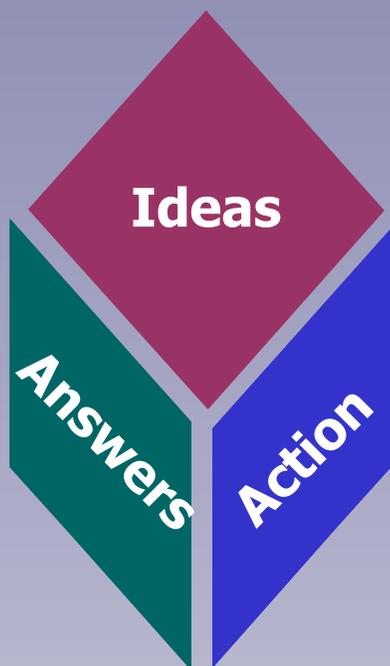
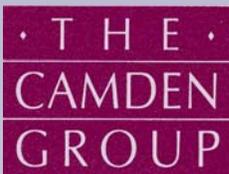




STATE OF CALIFORNIA  
DEPARTMENT OF JUSTICE  
OFFICE OF THE ATTORNEY GENERAL



Effect of the Proposed Sale  
of Corona Regional Medical Center on the Availability and  
Accessibility of Health Care Services



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November 7, 2003

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## **I. REPORT PURPOSE AND METHODOLOGY**

## I. REPORT PURPOSE AND METHODOLOGY

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### REPORT PURPOSE

The Camden Group was engaged on August 12, 2003, by the Office of the Attorney General to prepare an independent health care impact analysis regarding the proposed sale by Vista Hospital Systems, a California non-profit public benefit corporation, and its affiliates (collectively “Vista”) of Corona Regional Medical Center (“Corona Hospital”), Arroyo Grande Community Hospital (“Arroyo Grande Hospital”), and French Hospital Medical Center (“French Hospital”) to Universal Health Services (“UHS”), a for-profit hospital system. This report will address the sale of Corona Hospital on the availability and accessibility of health care services. A separate report has been issued regarding the effect on health care services resulting from the sale of French Hospital and Arroyo Grande Hospital, which are located in San Luis Obispo County, a geographically distinct market.

### METHODOLOGY

Information contained within this report is based on the following:

- ❑ A review of pertinent transaction documents including, but not limited to, the Asset Purchase Agreement dated April 3, 2003.
- ❑ A site visit to Corona Hospital and discussions with senior management, Board members, and staff physicians.
- ❑ Interviews with representatives of Vista and UHS (refer to Appendix A).
- ❑ Interviews with representatives of the community and potentially affected parties including area physicians, other area hospitals, Riverside County Emergency Medical Services Agency and the City of Corona (refer to Appendix A).
- ❑ Data analysis of Corona Hospital and the relevant geographic service area.
- ❑ An independent report compiled by the Office of Statewide Health Planning and Development (“OSHPD”) identifying and clarifying the hospital’s historical provision of charity care over the past five years.
- ❑ The Camden Group’s knowledge and understanding of the Riverside County health care market.



## **II. HISTORY AND DESCRIPTION OF THE TRANSACTION**



## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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### BACKGROUND AND DESCRIPTION OF THE TRANSACTION

Vista Hospital Systems, Inc., is the owner and operator of two general acute care hospitals, Corona Regional Medical Center in Corona, California and Arroyo Grande Community Hospital in Arroyo Grande, California. French Hospital Medical Center, a California non-profit public benefit corporation that is affiliated with Vista, is the owner and operator of a general acute care hospital, French Hospital Medical Center in San Luis Obispo, California. (Vista and French Hospital Medical Center, as affiliated non-profit public benefit corporations, will be referred to collectively as “Vista”.)

Over the course of the past ten years, Vista has incurred a substantial amount of bonded indebtedness, represented by certificates of participation, in order to acquire, expand and equip the three hospitals. At the present time, this aggregate bonded indebtedness is approximately \$180,000,000 in outstanding principal and approximately \$50,000,000 in accrued and unpaid interest. Commencing in March 1999, Vista generally suspended making debt service payments on this debt. The holders of the certificates of participation (the “Holders”) entered into a series of Forbearance Agreements with Vista, commencing in March 2000, in which the holders agreed to forbear from exercising their rights and remedies under various debt instruments.

Vista has been unable to restructure its obligations on this debt. Pursuant to a Forbearance Agreement between Vista and the Holders dated June 10, 2002, Vista committed to use its best efforts to sell the three facilities to a third party purchaser or purchasers. Vista engaged Cambio Health Solutions, LLC (“Cambio”) to serve as its marketing agent and directed Cambio to actively market the facilities for sale to a third party purchaser or purchasers, including, without limitation, for-profit entities. Cambio prepared a comprehensive request for proposal, which it transmitted to 80 potential purchasers for the three hospital facilities. Thirty-eight responded with some level of interest, and of those, twenty-four signed and returned confidentiality agreements. The highest and best offer was received from Universal Health Services, Inc., a Delaware corporation.

Vista recently executed an asset purchase agreement with UHS, dated April 3, 2003, and amended June 3, 2003, whereby UHS will acquire Corona Hospital, Arroyo Hospital and French Hospital (the “Hospitals”). The material terms of the purchase are that for a base purchase price of \$120,600,000, subject to adjustment, UHS will acquire all of the assets of the Hospitals, including but not limited to real property owned and leased by Vista; equipment and other personal property; inventories; contracts; and certain accounts receivable. Assets that are excluded from the purchase are working capital other than Inventory, Accounts Receivable and Prepaid Expenses, as set forth on the financial statements of Vista; deferred financing costs; deposits; Medicare and Medi-Cal receivables; and rights to certain litigation.

The anticipated net purchase price under the Asset Purchase Agreement is substantially less than the amounts owed to the Holders and the unsecured creditors of Vista. The Holders possess a security interest in all of the assets that would be transferred to UHS. Vista has represented and warranted in the Asset Purchase Agreement that they will transfer the assets to UHS free and clear of all liens and security interests. In order to accomplish such transfer, Vista, on June 10, 2003, filed a petition for protection under chapter 11 of the US Bankruptcy Code, Case No. RS03-18901DN in the United States Bankruptcy Court, Central District of California, Riverside Division. On June 10, 2003, Vista filed a proposed chapter 11 plan (the “Proposed Plan”). The Proposed Plan seeks approval of the Asset Purchase Agreement and the transactions contemplated thereunder and the

## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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distribution of the proceeds of the sale of the Proposed Plan. Vista anticipates that the net purchase price, together with the assets excluded from the sale, will be insufficient to satisfy in full the amounts owed to the Holders and the unsecured creditors, and therefore, there will be no net proceeds from the sale following payments to creditors in the chapter 11 case.

### BRIEF HISTORY OF THE FACILITY

Corona Regional Medical Center is a two-campus facility located in the City of Corona (Riverside County), approximately 45 miles southeast of Los Angeles and 13 miles southwest of Riverside. The Main Campus, with 148 acute care beds, is located in the central portion of the City of Corona, and the rehabilitation hospital (Magnolia Campus), located approximately three miles away in the southeast portion of the city of Corona, is licensed for 80 beds. Corona Regional Medical Center was established in 1992 following the merger of the acute care hospital and the rehabilitation hospital. It is the sole hospital provider within the Corona/Norco area.

The acute care hospital facility was originally constructed in 1964, with additions in 1968, 1974 and 1985. The 80-bed rehabilitation hospital, which was originally constructed in 1965, was converted from a general acute care hospital in the early 1990s. The Hospital's facilities consist of a three-story, 303,312 square foot general acute care hospital, a two-story 2,886 square foot office building, a 14,400 square foot annex building, a 13,892 square foot converted church, and a one-story 56,248 square foot rehabilitation hospital. Corona Hospital is faced with some physical plant upgrade needs by virtue of some old structures/units and some departments in which volume growth has surpassed capacity thresholds (emergency department, critical care).

The Hospital has generally been profitable in recent history with a cumulative net income of approximately \$14.6 over the past four full fiscal years.

