3%	1.7%	0.7%	0.3%	0.0%	0.0%	1.3%	0.0%	6.7%	28.0%	300
SURGICAL - CARDIOVASCULAR	9.5%	37.9%	2.7%	3.3%	0.2%	4.1%	0.6%	14.0%	2.0%	0.5%	2.3%	0.9%	0.0%	22.0%	1,712
SURGICAL - GENERAL/GI	26.2%	13.6%	12.3%	13.8%	3.5%	5.3%	6.7%	2.0%	3.9%	0.8%	2.5%	0.6%	0.0%	8.9%	1,620
SURGICAL - GENITOURINARY	29.1%	16.4%	10.4%	12.1%	3.1%	5.7%	2.1%	2.0%	1.2%	1.1%	3.9%	0.9%	0.0%	12.0%	750
SURGICAL - GYNECOLOGY	25.6%	12.0%	10.8%	14.2%	3.7%	0.1%	8.1%	3.9%	0.5%	6.1%	1.8%	0.4%	0.0%	11.8%	789
SURGICAL - NERVOUS SYSTEM	6.3%	11.5%	1.6%	19.8%	3.6%	2.4%	0.4%	1.2%	5.1%	0.0%	12.6%	2.0%	0.0%	33.6%	253
SURGICAL - OTHER	18.3%	11.6%	12.1%	7.5%	4.0%	5.0%	4.4%	1.7%	2.5%	1.2%	4.4%	1.2%	0.0%	25.3%	597
SURGICAL ORTHOPEDIC	19.9%	15.3%	7.0%	15.0%	2.0%	3.2%	10.9%	2.9%	2.2%	0.5%	4.3%	0.3%	0.0%	16.4%	2,135
ALL OTHER SERVICE LINES	18.0%	15.1%	17.6%	12.9%	5.7%	4.5%	3.0%	2.4%	3.1%	2.3%	2.5%	2.6%	0.0%	10.3%	3,646
TOTAL	19.2%	17.5%	15.7%	12.1%	5.4%	4.0%	3.4%	2.9%	2.9%	2.0%	1.6%	1.4%	1.0%	10.9%	

Source: OSHPD Patient Discharge Study, 2003

- SRH is the market share leader for medical-respiratory (29.3%) and medical GI/endocrine (23.1%) service lines.
- The highest number of service line discharges was in cardiovascular medicine with 5,156 discharges. SRH's relative market share was 20.4% in this service line, which compares favorably to its overall market share of 15.7%.
- SRH also has a relatively strong market share (19.2%) in normal deliveries.
- SRH has a relatively weak market share position in the orthopedic service line. SRH's market share position in medical orthopedic is 11.7% and 7.0% in orthopedic surgery.

SRH has an array of services typical of a community hospital. The majority of services provided by SRH are also provided by other providers that are in or near the service area. SRH is unique in the area in providing an emergency coronary angioplasty program.