### CIRCUMSTANCES LEADING TO THE SALE

In addition to its heavy debt load and recent bankruptcy filing, Vista has cited the following additional reasons for its decision to sell the facilities:

- Inability to maintain a positive operating income at French Hospital.
- Complete or partial loss of key revenue-producing programs including cardiac surgery and pain management at French to competing entities.
- Inability to invest needed capital into all three facilities including needed emergency department and ICU expansions at Corona Hospital.
- Strong competition from Tenet Healthcare Corporation ("Tenet") within the San Luis Obispo County market. Tenet owns both Sierra Vista Regional Medical Center in San Luis Obispo and Twin Cities Community Hospital in Templeton.

## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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### DESCRIPTION OF PURCHASING ENTITY

UHS, Inc. founded in 1978, is the third-largest for-profit hospital system in the United States (behind Tenet and HCA). UHS owns and operates 27 acute care hospitals, 41 behavioral health facilities, and 14 ambulatory surgery centers in 10 states and abroad. UHS has demonstrated a strong financial track record over the years and posted a net income of \$175.4 million on net revenues of \$3.3 billion in 2002. Management states that UHS's corporate strategy is "to build or purchase health care properties in rapidly growing markets and then create a strong franchise based on exceptional service and effective cost control". UHS's growth has been targeted in selected geographic markets with a preference for having multiple facilities within individual markets. In California, UHS has three acute care hospitals (indicated below) and is developing a new facility in Palmdale.

- Inland Valley Medical Center (80 licensed beds) in Wildomar (Riverside County)
- Rancho Springs Medical Center (96 licensed beds) in Murrieta (Riverside County)
- Lancaster Community Hospital (117 licensed beds) in Lancaster (Los Angeles County)

## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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### MAJOR TRANSACTION TERMS AND GUARANTEES

- ❑ The major points of the Asset Purchase Agreement (“APA”), dated July 14, 2003, are as follows:
  - ◆ The purchase price is \$120.6 million (less adjustments as specified in Section 2.1). The seller indicates that this was the best monetary offer and that the sale price is within the industry range based on market multiples and other similar hospital transactions.
  - ◆ UHS has agreed to continue to operate Corona Hospital as a general acute care hospital as long as it owns the facility.
  - ◆ UHS has agreed to maintain basic emergency services at Corona Hospital for a minimum of five years, unless there is a substantial reduction in Medicare, Medi-Cal, or other payer reimbursement levels.
  - ◆ UHS agrees to “use its best efforts” to provide charity and indigent care that is “equivalent, in the aggregate, to the levels previously provided at the Hospitals.” The APA does not specify particular amounts.
  - ◆ UHS will hire all retained employees who elect to accept employment.
  - ◆ UHS has indicated that a Local Governing Board will be created to enhance collaboration between the Hospitals, staff physicians, and the community to appropriately identify and respond to local health care needs.
  - ◆ Vista has agreed to a covenant not to compete with UHS for a period of five years.
  
- ❑ No charitable foundation will be created from sale proceeds because there will be no surplus funds after the close of the transaction. There is currently a support foundation for Corona Hospital which has substantial assets. Its charitable purposes will be slightly modified to allow it to continue to provide funding of health care services in Corona Hospital’s primary service area.



### **III. PROFILE OF CORONA REGIONAL MEDICAL CENTER**



### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

#### KEY STATISTICS

Corona Regional Medical Center is located just south of the 91 freeway and west of the I-15 in the City of Corona. (Refer to the map on page 24).

Beds by Category:	Main Campus	Magnolia Campus
	Licensed/Available	Licensed/Available
Medical/Surgical	121	10
Critical/Intensive Care	10	0
Obstetrics	12	0
Pediatrics	5	0
Psychiatry	0	40
Skilled Nursing	0	30
Total	148	80

Note: All licensed beds are available

#### CY 2002 Volumes <sup>(1)</sup>

Total hospital discharges:	9,299	Total surgeries:	6,236
Total patient days:	48,448	Births (deliveries):	1,921
Average daily census:	132.7	Total outpatient visits:	88,407
Average length of stay:	5.2	Physicians on staff:	267
Emergency department visits:	39,590	Active staff members:	185
		Number of employees (FTEs):	783

Source: OSHPD; Vista; Cambio Health Solutions, LLC

(1) Both campuses combined

#### MAJOR PROGRAMS AND SERVICES

Corona Hospital is a community hospital that offers the following major services:

- 24-hour emergency services (basic level) and a separate urgent care clinic (Urgent Access)
- Diagnostic imaging (CT Scanner, MRI, diagnostic radiology, nuclear medicine, mammography, stereotactic screening, ultrasound, angiography)
- Gastrointestinal lab
- Medical/surgical acute inpatient services

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

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- Intensive care acute inpatient services
- Obstetric services
- Oncology services
- Orthopedic services
- Behavioral health services for adults and seniors
- Pediatric services
- Acute and subacute rehabilitation
- Inpatient and outpatient surgery
- Inpatient and outpatient physical rehabilitation therapy
- Skilled nursing services
- Hospice services (home-based)
- Bloodless medicine and surgery program
- Home health
- Children's clinic
- Transportation van services

#### HISTORICAL UTILIZATION AND OCCUPANCY

The tables on the following pages illustrate Corona Hospital's volumes and occupancy over the past five years. These tables show the following:

- All of the facility's licensed beds are available
- The Hospital's overall occupancy percentage has ranged from 51% to 59% at the Main Campus and 55% to 62% at the Magnolia Campus over the past 5 years.
- Corona Hospital's overall discharges and patient days at the Main Campus have increased (10% and 13% respectively) over the past five years. The average daily census of 135 in 2003 is at an all-time high. Volumes at the Magnolia Campus have decreased over that time as indicated on the table on page 13.
- Surgical volume has increased 15.4% over the past five years which is similar to state and national growth percentages over that time.

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

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- ❑ Emergency department (“ED”) room visits have increased 42% over the past five years, making it one of the fastest growing EDs in the State.
  - ◆ Approximately 10 percent of Emergency Department patients were admitted to the Hospital in CY 2002
  - ◆ Approximately 43 percent of Corona’s admissions came through from the Emergency Department (in CY 2002)
- ❑ Obstetric and pediatric volumes have steadily risen at the facility. Obstetric volumes (close to 2,000 deliveries per year) have reached a level which could potentially support a 4 to 8 bed NICU.
- ❑ The census of the Magnolia Campus has remained stable over the past five years (40-44 patients on average) although discharges have decreased 21% over that time (i.e., length of stay has increased).
- ❑ The Hospital operates an urgent care center (Urgent Access) across the street from the ED for non-emergency problems such as sore throats, ear infections, minor burns, cuts and bruises. Operating hours are 11:00 a.m. to 11:00 p.m. (seven days a week).
- ❑ Corona Hospital appears to have adequate bed capacity except for critical care, obstetrics, and the emergency department all of which will probably require expansion in the near future.

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

**Corona Regional Medical Center (Main Campus)  
Historical Utilization by Licensed Bed Category  
1998 - 2003**

	1998	1999	2000	2001	2002	August 2003 YTD	% Change 1998-2002
<b>Medical/Surgical/DOU</b>							
Licensed Beds	121	121	121	121	121	121	
Available Beds	121	121	121	121	121	121	
Discharges	5,442	5,523	5,519	4,181	5,364	3,727	-1.4%
Patient Days	18,929	18,694	19,760	21,482	24,854	16,807	31.3%
ALOS	3.5	3.4	3.6	5.1	4.6	4.5	
Occupancy %	42.9%	42.3%	44.7%	48.6%	56.3%	57.2%	
Average Daily Census	52	51	54	59	68	69	
<b>Critical Care</b>							
Licensed Beds	10	10	10	10	10	10	
Available Beds	10	10	10	10	10	10	
Discharges	298	311	269	280	320	276	7.4%
Patient Days	2,857	2,525	2,518	2,463	2,799	2,050	-2.0%
ALOS	9.6	8.1	9.4	8.8	8.7	7.4	
Occupancy %	78.3%	69.2%	69.0%	67.5%	76.7%	84.4%	
Average Daily Census	8	7	7	7	8	8	
<b>Obstetrics</b>							
Licensed Beds	12	12	12	12	12	12	
Available Beds	12	12	12	12	12	12	
Discharges	1,813	1,796	1,787	2,047	2,055	1,422	13.3%
Patient Days	3,733	3,971	4,143	3,815	3,587	2,194	-3.9%
ALOS	2.1	2.2	2.3	1.9	1.7	1.5	
Occupancy %	85.2%	90.7%	94.6%	87.1%	81.9%	75.2%	
Average Daily Census	10	11	11	10	10	9	
Deliveries	1,811	1,849	1,884	1,918	1,921	1,312	6.1%
Number C-section	414	372	408	478	511	380	
% C-section	22.9%	20.1%	21.7%	24.9%	26.6%	29.0%	
<b>Pediatrics</b>							
Licensed Beds	5	5	5	5	5	5	
Available Beds	5	5	5	5	5	5	
Discharges	90	92	202	630	692	464	668.9%
Patient Days	1,296	1,340	1,149	1,465	1,587	1,051	22.5%
ALOS	14.4	14.6	5.7	2.3	2.3	2.3	
Occupancy %	71.0%	73.4%	63.0%	80.3%	87.0%	86.5%	
Average Daily Census	4	4	3	4	4	4	
<b>Total Hospital<sup>(1)</sup></b>							
Licensed Beds	228	228	228	228	228	228	
Available Beds	228	228	228	228	228	228	
Discharges	8,479	8,703	8,688	8,281	9,299	6,387	9.7%
Patient Days	42,881	44,785	44,698	45,713	48,448	32,776	13.0%
ALOS	5.1	5.1	5.1	5.5	5.2	5.1	
Occupancy %	51.5%	53.8%	53.7%	54.9%	58.2%	59.2%	
Average Daily Census	117	123	122	125	133	135	

(1) Includes Magnolia Campus

Source: Corona Regional Medical Center; OSHPD

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### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

**Corona Regional Medical Center (Magnolia Campus)  
Historical Utilization by Licensed Bed Category  
1998 - 2003**

	1998	1999	2000	2001	2002	August 2003 YTD	% Change 1998-2002
<b>Acute Rehab</b>							
Licensed Beds	10	10	10	10	10	10	
Available Beds	10	10	10	10	10	10	
Discharges	180	179	157	143	147	95	-18.3%
Patient Days	2,641	2,300	2,520	2,289	1,959	1,455	-25.8%
ALOS	14.7	12.8	16.1	16.0	13.3	15.3	
Occupancy %	72.4%	63.0%	69.0%	62.7%	53.7%	59.9%	
Average Daily Census	7	6	7	6	5	6	
<b>Subacute</b>							
Licensed Beds	22	22	22	22	22	22	
Available Beds	22	22	22	22	22	22	
Discharges	301	98	87	70	83	81	-72.4%
Patient Days	8,764	6,778	6,211	6,357	6,612	4,601	-24.6%
ALOS	29.1	69.2	71.4	90.8	79.7	56.8	
Occupancy %	109.1%	84.4%	77.3%	79.2%	82.3%	86.1%	
Average Daily Census	24	19	17	17	18	19	
<b>Geropsych<sup>(1)</sup></b>							
Licensed Beds	40	40	40	40	40	40	
Available Beds	40	40	40	40	40	40	
Discharges	300	512	515	354	385	254	28.3%
Patient Days	4,069	7,133	6,963	6,314	5,847	3,976	43.7%
ALOS	13.6	13.9	13.5	17.8	15.2	15.7	
Occupancy %	27.9%	48.9%	47.7%	43.2%	40.0%	40.9%	
Average Daily Census	11	20	19	17	16	16	
<b>Total Campus</b>							
Licensed Beds	72	72	72	72	72	72	
Available Beds	72	72	72	72	72	72	
Discharges	781	789	759	567	615	430	-21.3%
Patient Days	15,474	16,211	15,694	14,960	14,418	10,032	-6.8%
ALOS	19.8	20.5	20.7	26.4	23.4	23.3	
Occupancy %	58.9%	61.7%	59.7%	56.9%	54.9%	57.3%	
Average Daily Census	42	44	43	41	40	41	

<sup>(1)</sup> Services provided only for senior adults age 65+  
Source: Corona Regional Medical Center; OSHPD

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

**Corona Regional Medical Center  
Operating Room and Emergency Room Selected Indicators  
1998 - 2003**

	1998	1999	2000	2001	2002	2003 YTD <sup>(1)</sup>	% Change 1998-2002
<b>Surgical Services</b>							
Number of ORs	7	7	7	7	7	7	
Inpatient Surgeries	2,018	1,956	1,969	2,133	2,235	1,507	10.8%
Outpatient Surgeries	3,384	3,051	3,213	3,145	4,001	2,247	18.2%
Total Surgeries	5,402	5,007	5,182	5,278	6,236	3,754	15.4%
O/P as a % of Total Surgeries/OR	772	715	740	754	891	536	
Inpatient Minutes	177,687	185,814	181,500	196,477	231,555	137,568	
Minutes/Surgery	88	95	92	92	104	91	
Outpatient Minutes	197,404	194,319	206,314	188,802	202,379	138,859	
Minutes/Surgery	37	39	40	36	32	37	
<b>Emergency Department</b>							
Stations	14	14	14	14	14	14	
Visits	27,830	34,175	35,754	36,690	39,590	28,660	42.3%
Visits/Station/Year	1,988	2,441	2,554	2,621	2,828	2,047	
Resulting in Admission	3,758	3,856	3,857	3,923	4,013	2,856	6.8%
% Resulting in Admission	13.5%	11.3%	10.8%	10.7%	10.1%	10.0%	
% of Total Hospital Admissions	44.3%	44.3%	44.4%	47.4%	43.2%	44.7%	
<b>Other Indicators</b>							
Outpatient Visits	55,655	55,476	67,753	77,570	88,407	53,230	58.8%

Source: Corona Regional Medical Center; OSHPD

(1) Through August

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### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

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- ❑ Corona Hospital's ED diversion hours have decreased substantially in 2003 compared to 2001/2002. The facility's actual diversion percentage is relatively low compared to most other Southern California acute care hospitals.
- ❑ The decrease in diversion hours has resulted mainly from changes in county diversion protocols implemented in 2002 that prevent area Hospitals from going on diversion without authorization from the County.
- ❑ The Riverside County Emergency Medical Services Agency has called Corona Hospital's Emergency Department "indispensable" for the area.

**Corona Regional Medical Center  
Emergency Department Diversion Hours By Month  
2001-2003**

Month	2001	2002	2003
January	130	258	42
February	103	284	45
March	112	93	42
April	127	4	26
May	113	16	40
June	107	11	41
July	142	39	21
August	144	66	22
September	180	30	15
October	139	26	
November	104	16	
December	146	22	

Source: Riverside County Emergency Medical Services Agency

Note: Mandatory pre-approval of diversion by the EMS Agency began March 5, 2002.

\\prometheus\sys\EXCEL97\Vista\Corona\ED Diversion.xls]Hours

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

- Approximately 11 percent of Corona Regional’s ED visits are emergency/911 transports (versus walk-in patients). Monthly visits have increased significantly in 2003.

#### Emergency Responses Transported to Corona Regional Medical Center

Month/Year	# Transports
September-01	320
October-01	283
November-01	296
December-01	291
January-02	251
February-02	262
March-02	338
April-02	323
May-02	319
June-02	306
July-02	377
August-02	425
September-02	420
October-02	398
November-02	414
December-02	401
January-03	382
February-03	372
March-03	426
April-03	425
May-03	423
June-03	431
July-03	430
August-03	483
<b>TOTAL (24 months)</b>	<b>8,796</b>

Source: Riverside County Emergency Medical Services Agency

\\prometheus\s\sys\EXCEL97\Vista\Corona\ED Diversion.xls]Responses

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

The following table illustrates Corona Hospital's volume trend (discharges) from 1998 to 2002. Obstetrics, medical cardiology and pulmonary medicine are the Hospital's largest volume service lines. The limited availability of tertiary-level services (e.g., cardiac surgeons, neurosurgery) is reflected in these figures.