SERVICE COMPARISON													
Program/Service	St. Rose Hospital	Kaiser - Hayward	Eden Med Ctr & Laurel Grove	Alameda County - Fairmont	San Leandro Hospital	Washington Hospital	Alameda Hospital	Alameda County Med Ctr	Packard Children's Stanford	Alta Bates Summit Med Ctr - Oakland	Stanford Hospital	Children's Hospital - Oakland	BHC Fremont Hospital
Adult Day Care Program										✓			
Alcohol-Drug Abuse or Dependency Inpatient						✓	✓	✓					
Angioplasty	✓					✓				✓	✓	✓	
Birthing Room-LDR Room-LDRP Room	✓	✓	✓			✓		✓	✓	✓			
Breast Cancer Screening-Mammography	✓	✓	✓			✓	✓	✓	✓	✓			
Burn Care Services									✓				
Cardiac Catheterization Laboratory	✓		✓		✓				✓	✓	✓	✓	
Emergency Department	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	
Extracorporeal Shock Wave Lithotripter (ESWL)											✓		
Hemodialysis		✓	✓		✓	✓		✓	✓	✓	✓		
HIV-AIDS Services							✓		✓	✓	✓		
Home Health	✓	✓						✓	✓	✓	✓	✓	
Magnetic Resonance Imaging (MRI)	✓	✓	✓				✓	✓	✓	✓	✓		
Medical Surgical Intensive Care Services	✓		✓			✓	✓	✓	✓	✓	✓		
Neonatal Intensive Care Services							✓	✓	✓	✓		✓	
Obstetrics Services	✓	✓	✓			✓	✓	✓	✓	✓			
Occupational Health Services	✓	✓	✓			✓	✓	✓	✓	✓	✓		
Oncology Services	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	
Open Heart Surgery								✓	✓	✓	✓	✓	
Outpatient Surgery	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	
Pain Management	✓					✓			✓	✓	✓	✓	
Pediatric Intensive Care Services								✓				✓	
Physical Rehabilitation Inpatient Services	✓	✓	✓				✓		✓	✓	✓	✓	
Physical Rehabilitation Outpatient Services	✓	✓	✓			✓	✓		✓	✓	✓	✓	
Positron emission tomography scanner (PET)									✓	✓			
Inpatient Psychiatric Care			✓				✓		✓	✓			
Radiation Therapy								✓	✓	✓		✓	
Skilled Nursing	✓		✓			✓	✓		✓				
Transplant Services			✓						✓			✓	
Trauma Center (Certified)			✓			✓	✓			✓	✓	✓	

Source: American Hospital Association Guides - 2002/2003 and 2003/2004

## Medical/Surgical Services

- In the service area as a whole, the number of medical/surgical beds far exceeds demand. On average, SRH has a total of 70 patients in medical surgical beds. Eden Medical Center has an average surplus of 80 licensed beds, Washington Hospital has an average surplus of 100 beds, and San Leandro has an average surplus of 30 licensed beds. These facilities could accommodate the 70 patients from SRH.
- In aggregate, there are, on average 915 licensed medical/surgical beds available in the service area.

MEDICAL/SURGICAL SERVICES				
Facility	Miles from SRH	Licensed Beds	Patient Days	Occupancy
St. Rose Hospital	-	97	25,634	72.4%
Eden Med Ctr & Laurel Grove	6.0	170	32,774	52.8%
San Leandro Hospital	7.5	45	5,460	33.2%
Washington Hospital	11.2	214	40,322	51.6%
Alameda Hospital	15.9	84	10,882	35.5%
Alameda County Med Ctr	16.1	191	26,395	37.9%
Alta Bates Summit Med Ctrs	18.4	339	51,898	41.9%
Stanford Hospital	19.1	500	88,037	48.2%
Alta Bates Summit-Alta Bates Campus	21.5	171	45,507	72.9%
<b>TOTAL:</b>		<b>1,811</b>	<b>326,909</b>	<b>49.5%</b>
<b>Bed Availability:</b>		<b>915</b>		
<b>Other Hospitals:</b>				
Kaiser - Hayward	0.9	159	40,592	69.9%
Kaiser - Fremont	11.3	96	21,223	60.6%

Source: OSHPD Disclosure Reports (based on each hospitals most recent closed fiscal year). OSHPD Annual Utilization Report, 2003

## Intensive Care

- St. Rose Hospital has 15 licensed ICU/CCU beds that are on average 56.1% occupied, with an average daily census of 8.4 patients.
- In aggregate the local hospitals, which have licensed ICU/CCU beds are 69% occupied. This indicates that there is a regional bed availability of 78 ICU/CCU beds.