**Corona Regional Medical Center  
Discharges by Service Line  
1998 - 2002**

Service Line	1998		1999		2000		2001		2002	
	Number	% of Tot								
Cardiology - Diagnostic/Interventional	26	0.3%	29	0.3%	41	0.4%	25	0.3%	34	0.4%
Cardiology - Medical	941	10.7%	1,004	11.1%	1,032	11.2%	1,061	11.2%	1,094	11.8%
Cardiology - Surgery	0	0.0%	1	0.0%	0	0.0%	0	0.0%	1	0.0%
Chemical Dependency	14	0.2%	21	0.2%	24	0.3%	23	0.2%	15	0.2%
Endocrine	271	3.1%	278	3.1%	287	3.1%	340	3.6%	303	3.3%
ENT	38	0.4%	35	0.4%	36	0.4%	34	0.4%	34	0.4%
Gastroenterology	665	7.6%	589	6.5%	601	6.5%	693	7.3%	734	7.9%
General Medicine	328	3.7%	444	4.9%	405	4.4%	370	3.9%	400	4.3%
General Surgery	558	6.4%	541	6.0%	494	5.4%	537	5.7%	534	5.7%
Gynecology	267	3.0%	213	2.4%	251	2.7%	276	2.9%	294	3.2%
Neonatal Intensive Care	346	3.9%	422	4.7%	622	6.8%	541	5.7%	440	4.7%
Neurology	341	3.9%	316	3.5%	301	3.3%	372	3.9%	320	3.4%
Neurosurgery	64	0.7%	65	0.7%	56	0.6%	30	0.3%	36	0.4%
Obstetrics & Deliveries	2,035	23.2%	2,057	22.7%	2,112	23.0%	2,125	22.5%	2,073	22.3%
Oncology	218	2.5%	236	2.6%	228	2.5%	237	2.5%	257	2.8%
Ophthalmology	6	0.1%	17	0.2%	10	0.1%	6	0.1%	9	0.1%
Orthopedics	366	4.2%	530	5.9%	372	4.0%	412	4.4%	417	4.5%
Pediatrics <sup>(1)</sup>	52	0.6%	41	0.5%	41	0.4%	59	0.6%	48	0.5%
Plastic Surgery	33	0.4%	26	0.3%	19	0.2%	24	0.3%	12	0.1%
Psychiatry	288	3.3%	506	5.6%	520	5.7%	415	4.4%	378	4.1%
Pulmonary Medicine	928	10.6%	1,072	11.8%	1,051	11.4%	1,128	11.9%	1,102	11.9%
Rehabilitation	481	5.5%	167	1.8%	253	2.7%	274	2.9%	261	2.8%
Thoracic & Vascular Surgery	110	1.3%	106	1.2%	79	0.9%	49	0.5%	75	0.8%
Transplant	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Urology	389	4.4%	334	3.7%	366	4.0%	417	4.4%	423	4.6%
<b>Total</b>	<b>8,765</b>	<b>100.0%</b>	<b>9,050</b>	<b>100.0%</b>	<b>9,201</b>	<b>100.0%</b>	<b>9,448</b>	<b>100.0%</b>	<b>9,294</b>	<b>100.0%</b>

Source: OSHPD

\\prometheus\sys\EXCEL97\Vista\Corona[Service Line Mkt Shr\_2002.xls]Corona SL Dschg

Note: Excludes normal newborns (DRG 391)

<sup>(1)</sup> Corona Hospital does not have a neonatal intensive care unit. These figures represent patients treated in the pediatric unit and/or miscoded patient records.

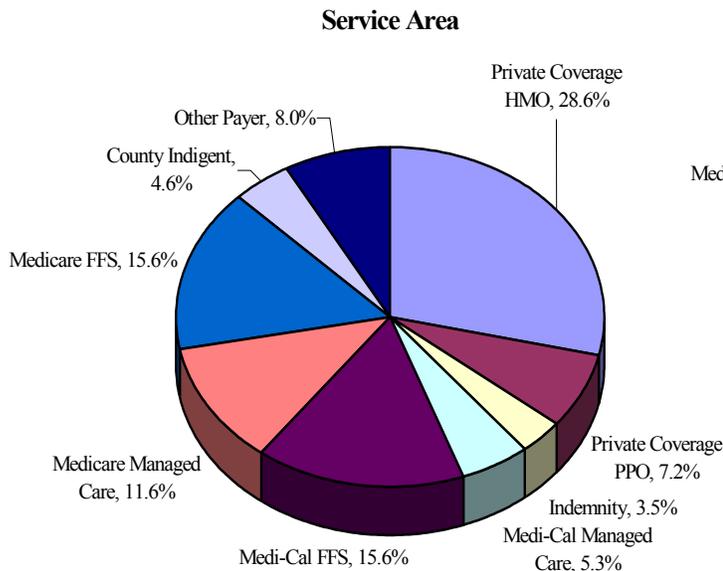
<sup>(2)</sup> Pediatric volumes are significantly higher than shown here. Actual cases are spread out across multiple service lines. Data reporting limitations prevent an accurate breakout of pediatrics. However, pediatric data is shown in the historical utilization profile of the Hospital.

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

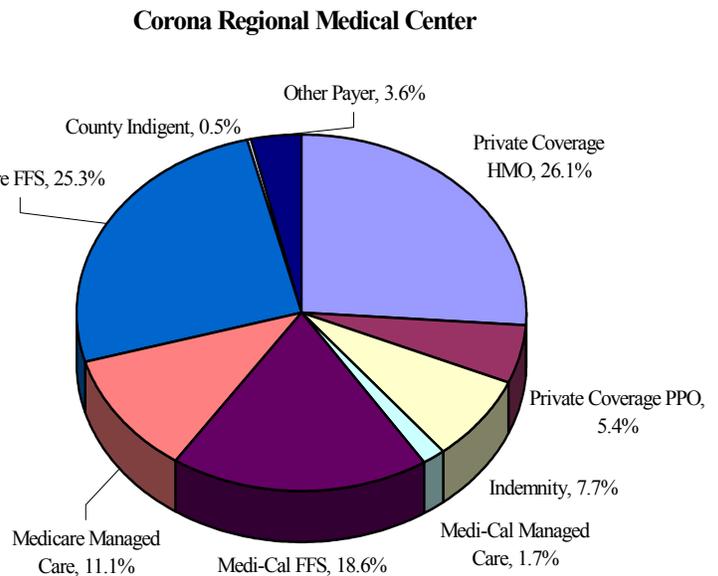
#### PAYER MIX

- Through 2002, Corona Hospital has a payer mix which is similar to the County of Riverside as a whole.
  - ◆ Approximately 76% of the Hospital's patients are insured through Medicare, HMO, PPO, or indemnity payers.
  - ◆ Corona's percentage of Medi-Cal patients is approximately 20% of total discharges, which is similar to the County's overall Medi-Cal percentage.
  - ◆ Self-pay and indigent patient load is very low.

**Service Area and Corona Regional Medical Center  
Payer Mix  
2002**



N = 55,311



N = 9,294

Source: OSHPD  
 Note: Excludes normal newborns (DRG 391)  
 (1) Other includes County Indigent, Other Indigent, Other Government, Other Payer, Self Pay and Workers' Compensation  
 Excel/Vista/French payer mix/Payer mix charts.xls

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

#### HISTORICAL FINANCIAL PERFORMANCE AND CONDITION

- ❑ Corona Hospital has had a strong operating performance over the past four years. Management reports that substantial losses in 1998 stemmed largely from losses associated with Corona Medical Group, which Vista had previously owned, that ceased operations.
- ❑ Overall, the Hospital's financial ratios are very good.
- ❑ Interest expense is relatively high as a result of Vista's large overall debt load.
- ❑ The Hospital has maintained a favorable payer mix over the past five years.

**Corona Regional Medical Center  
Selected Financial Indicators  
1998 - 2002**

Indicator	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Discharges <sup>(1)</sup>	8,479	8,703	8,688	10,154	9,360
Patient Days	42,881	44,785	44,698	45,766	48,260
ALOS	5.1	5.1	5.1	4.5	5.2
Gross Patient Revenue	\$184,840,104	\$197,842,737	\$205,636,904	\$249,550,775	\$276,455,870
Total Deductions from Revenue	(\$127,153,761)	(\$129,767,610)	(\$144,912,756)	(\$182,288,697)	(\$195,731,856)
Net Patient Revenue	\$57,686,343	\$68,075,127	\$67,672,634	\$70,213,808	\$81,418,793
Income from Operations	(\$9,663,074)	\$6,251,651	\$3,977,424	\$4,021,471	\$7,493,631
Net Income	(\$16,861,096)	\$1,446,751	\$3,466,449	\$3,095,547	\$6,555,070
<b>Liquidity Ratios</b>					
Current Ratio	0.91	1.17	2.10	1.39	1.45
Acid Test Ratio	0.10	0.17	1.14	0.16	0.16
Days in A/R	59.64	193.29	202.27	31.25	63.02
Bad Debt Rate	3.48%	NA	0.75%	3.33%	2.60%
<b>Debt, Risk and Leverage Ratios</b>					
Long-Term Debt to Assets Ratio	100.79%	73.33%	83.00%	101.26%	87.84%
Debt Service Coverage Ratio	(0.92)	1.67	1.55	0.28	2.13
Interest Expense as a Percentage of Operating Expenses	10.54%	10.05%	8.12%	8.02%	8.92%
<b>Profitability Ratios</b>					
Return on Operating Assets	-4.20%	13.82%	7.31%	13.54%	17.89%
Return on Equity	nm	nm	nm	nm	nm
Operating Margin	-16.47%	8.90%	5.70%	5.56%	8.95%
Turnover on Operating Assets	1.00	0.77	0.55	1.03	1.05
<b>Fixed Asset Ratios</b>					
Fixed Asset Growth Rate	4.60%	2.87%	-2.18%	2.79%	5.40%
Average Age of Plant	5.98	7.00	7.60	8.71	10.85
Net PPE Assets per Bed	\$191,395	\$197,774	\$181,883	\$177,645	\$176,818

Source: OSHPD Individual Disclosure Reports

\\prometheus\sys\EXCEL97\Vista\Financial Tables.xls\Corona

Note: Days in A/R for 1999 and 2000 are shown as reported but appear to be anomalous

(1) Excludes nursery

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

#### MEDICAL STAFF

- According to the Hospital's medical staff office, Corona Hospital has 267 physicians on staff. The breakdown by specialty is as follows:

Anesthesiology:	17	Orthopedic surgery:	12
Cardiology	9	Otolaryngology:	3
Emergency medicine:	11	Pathology:	3
Family practice	19	Pediatrics:	22
Gastroenterology:	9	Physical medicine/rehab:	4
General surgery:	12	Plastic surgery:	3
Internal medicine:	24	Podiatry:	8
Neurosurgery:	0	Pulmonology:	4
Ob/Gyn:	13	Radiology:	18
Oncology:	11	Urology:	3
Ophthalmology:	6	Other:	56

- According to management at Corona Hospital, the size of the medical staff has increased slightly over the past five years.
- Approximately 83 percent of staff physicians are Board Certified, which is in-line with the industry average (85 percent).

#### PROVISION OF CHARITY CARE

The following table summarizes Corona Hospital's charity care expenditures for the past five fiscal years as reported by OSHPD. These figures reported match those provided by Corona Hospital in the notice.

**Charity Care for Corona Regional Medical Center  
1997 to 2001**

Corona Regional Med Ctr	Gross Revenue	Operating Exp	Other Op Rev	Cost-to-Charges	Charity (Charges)	Charity (Cost)
2001	\$249,550,775	\$68,256,527	\$2,064,190	26.52%	\$935,305	\$248,086
2000	205,636,904	65,862,457	2,167,247	30.97%	1,161,710	359,835
1999	197,842,737	63,952,450	2,128,974	31.25%	2,382,230	744,418
1998	184,840,104	68,334,703	985,286	36.44%	1,348,545	491,364
1997	170,890,781	63,850,813	679,515	36.97%	1,132,597	418,675

Source: Kenny Kwong, Manager, Accounting and Reporting Section, OSHPD

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

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#### COMMUNITY BENEFIT SERVICES

- In response to California Senate Bill 697 requirements to assess community health needs and develop a corresponding community benefit plan, Corona Hospital last completed its community needs assessment in 2002. The Hospital does provide some community benefit programs/services to the community but they are not itemized in its reports. The Corona Regional Medical Center Foundation, a separate 501(c)(3) organization has provided substantial donations and grants to Corona Hospital over the past few years. Based on data provided by the Hospital's finance department, the Foundation's donations/gifts have totaled the following over the past few years:

Period	Total Monies Donated
2003 (January – October)	\$460,133
2002	\$723,705
2001	\$340,379

### III. PROFILE OF CORONA REGIONAL MEDICAL CENTER

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#### MAJOR OBSERVATIONS AND CONCLUSIONS

- ❑ Corona Hospital is a mid-sized community hospital, which provides primary and secondary level services. The facility, does not provide tertiary level services (e.g., open heart surgery, NICU), which limits its regional geographic draw.
- ❑ Corona Hospital's overall discharge and patient days have increased steadily over the past five years.
- ❑ The Hospital's ED, which has experienced dramatic growth over the past five years, is undersized, poorly designed, and operating above normal capacity benchmarks. The Riverside Emergency Medical Services Agency has called Corona Hospital's ED "indispensable" for the area.
- ❑ Corona Hospital has had a strong financial performance over the past four years.
- ❑ Corona Hospital (both campuses combined) have an estimated seismic retrofit expenditure (SB1953) of \$10 million according to the facility's senior management team.
- ❑ The Hospital's charity costs, based on data reported to and by OSHPD, averaged \$450,780 over the past three years and \$452,476 over the past five years.
- ❑ There is available capacity within Corona Hospital to absorb additional volume for most services. The notable exceptions are the Emergency Department, which is substantially undersized, obstetrics, and the critical care unit, which is often at/above capacity during peak periods. Both of these areas probably require expansion in the short-term. Vista has lacked capital to pursue potential growth initiatives that an operator with resources could achieve.



#### **IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)**



## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### SERVICE AREA DEFINITION AND MAP

Based on a review of patient origin data for Corona Hospital and patient migration patterns in the region, The Camden Group has concluded that the following ZIP Codes represent the relevant geographic area for this impact analysis. Patient origin by ZIP Code for the Hospital is indicated below.

- ❑ 66 percent of the Hospital's admissions come from residents of Corona and Norco.