ADULT ICU/CCU SERVICES				
Facility	Miles from SRH	Licensed Beds	Pt. Days	Occupancy
St. Rose Hospital	-	15	3,069	56.1%
Eden Med Ctr & Laurel Grove	6.0	31	7,046	62.3%
San Leandro Hospital	7.5	9	1,212	36.9%
Washington Hospital	11.2	28	8,410	82.3%
Alameda Hospital	15.9	16	1,324	22.7%
Alameda County Med Ctr	16.1	20	9,900	135.6%
Alta Bates Summit Med Ctrs	18.4	30	7,087	64.7%
Stanford Hospital	19.1	66	18,617	77.3%
Alta Bates Summit-Alta Bates Campus	21.5	36	6,522	49.6%
<b>TOTAL:</b>		<b>251</b>	<b>63,187</b>	<b>69.0%</b>
<b>Bed Availability:</b>		<b>78</b>		
<b>Other Hospitals:</b>				
Kaiser - Hayward	0.9	26	7,615	80.2%
Kaiser - Fremont	11.3	10	564	15.5%

Source: OSHPD Disclosure Reports (based on each hospitals most recent closed fiscal year). OSHPD Annual Utilization Report, 2003

## Emergency Services

The service area for SRH's emergency services is similar to the service area for all Hospital services (drawing over 82% of its patients from the service area).

ST. ROSE HOSPITAL Emergency Room Patient Origin - GY 2004				
ZIP	City	Cases	Patient Origin	Cumulative Origin
94544 (p)	Hayward	10,992	33.0%	-
94541 (p)	Hayward	6,098	18.3%	51.3%
94545 (p)	Hayward	4,094	12.3%	63.6%
94587 (p)	Union City	3,244	9.7%	73.3%
94578 (p)	San Leandro	931	2.8%	76.1%
94580 (p)	San Lorenzo	911	2.7%	78.8%
94542 (p)	Hayward	633	1.9%	80.7%
94577	San Leandro	508	1.5%	82.2%
94560	Newark	475	1.4%	83.7%
94536 (p)	Fremont	430	1.3%	85.0%
94546	Castro Valley	378	1.1%	86.1%
94555	Fremont	352	1.1%	87.1%
Sub-Total		29,046	87.1%	
All Other		4,286		
<b>Total</b>		<b>33,332</b>		

Source: St. Rose Hospital; (p) designates part of primary service area.

SRH operates 17 emergency stations/beds with about 33,000 visits in calendar year 2004. Compared to the patients at other area hospitals, SRH's emergency patients have proportionately less severe medical conditions. An estimated 60-75% of SRH's emergency department visits could be treated in a physician's office or urgent care center based on the low severity of their illness or condition.

EMERGENCY SERVICES - VISITS BY CATEGORY 2003								
	Visits					Total	Admitted	Percent Admitted
	Non Urgent	Urgent	Moderate	Severe	Critical			
St. Rose Hospital	5,878	12,837	9,736	2,473	40	30,964	3,854	12.4%
Kaiser Hayward	Not Reported						6,863	16.3%
Eden Med Ctr & Laurel Grove	4,927	6,235	5,701	2,905	5,934	25,702	6,362	24.8%
San Leandro Hospital	9,149	8,896	6,099	1,172	383	25,699	3,689	14.4%
Washington Hospital	2,012	13,931	14,610	6,984	3,859	41,396	7,909	19.1%
Kaiser - Fremont	0	63	5,821	13,400	1,907	21,191	Unknown	Unknown
Alameda Hospital	375	3,441	6,786	3,923	2,783	17,308	2,220	12.8%
Alameda County Med Ctr - Highland	5,691	9,959	14,262	6,258	2,845	39,015	Unknown	Unknown
Alta Bates Summit Med Ctrs	3,699	15,539	16,075	3,342	493	39,148	8,841	22.6%
Stanford Hospital	27	5,878	11,761	11,539	8,208	37,413	6,452	17.2%
Children's Hospital - Oakland	27,038	895	13,490	11,325	953	53,701	6,426	12.0%
Alta Bates Summit-Alta Bates Campus	3,878	15,483	12,227	7,184	3,666	42,438	8,539	20.1%
<b>TOTAL</b>	<b>62,674</b>	<b>93,157</b>	<b>116,568</b>	<b>70,505</b>	<b>31,071</b>	<b>373,975</b>		

Source: OSHPD Annual Utilization Summary 2003, Mapquest.

The American College of Emergency Physicians ("ACEP"), representing 22,000 members nationally, uses a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of emergency departments. Based upon this benchmark the SRH emergency department is probably approaching capacity without creating operational problems.

Most other area hospitals also report visits per bed per year close to or above the ACEP benchmark. If the SRH emergency department remains open and there is no change in emergency room operation at the other hospitals, then there is enough emergency room capacity in the service area to absorb some growth in demand.

If, however, the SRH emergency department were closed, other area emergency rooms would have trouble accommodating the additional volume. Based upon the results of our analysis we conclude that SRH's emergency department is needed for patient access to healthcare.

LOCAL EMERGENCY ROOM CAPACITY - CALENDAR YEAR 2003							
	EMS Level	Stations	Total Visits	Approximate Visit Capacity (1)	Remaining Capacity	Hours of Diversion 2003	Miles from SRH
St. Rose Hospital	Basic	17	30,964	34,000	3,036	0	-
Kaiser Hayward	Not Reported	19	42,122	38,000	-4,212	Not Reported	0.9
Eden Med Ctr & Laurel Grove	Basic - Level II	16	25,702	32,000	6,298	0	6.0
San Leandro Hospital	Basic	12	25,699	24,000	-1,699	0	7.5
Washington Hospital	Basic	23	41,396	46,000	4,604	87	11.2
Kaiser - Fremont	Basic	16	21,191	32,000	10,809	2	11.3
Alameda Hospital	Basic	12	17,308	24,000	6,692	89	15.9
Alameda County Med Ctr - Highland	Basic - Level II	29	39,015	58,000	18,985	645	16.1
Alta Bates Summit Med Ctrs	Basic	31	39,148	62,000	22,852	300	18.4
Stanford Hospital	Basic - Level I	23	37,413	46,000	8,587	200	19.1
Children's Hospital - Oakland	Basic - Level II Peds	14	53,701	28,000	-25,701	0	19.7
Alta Bates Summit-Alta Bates Campus	Basic	22	42,438	44,000	1,562	97	21.5
<b>TOTAL</b>		<b>234</b>	<b>416,187</b>	<b>468,000</b>	<b>51,813</b>	<b>1,420</b>	

Source: OSHPD Annual Utilization Summary 2003, Mapquest.

## Obstetrical Services

OBSTETRICAL SERVICES				
Facility	Miles from SRH	Licensed Beds	Pt. Days	Occupancy
St. Rose Hospital	-	17	2,985	48.1%
Eden Med Ctr & Laurel Grove	6.0	13	4,554	96.0%
Washington Hospital	11.2	22	7,401	92.2%
Alameda County Med Ctr	16.1	17	4,468	72.0%
Packard Children's Hosp at Stanford	18.2	52	16,349	86.1%
Alta Bates Summit Med Ctrs	18.4	29	11,684	110.4%
Alta Bates Summit-Alta Bates Campus	21.5	75	22,769	83.2%
<b>TOTAL:</b>		<b>225</b>	<b>70,210</b>	<b>85.5%</b>
<b>Bed Availability:</b>		<b>33</b>		
<b>Other Hospitals:</b>				
Kaiser - Hayward	0.9	30	5,796	52.9%
TOTAL				

Source: OSHPD Disclosure Reports (based on each hospitals most recent closed fiscal year). OSHPD Annual Utilization Report, 2003

Area hospitals, except SRH and Kaiser, have a high occupancy rate for obstetrical services.

SRH's annual obstetric volume has declined slightly over the past five years with 1,354 births in FY 2004. SRH's obstetric average daily census is about 8 patients. It would be difficult to absorb these patients at nearby facilities because of their high occupancy rates. Hence, the loss or transfer of this program would have a significant negative effect on area patients.

## Skilled Nursing

SRH's skilled nursing patients are mostly step down and transitional care patients that are not at SRH for long-term care hospital stays. The average length of stay is about 15 days. As shown below, there are many choices for skilled nursing care available.