#### Corona Regional Medical Center 2002 Discharge Patient Origin

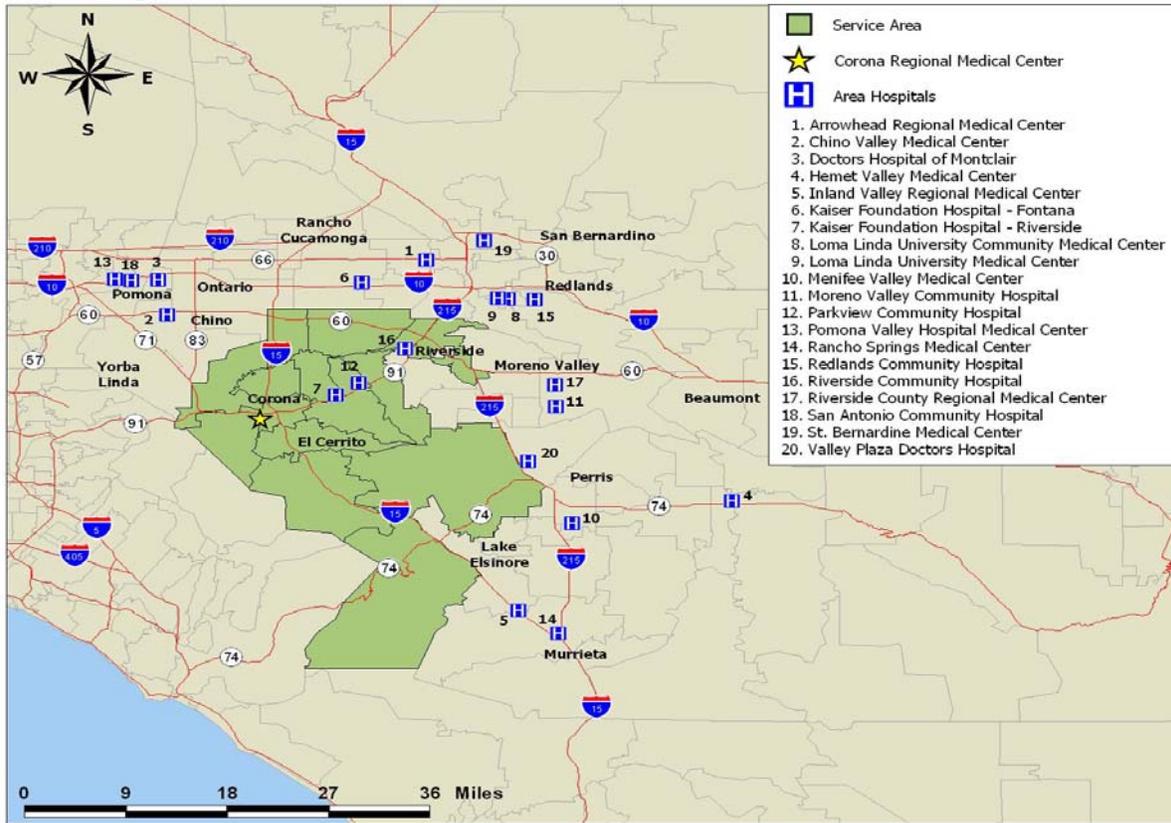
ZIP Code	Community	Inpatient Discharges		
		Num	% of Total	Cum. %
<b>Service Area</b>				
92882	Corona	2,488	26.8%	26.8%
92879	Corona	1,587	17.1%	43.8%
92881	Corona	769	8.3%	52.1%
92860	Norco	727	7.8%	59.9%
92503	Riverside	478	5.1%	65.1%
92880	Corona	414	4.5%	69.5%
92883	Glen Ivy	367	3.9%	73.4%
92505	La Sierra	343	3.7%	77.1%
91752	Mira Loma	292	3.1%	80.3%
92504	Riverside	165	1.8%	82.1%
92509	Riverside	160	1.7%	83.8%
92530	Lake Elsinore	143	1.5%	85.3%
92570	Perris	97	1.0%	86.4%
92507	Riverside	94	1.0%	87.4%
92501	Riverside	61	0.7%	88.0%
<b>Total Service Area</b>		<b>8,185</b>	<b>88.0%</b>	
<b>All Other ZIP Codes</b>		<b>1,114</b>	<b>12.0%</b>	<b>100.0%</b>
<b>Total Hospital</b>		<b>9,299</b>	<b>100.0%</b>	

Source: OSHPD 2002 Discharge Database  
Note: Excludes normal newborns (DRG 391).

\\prometheus\sys\EXCEL97\Vista\Corona\Corona Pat Org 2002.xls\Patient Origin

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### Corona Hospital Service Area



□ The service area is roughly 120 square miles in area. Actual travel distances and driving times between acute care hospitals in the region are illustrated below (assuming optimum travel conditions).

Distance, Travel Time	Chino Valley Medical Center	Corona Regional Medical Center	Inland Valley Regional Medical Center	Kaiser - Fontana	Kaiser - Riverside	Menifee Valley Medical Center	Moreno Valley Comm Hospital	Parkview Comm Hospital	Rancho Springs Medical Center	Riverside Comm Hospital	Riverside County Regional Medical Center	St. Bernadine Medical Center	Valley Plaza Doctors Hospital
Chino Valley Medical Center	-	20.43 mi., 22 min.	47.63 mi., 49 min.	18.25 mi., 19 min.	23.64 mi., 25 min.	43.97 mi., 47 min.	35.41 mi., 38 min.	19.12 mi., 25 min.	50.92 mi., 51 min.	21.88 mi., 23 min.	33.11 mi., 35 min.	32.73 mi., 35 min.	37.00 mi., 38 min.
Corona Regional Medical Center	20.43 mi., 22 min.	-	30.45 mi., 32 min.	21.38 mi., 22 min.	6.64 mi., 8 min.	39.96 mi., 42 min.	31.26 mi., 34 min.	9.40 mi., 12 min.	34.20 mi., 35 min.	14.69 mi., 16 min.	28.97 mi., 31 min.	28.47 mi., 31 min.	32.85 mi., 34 min.
Inland Valley Regional Medical Center	47.63 mi., 49 min.	30.45 mi., 32 min.	-	48.58 mi., 49 min.	33.69 mi., 35 min.	13.77 mi., 20 min.	29.55 mi., 38 min.	36.44 mi., 38 min.	5.73 mi., 8 min.	37.78 mi., 42 min.	32.30 mi., 40 min.	47.94 mi., 53 min.	21.05 mi., 21 min.
Kaiser - Fontana	18.25 mi., 19 min.	21.38 mi., 22 min.	48.58 mi., 49 min.	-	19.23 mi., 24 min.	34.01 mi., 40 min.	25.15 mi., 31 min.	17.12 mi., 22 min.	44.18 mi., 48 min.	11.64 mi., 16 min.	22.78 mi., 28 min.	14.77 mi., 17 min.	26.38 mi., 31 min.
Kaiser - Riverside	23.64 mi., 25 min.	6.64 mi., 8 min.	33.69 mi., 35 min.	19.23 mi., 24 min.	-	33.75 mi., 38 min.	25.18 mi., 28 min.	2.28 mi., 4 min.	39.24 mi., 40 min.	8.61 mi., 10 min.	22.89 mi., 26 min.	22.39 mi., 25 min.	26.77 mi., 29 min.
Menifee Valley Medical Center	43.97 mi., 47 min.	39.96 mi., 42 min.	13.77 mi., 20 min.	34.01 mi., 40 min.	33.75 mi., 38 min.	-	18.89 mi., 26 min.	27.53 mi., 37 min.	13.78 mi., 17 min.	27.12 mi., 30 min.	21.63 mi., 28 min.	37.28 mi., 42 min.	10.39 mi., 15 min.
Moreno Valley Community Hospital	35.41 mi., 38 min.	31.26 mi., 34 min.	29.55 mi., 38 min.	25.15 mi., 31 min.	25.18 mi., 28 min.	18.89 mi., 26 min.	-	23.73 mi., 28 min.	28.81 mi., 33 min.	18.25 mi., 21 min.	3.37 mi., 5 min.	28.41 mi., 33 min.	7.86 mi., 13 min.
Parkview Community Hospital	19.12 mi., 25 min.	9.40 mi., 12 min.	36.44 mi., 38 min.	17.12 mi., 22 min.	2.28 mi., 4 min.	27.53 mi., 37 min.	23.73 mi., 28 min.	-	40.22 mi., 41 min.	6.49 mi., 9 min.	20.77 mi., 24 min.	20.77 mi., 24 min.	19.89 mi., 28 min.
Rancho Springs Medical Center	50.92 mi., 51 min.	34.20 mi., 35 min.	5.73 mi., 8 min.	44.18 mi., 48 min.	39.24 mi., 40 min.	13.78 mi., 17 min.	28.81 mi., 33 min.	40.22 mi., 41 min.	-	37.38 mi., 38 min.	31.80 mi., 36 min.	47.44 mi., 49 min.	20.55 mi., 22 min.
Riverside Community Hospital	21.88 mi., 23 min.	14.69 mi., 16 min.	37.78 mi., 42 min.	11.64 mi., 16 min.	8.61 mi., 10 min.	27.12 mi., 30 min.	18.25 mi., 21 min.	6.49 mi., 9 min.	37.38 mi., 38 min.	-	15.3 mi., 18 min.	14.80 mi., 18 min.	19.19 mi., 21 min.
Riverside County Regional Medical Center	33.11 mi., 35 min.	28.97 mi., 31 min.	32.30 mi., 40 min.	22.78 mi., 28 min.	22.89 mi., 26 min.	21.63 mi., 28 min.	3.37 mi., 5 min.	20.77 mi., 24 min.	31.80 mi., 36 min.	15.30 mi., 18 min.	-	26.04 mi., 30 min.	8.78 mi., 15 min.
St. Bernadine Medical Center	32.73 mi., 35 min.	28.47 mi., 31 min.	47.94 mi., 53 min.	14.77 mi., 17 min.	22.39 mi., 25 min.	37.28 mi., 42 min.	28.41 mi., 33 min.	20.27 mi., 24 min.	47.44 mi., 49 min.	14.80 mi., 18 min.	26.04 mi., 30 min.	-	30.04 mi., 33 min.
Valley Plaza Doctors Hospital	37.00 mi., 38 min.	32.85 mi., 34 min.	21.05 mi., 21 min.	26.38 mi., 31 min.	26.77 mi., 29 min.	10.39 mi., 15 min.	7.86 mi., 13 min.	19.89 mi., 28 min.	20.55 mi., 22 min.	19.19 mi., 21 min.	8.78 mi., 15 min.	30.04 mi., 33 min.	-