<b>NURSING HOMES - PRIMARY SERVICE AREA - 2003</b>				
<b>Facility</b>	<b>City</b>	<b>Beds</b>	<b>Patient Days</b>	<b>Occupancy</b>
PARKMONT REHAB & NURSING CARE CTR	FREMONT	85	27,708	89.3%
HILLSIDE CARE CENTER - FREMONT	FREMONT	73	25,527	95.8%
COUNTRY DRIVE CARE CENTER	FREMONT	126	42,342	92.1%
COURTYARD CARE CENTER - HAYWARD	HAYWARD	74	26,017	96.3%
ST. FRANCIS EXTENDED CARE	HAYWARD	62	21,293	94.1%
BASSARD CONVALESCENT HOSPITAL	HAYWARD	71	22,759	87.8%
BETHESDA HOME	HAYWARD	40	13,826	94.7%
DRIFTWOOD HEALTHCARE CENTER-HAYWARD	HAYWARD	88	29,782	92.7%
EDEN WEST REHABILITATION HOSPITAL	HAYWARD	99	33,339	92.3%
HAYWARD CONVALESCENT HOSPITAL	HAYWARD	99	35,909	99.4%
HAYWARD HILLS HEALTH CARE CENTER	HAYWARD	74	25,500	94.4%
MAJESTIC PINES CARE CENTER	HAYWARD	75	25,835	94.4%
PARKVIEW HEALTH CARE CENTER	HAYWARD	118	41,298	95.9%
ST. CHRISTOPHER CONV HOSP - HAYWARD	HAYWARD	36	11,630	88.5%
ST. THERESE CONVALESCENT HOSPITAL	HAYWARD	36	12,785	97.3%
BAY POINT HEALTHCARE CENTER	HAYWARD	99	31,339	86.7%
ST. ANTHONY CARE CENTER	HAYWARD	30	10,148	92.7%
SUNBRIDGE CARE & REHAB FOR HAYWARD	HAYWARD	98	20,204	56.5%
GATEWAY CARE & REHABILITATION CENTER	HAYWARD	99	14,140	39.1%
MORTON BAKAR CENTER	HAYWARD	97	32,398	91.5%
ST. LUKE'S SUBACUTE CARE HSP & NURS CTR	SAN LEANDRO	86	47,737	152.1%
MASONIC HOME	UNION CITY	125	23,326	51.1%
		<b>1,790</b>	<b>574,842</b>	<b>88.0%</b>
Bed Availability		<b>215</b>		

Source: OSHPD Website

Most of SRH's skilled nursing inpatients qualify for Medicare or Medicaid coverage.

<b>ST. ROSE HOSPITAL</b> SNF Profile - FY 2004	
<b>Volume</b>	
Discharges	370
Patient Days	5,426
Average Length of Stay (days)	14.7
<b>Payer Mix</b>	
Traditional Medicare	50.3%
Managed Medicare	5.9%
Traditional Medi-Cal	25.4%
Managed Medi-Cal	4.1%
Third Party	10.0%
Other	4.3%
Source: OSHPD Financial Disclosure Report provided by SRH (payer mix based on discharges).	

Additionally, as shown below, other hospitals have skilled nursing units with significant available capacity.

<b>ACUTE BASED SKILLED NURSING</b>				
Facility	Miles from SRH	Licensed Beds	Pt. Days	Occupancy
St. Rose Hospital	-	46	5,426	32.3%
Eden Med Ctr & Laurel Grove	6.0	85	14,286	46.0%
Alameda County Med Ctr - Fairmont	7.2	109	37,038	93.1%
San Leandro Hospital	7.5	29	3,989	37.7%
Alameda Hospital	15.9	35	7,987	62.5%
Alta Bates Summit Med Ctrs	18.4	71	9,973	38.5%
Alta Bates Summit-Alta Bates Campus	21.5	59	18,515	86.0%
<b>TOTAL:</b>		<b>434</b>	<b>97,214</b>	<b>61.4%</b>
<b>Bed Availability:</b>		<b>168</b>		
Source: OSHPD Disclosure Reports (based on each hospital's most recent closed fiscal year). OSHPD Annual Utilization Report, 2003				

## **SUMMARY OF COMMUNITY INTERVIEWS**

Interviews were conducted in June 2005 at SRH and by telephone with numerous community stakeholders. The purpose of the interviews was to gather information from area healthcare professionals or community representatives regarding potential impacts on healthcare availability or accessibility as a result of the proposed Hospital transaction. The major findings of the interviews are summarized below.