Source: Mapquest

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### DEMOGRAPHIC PROFILE

The service area has an estimated resident population (2003) of approximately 586,000 residents. Major demographic characteristics of the area are as follows:

- ❑ Relatively “young” population (median age of 30 compared to 34.5 for California)
  - ◆ The 0-14 (pediatric) population represents 27 percent of the total population, which is relatively high
  - ◆ 7.5 percent of area residents are seniors aged 65+ compared to 11-12 percent for the State of California
- ❑ Strong population growth projected over the next five years, particularly in the cities of Corona and Norco (the area in which 70% of Corona Hospital’s patients reside).
- ❑ Large White and Hispanic populations. The latter is growing rapidly and will comprise close to half of the area’s population by 2008.
- ❑ Lower median household income (\$50,183) compared to the State (\$55,749)

#### Corona Regional Medical Center Service Area Resident Population by Age Cohort 2003 and 2008

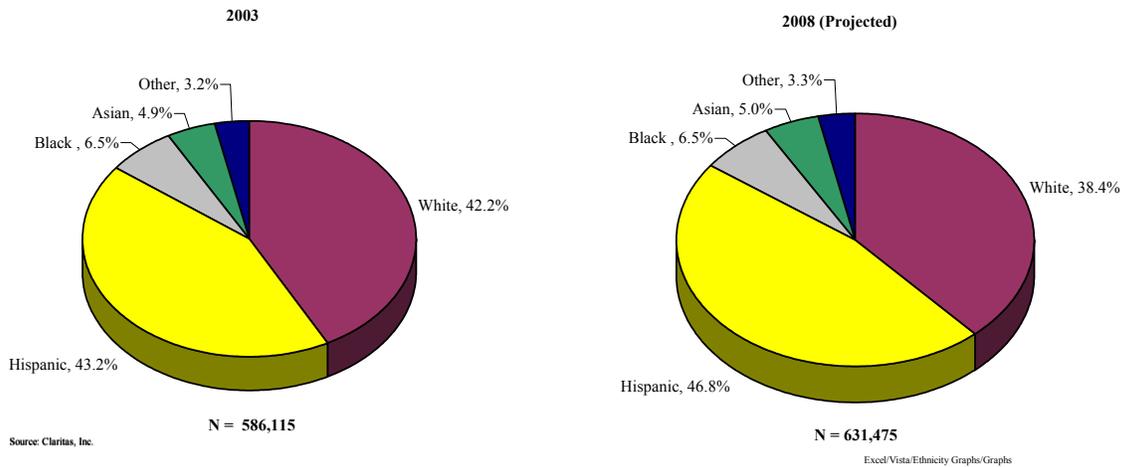
Age Cohort	Service Area				
	Est. 2003	Percent of Total	Proj. 2008	Percent of Total	Percent Change
0-14	157,364	26.8%	164,611	26.1%	4.6%
15-44	271,331	46.3%	283,646	44.9%	4.5%
45-64	113,184	19.3%	135,092	21.4%	19.4%
65+	44,236	7.5%	48,126	7.6%	8.8%
<b>Total</b>	<b>586,115</b>	<b>100.0%</b>	<b>631,475</b>	<b>100.0%</b>	<b>7.7%</b>
Women 15-44	133,047	22.7%	139,230	22.0%	4.6%
Median Age	30.1		29.9		

Source: Claritas, Inc.

\\prometheus\sys\EXCEL97\Vista\Corona\Pop by Age 2003,2008.xls]Table

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

Corona Regional Medical Center  
Ethnicity Profile  
2003 and 2008



Corona Regional Medical Center Service Area  
Socioeconomic Profile  
2003 and 2008

Socioeconomic Indicator	Service Area		Percent Change
	2003	2008	
Population	586,115	631,475	7.7%
Households	174,826	185,476	6.1%
Average Household Size	3.3	3.3	1.5%
Median Household Income	\$50,183	\$53,837	7.3%
Average Household Income	\$62,338	\$70,407	12.9%
Income Distribution			
Under \$25,000	21.5%	18.9%	-12.2%
\$25,000-\$49,999	28.1%	27.2%	-3.2%
\$50,000-\$99,999	37.4%	37.0%	-1.1%
\$100,000+	12.7%	17.2%	35.0%

8 Source: Claritas, Inc.

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## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### SELECTED HEALTH STATUS INDICATORS

The California Department of Health Services reports the following regarding Riverside County's health status.

Nativity Statistics, 1999-2001			
Indicator	Riverside County	California	National Goal
Low Birth Weight Infants	5.9%	6.2%	5.0%
Late or no Prenatal Care	19.0%	15.5%	10.0%
Birth Rate to Adolescents (per 1,000 population)	55.6	47.7	N/E
Infant Mortality Rate (per 1,000 births)	6.6	5.7	4.5

Source: California Department of Health Services, County Health Status Profiles, 2003

F:\EXCEL97\Vista\Corona\[Health Status.xls]Nativity Stats

Infant mortality: The infant mortality rate is higher than the State as a whole and the relatively high percentage of women who deliver with late or no prenatal care is a concern.

Deaths: Chronic diseases are the main cause of death with heart disease and cancer accounting for almost half the mortality.

Mortality Statistics, 1999-2001 Rate per 100,000 Population			
Indicator	Riverside County	California	National Goal
Cancer	175.2	176.1	159.9
Heart Disease	218.1	194.3	166.0
Cerebrovascular Disease	55.4	61.2	48.0
Unintentional Injuries	31.8	27.2	17.5
Diabetes	16.6	20.7	N/A
Suicide	11.3	9.5	5.0
Drug-Related Deaths	8.9	8.4	1.0
All Causes	767.6	760.0	N/E

Source: California Department of Health Services, County Health Status Profiles, 2003

F:\EXCEL97\Vista\Corona\[Health Status.xls]Mortality Stats

#### IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

Communicable Diseases: Riverside County is well below the State rate for Hepatitis C, Tuberculosis and Chlamydia. The incidence of AIDS is similar to the State as a whole.

<b>Morbidity Statistics, 1999-2001</b>			
<b>Incidence Rate per 100,000 Population</b>			
<b>Indicator</b>	<b>Riverside County</b>	<b>California</b>	<b>National Goal</b>
Hepatitis C	0.15	0.39	1.0
AIDS	16.62	16.35	1.0
Tuberculosis	4.58	9.85	1.0
Chlamydia	188.17	271.59	N/A

Source: California Department of Health Services, County Health Status Profiles, 2003

F:\EXCEL97\Vista\Corona\[Health Status.xls]Morbidity Stats

The percentage of persons who are eligible for Medi-Cal in Riverside County is relatively low compared to other Counties and the State.

#### **Medi-Cal Eligibles Riverside vs. Other Areas**

<b>Area</b>	<b>Medi-Cal Eligibles</b>	<b>2003 Population</b>	<b>Percent of Population</b>
Riverside County	257,444	1,629,343	15.8%
San Bernardino County	340,590	1,786,372	19.1%
Imperial	44,546	148,388	30.0%
Orange	343,904	2,975,730	11.6%
Los Angeles County	2,473,069	9,886,211	25.0%
State of California	6,384,279	35,345,860	18.1%

Source: California Department of Health Services

F:\EXCEL97\Vista\Corona\[Health Status.xls]Riverside Medi-Cal Eligibles

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### PHYSICIAN SUPPLY

Based on an analysis of the current physician supply in Corona Hospital's service area and theoretical demand based on physician-to-population ratios, the area has an overall shortage of physicians, particularly primary care practitioners. An analysis was also conducted for Riverside County as a whole with similar results.