### ***Reasons for the Transfer of the Hospital***

Those interviewed believed that Via Christi desires to transfer the Hospital because of the following reasons:

- Poor historical financial performance and an expectation that costs and capital requirements for equipment and seismic improvements would escalate at a rate that would not be supported by revenue increases.
- The difficulties associated with managing a California based hospital given that the majority of Via Christi's facilities and resources are concentrated in Oklahoma and Kansas.
- The decline in the number of Sisters actively participating in Via Christi and able to support the mission of SRH.

### ***Acquisition of the Hospital by SRH***

The local Hospital Board decided to acquire the assets of SRH after Via Christi's three year attempts to sell the Hospital resulted in only one purchase offer, which the Hospital Board found unacceptable. Rather than potentially see the Hospital close, the Board has reluctantly agreed to accept full responsibility for the operation of SRH. Those interviewed also believe that the Hospital is best operated as a non-profit organization under the control of the local Board because:

- The local Board is viewed as very supportive of the mission of the Hospital and its role in providing services to the medically underserved.
- The local Board is better able to make decisions about SRH in the interest of the community than a corporation that is located outside the community or state.
- The local Board is more likely to make decisions to preserve the services of the Hospital than an outside organization that may seek a higher financial return by selling the Hospital as real estate.
- The local Board is more likely to secure financial support from Alameda County, community fund raising and grant making organizations than other corporate owners.

## ***Importance to the Community***

Those interviewed believed that SRH is critical to the community and acts as a “safety net” to the “County Health Services safety net.” It is viewed as an efficient, low cost provider that is driven by its mission to provide community based healthcare services, particularly to the medically underserved. As a result, SRH has a very large percentage of charity care and Medi-Cal patients. Healthcare services that are viewed as especially important for local community availability and access include:

- The Emergency Department (also viewed as very important by the Alameda County Emergency Medical Services Agency)
- Obstetrical services
- Emergency coronary angioplasty
- The Silva Pediatric Medical and Dental Clinic
- The Community Care-A-Van and other community benefit services

## ***Possible Effects of the Transfer***

Absent another purchase option, everyone interviewed was supportive of the Hospital transfer to SRH and local Board control. Many felt that with local control there would be an ability to make better decisions regarding such matters as new services, equipment acquisition, capital improvements, and physician and hospital partnerships. Additionally, without Catholic sponsorship, some believed that access to reproductive health services might be enhanced.

While everyone believed that the Board would intend to maintain the current mission and services, many interviewed were highly concerned about SRH’s long-term financial viability and ability to maintain services. Those citing this concern included representatives of the Alameda County Department of Healthcare Services Agency, neighboring hospitals, the local Board, community members, administration and physicians. The major reasons cited for this concern were:

- The purchase price, which is financed by debt, was viewed as too high and possibly unjustified based upon the historical financial performance of SRH. Many were concerned that SRH would be unable to service the debt used to purchase the Hospital resulting in bankruptcy or closure.
- The location and mission of the Hospital results in a high proportion of uninsured and Medi-Cal patients. The reimbursement rate for these patients is currently low and could be reduced in the future.
- Via Christi deferred maintenance and capital improvements has resulted in a backlog of expensive needs.

- Expensive seismic retrofits will be difficult to finance.
- The continued cost increases for such items as mandated nurse staffing ratios, insurances, utilities, pharmaceuticals, and medical devices will make profitable operation more difficult.

### ***Alternatives to the Hospital Transfer to SRH***

Aside from the one offer rejected by the local Board, it appears that no other party has expressed a serious interest in acquiring the assets of SRH.

### ***Negotiations with Via Christi***

Some interviewed believe that the negotiation process with Via Christi was unfair because if Via Christi had not been satisfied with the sales price, they would have closed the Hospital. Some felt that this gave Via Christi unfair negotiating leverage since the local Board was willing to agree to a price higher than fair market value rather than let the Hospital close.

### ***Use of Proceeds***

Some of the people interviewed disagreed with Via Christi's position that it had accumulated over \$32 million in debt from supporting SRH that should be repaid from the transaction proceeds. There is also a belief that the transaction proceeds should be used to support healthcare services in the SRH service area.

## ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE ACCESSIBILITY AND AVAILABILITY OF HEALTH CARE SERVICES

### *Medical/Surgical Services*

SRH admitted approximately 5,500 medical/surgical inpatients in 2004 with an average daily census of about 70 patients. An analysis of the supply and demand of area hospital beds shows that there is a sufficient supply of beds (an average of 123 unoccupied beds at the three closest area non Kaiser facilities) to absorb SRH's medical/surgical bed demand.

Hospital	Distance from St. Rose (miles)	Average Number of Medical Surgical Beds Available (CY 2003)
Eden Medical Center	6.0	30
San Leandro Hospital	7.5	57
Washington Hospital	11.2	36

### *Intensive Care/Coronary Care Services*

SRH admitted about 200 patients to the ICU/CCU in 2004 with an average daily census of about 8 patients. An analysis of the supply and demand of area hospitals beds shows that there is sufficient capacity to absorb SRH's historical patient volumes related to intensive/coronary care. However, the resulting occupancy rates would be high and periodic or seasonal variations could create access and availability issues. Population growth and aging could also contribute to a bed shortage unless other area hospitals converted available beds to ICU/CCU use. Closure of the Hospital or this unit would create a negative impact on the availability and accessibility of these healthcare services.

Hospital	Distance from St. Rose (miles)	Average Number of ICU/CCU Beds Available (CY 2003)
Eden Medical Center	6.0	12
San Leandro Hospital	7.5	5
Washington Hospital	11.2	5

## ***Obstetrical Services***

SRH admitted about 3,000 patients to the Birthing Center in 2004 with an average daily census of about 8 patients. As previously discussed, the demand in the area for obstetrical beds is high and there is insufficient capacity to absorb SRH's historical patient volumes related to obstetrical services. The closure of SRH or its Birthing Center would create a negative impact on the accessibility and availability of these services. Population growth could also contribute to further bed shortages unless other area hospitals converted available beds to obstetrical use.

## ***Emergency Services***

SRH, with 17 emergency beds, had over 33,600 emergency department visits in 2004 (1,976 visits per bed). This is only slightly below the 2,000 visits per bed benchmark of the American College of Emergency Physicians for community hospitals. Although the emergency department receives a higher percentage of low acuity patients than most community hospitals, this still represents at least 80% of available emergency capacity at SRH.

As previously discussed, other area emergency departments would have insufficient capacity to handle patient volumes if SRH were to close. The closure of SRH or its emergency services would create a negative impact on the availability and accessibility of these healthcare services.

While Kaiser Hayward is only .9 miles away it is running full according to available statistics. Additionally, Kaiser's Hayward facility may eventually relocate, further compounding area access for emergency services and making SRH even more important to the provision of these services.

## ***Skilled Nursing***

Currently 22 beds are licensed and operated for skilled nursing care. Until 2004, 46 beds were licensed for skilled nursing and operated at low occupancy. This unit is mostly operated as a step down unit or for transitional care of SRH patients and not generally as a long-term care unit. Sufficient alternative services exist at area hospitals and in the community that closure of this service at SRH would not create problems with regard to access to care.

## ***Reproductive Health Services***

Tubal ligations, in-vitro fertilization, and other reproductive health services have not been provided at SRH, therefore the transfer of the Hospital will not reduce the availability or accessibility of these services. It is possible that as a result of the transaction access to reproductive health services may be enhanced.

## ***Other Health Care Services***

There is an adequate capacity in the area to absorb SRH's other general acute care services and outpatient services if SRH were to close.

### ***Effects on Services to Medi-Cal, County Indigent and Other Classes of Patients***

Approximately 14% of the service area population is Medi-Cal eligible (approximately 52,000 people), and SRH serves the largest percentage of these patients with over 30% of area market share. SRH is also a large provider of services to the uninsured. Closure of the Hospital or its services would create negative impacts on the accessibility and availability of healthcare services to these populations.

The Director of the Alameda County Department of Healthcare Services Agency believes that there will be no negative impact on Medi-Cal or County indigent patients as a result of the transfer of the Hospital to SRH as long as the Hospital remains open. The Director felt that, because the County and SRH collaborate closely over many health issues and programs currently and because SRH is so important to the "safety net", local ownership could be beneficial and lead to more support from the County. Closure of the Hospital would create significant problems of access to healthcare services for underinsured populations.

### ***Effects on the Level and Type of Charity Care Historically Provided***

SRH historically has provided comparatively large amounts of charity care averaging over \$4 million over the last five years on a charge basis or approximately \$1.5 million on a cost basis. While SRH is likely to continue providing similar charity care support, it has not made any such commitment in the Asset Transfer Agreement.

### ***Effects on Community Benefit Programs***

SRH has historically provided a significant amount of community benefit services averaging roughly \$660,000 per year in costs over the last five years. While SRH is likely to continue providing similar community benefit services, it has not made any such commitment in the Asset Transfer Agreement.

### ***Effects on Staffing and Employee Rights***

Because SRH is believed to be operating efficiently and will continue under the same Board and administrative leadership, little to no negative effect on employees is expected. In fact, employees, in general, seem pleased with the acquisition by SRH because:

- No changes are expected and employees will retain the same job.
- Operating locally is preferred to potential closure by Via Christi.

Additionally union representatives expressed support for the transaction.

### ***Effects on Medical Staff***

No effect is expected on the medical staff and physicians are supportive of the transfer.

### ***Alternatives***

If the proposed transfer is not approved, Via Christi may continue to operate the Hospital for the near term or look for another buyer. Given the adverse financial circumstances, Via Christi might consider closing the Hospital and selling the site for its real estate value.

## **CONCLUSIONS**

Overall, the transfer of the Hospital to SRH is likely to be beneficial, if the Hospital remains financially viable. The local Board appears to be committed to the Hospital's charitable mission and healthcare services. The Board will gain control of the decisions affecting the facility and may undertake strategic, programmatic and capital improvements that it was not previously able to accomplish. As a result of the transaction, community residents will retain access to services and not face the possibility of closure by Via Christi.

The largest potential for negative healthcare effects involves the ability of the Hospital to remain financially viable. Many factors can affect the financial viability, including the increased debt service resulting from the purchase, potentially leading to decisions to curtail services or close the Hospital. An analysis of financial performance to determine if the debt service from the purchase of the Hospital from Via Christi substantially jeopardizes its financial viability is beyond the scope of this report.

### ***Asset Transfer Agreement Mitigation Measures***

In the Asset Transfer Agreement SRH has not agreed to any measures to mitigate or eliminate any potentially significant adverse impact on the availability or accessibility of healthcare services to the affected community. The potential conditions listed below are recommended to maintain services without negative impacts.

### ***Potential Conditions for Transaction Approval by the Attorney General***

1. SRH should maintain the emergency services at current licensure and levels of service for at least five years.
2. SRH should maintain the obstetrical services for at least five years.
3. SRH should continue to operate the Silva Pediatric Medical and Dental Clinic at current levels of service for at least five years, or arrange for ownership or operation by an organization similarly committed to the mission and operation of the clinic.
4. SRH should continue to expend an average of at least \$1.5 million in annual charity costs (not charges) for at least five years.
5. SRH should continue to expend an average of at least \$300,000 annually, for at least five years, in community benefit services (not including the Silva Pediatric Medical and Dental Clinic) that provide education, screening, primary care or other similar healthcare services for medically underserved area residents.

### ***Recommended Action***

Medical Development Specialists, Inc. recommends conditional approval of the proposed transaction subject to acceptance of the mitigation measures described in the previous section.