**Corona Regional Medical Center Service Area  
Physician Manpower Needs Model - 2003**

Physician Specialty	Pop. to Support One Physician	Area Physician Need	Existing FTE Supply <sup>(1)</sup>	Net Need/ (Surplus)
Allergy & Immunology	75,000	7.8	4.0	3.8
Anesthesiology- General	11,000	53.3	11.0	42.3
Cardiology	25,000	23.4	12.5	10.9
Cardiovascular Surgery	75,000	7.8	1.5	6.3
Dermatology	35,000	16.7	6.3	10.4
Emergency Medicine	18,000	32.6	13.0	19.6
Endocrinology	100,000	5.9	2.0	3.9
Family Practice	4,000	146.5	79.8	66.7
Gastroenterology	60,000	9.8	10.8	(1.0)
General Surgery	10,000	58.6	17.0	41.6
Hematology - Oncology	45,000	13.0	4.0	9.0
Infectious Diseases	125,000	4.7	-	4.7
Internal Medicine	4,500	130.2	52.6	77.6
Neonatology	119,617	4.9	3.3	1.6
Nephrology	112,000	5.2	4.0	1.2
Neurology	55,000	10.7	7.2	3.5
Neurosurgery	92,000	6.4	3.0	3.4
Obstetrics/Gynecology	9,000	65.1	30.0	35.1
Ophthalmology	25,000	23.4	11.5	11.9
Orthopedic Surgery	18,000	32.6	33.2	(0.6)
Otorhinolaryngology	35,000	16.7	7.3	9.4
Pathology	20,000	29.3	6.0	23.3
Pediatrics	7,800	75.1	42.7	32.4
Phys. Med. and Rehab.	76,000	7.7	4.0	3.7
Plastic Surgery	90,000	6.5	4.5	2.0
Psychiatry	10,000	58.6	9.5	49.1
Pulmonary Diseases	68,000	8.6	4.5	4.1
Radiation Oncology	91,000	6.4	1.0	5.4
Radiology	11,000	53.3	34.0	19.3
Rheumatology	120,000	4.9	5.0	(0.1)
Thoracic Surgery	119,000	4.9	1.0	3.9
Urology	35,000	16.7	6.5	10.2
Vascular Surgery	119,000	4.9	1.5	3.4
Total 2003 PSA Population	586,115			

Sources: The Camden Group and the American Medical Information Inc. Database

(1) Assumes all physicians in the area are 1 FTE; Physicians with multiple offices assigned 0.5 FTE at each location

= indicates need

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## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### PROFILE OF AREA HOSPITALS, CAPACITY AND OCCUPANCY

- There are four general acute care hospitals located within the service area proper with several others within a reasonable driving distance. A profile of the facilities within the region is shown below. (See map on page 24).

Inpatient Capacity Indicators per Hospital  
2002

Hospital	Ownership	Discharges	Patient Days	Lic Beds		Available Beds	
				Num.	Occ. Rate	Num.	Occ. Rate
<b>Service Area Hospitals</b>							
Corona Regional Medical Center	Not-for-profit	9,278	49,011	228	58.9%	191	70.3%
Kaiser Foundation Hospital - Riverside	Kaiser Foundation Hospitals	14,656	49,418	215	63.0%	177	76.5%
Parkview Community Hospital	Not-for-profit	4,389	16,105	193	22.9%	193	22.9%
Riverside Community Hospital	Not-for-profit	18,940	88,086	369	65.4%	345	70.0%
<b>Subtotal</b>		<b>47,263</b>	<b>202,620</b>	<b>1,005</b>	<b>55.2%</b>	<b>906</b>	<b>61.3%</b>
<b>Other Area Hospitals</b>							
Arrowhead Regional Medical Center	County	21,815	108,071	373	79.4%	313	94.6%
Chino Valley Medical Center	Corporation	7,055	22,658	126	49.3%	126	49.3%
Doctors Hospital of Montclair	Corporation	5,465	20,050	102	53.9%	102	53.9%
Fallbrook Hospital	Community Health Systems	2,774	30,512	146	57.3%	146	57.3%
Hemet Valley Medical Center	Valley Health System	15,771	91,836	460	54.7%	395	63.7%
Inland Valley Regional Medical Center	Universal Health Services	3,991	12,456	80	42.7%	80	42.7%
Kaiser Foundation Hospital - Fontana	Kaiser Foundation Hospitals	22,601	93,692	424	60.5%	276	93.0%
Loma Linda University Medical Center	Church	32,038	179,319	789	62.3%	653	75.2%
Menifee Valley Medical Center	Valley Health System	4,963	20,681	84	67.5%	84	67.5%
Moreno Valley Community Hospital	Valley Health System	5,049	19,262	101	52.3%	101	52.3%
Mountains Community Hospital	Hospital District	493	7,813	35	61.2%	35	61.2%
Pomona Valley Hospital Medical Center	Not-for-profit	21,284	101,771	436	64.0%	436	64.0%
Rancho Springs Medical Center	Universal Health Services	10,571	33,123	136	66.7%	136	66.7%
Redlands Community Hospital	Not-for-profit	11,571	47,692	172	76.0%	172	76.0%
Riverside County Regional Medical Center	County	17,638	87,449	439	54.6%	347	69.0%
San Antonio Community Hospital	Not-for-profit	16,216	62,399	329	52.0%	283	60.4%
San Geronio Pass Memorial Hospital	Brim Healthcare	3,108	13,188	68	53.1%	68	53.1%
St. Bernadine Medical Center	CHW	15,884	65,574	443	40.6%	443	40.6%
Valley Plaza Doctors Hospital	Investor	909	2,824	38	20.4%	38	20.4%
<b>Subtotal</b>		<b>219,196</b>	<b>1,020,370</b>	<b>4,781</b>	<b>58.5%</b>	<b>4,234</b>	<b>66.0%</b>
<b>Total</b>		<b>266,459</b>	<b>1,222,990</b>	<b>5,786</b>	<b>57.9%</b>	<b>5,140</b>	<b>65.2%</b>

Source: OSHPD Quarterly Financial Report, 4 Quarters ending 2002

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## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### COMPARATIVE SERVICE MATRIX

- ❑ Most primary, secondary, and tertiary hospital services are available and accessible within the service area.
- ❑ Outmigration on a service basis consists mainly of pediatric subspecialty care, transplant, and other quaternary cases. Riverside Community Hospital, Loma Linda University Medical Center, St. Bernardine Medical Center, Children's Hospital of Orange County and St. Joseph Hospital in Orange are all regional referral centers.

Comparative Listing of Major Services<sup>(1)</sup>  
2003 - 2004

Services	Corona Reg Med Ctr	Kaiser - Riverside	Loma Linda Univ Med Ctr	Moreno Valley Comm Hosp	Parkview Comm Hosp	Riverside Comm Hosp	Riverside County Reg Med Ctr	Rancho Springs Medical Center	Inland Valley Regional Medical Center	St. Bernardine Med Ctr
Birthing Room-LDR Room-LDRP Room	X	X	X		X	X	X	X	X	X
Breast Cancer Screening/Mammograms	X	X	X	X	X	X	X	X	X	X
Cardiac Catheterization Laboratory			X			X		X	X	X
Cardiac Intensive Care Services		X	X	X		X				
CT Scanner	X	X	X	X	X	X	X	X	X	X
Emergency Department (Stations, Level)	14 Stations, Level 3	48 Stations, Level 3	33 Stations, Level 3	10 Stations, Level 3	14 Stations, Level 3	19 Stations, Level 3	41 Stations, Level 3	8 Stations, Level 3	13 Stations, Level 3	21 Stations, Level 3
Geriatric Services				X	X	X	X			
Hemodialysis			X	X		X				X
Home Health Services	X	X	X							
Magnetic Resonance Imaging (MRI)	X	X	X		X	X	X	X	X	X
Medical Surgical Intensive Care Services (# beds)	6 beds	11 beds	40 beds	5 beds	13 beds	22 beds	44 beds	7 beds	8 beds	17 beds
Neonatal Intensive Care Services	X		X		X	X	X			X
Obstetrics Services	X	X	X	X	X	X	X	X	X	X
Occupational Health Services	X	X	X		X	X	X		X	X
Oncology Services	X	X	X	X		X	X	X		X
Open Heart Surgery			X			X			X	X
Outpatient Surgery	X	X	X	X	X	X	X	X	X	X
Physical Rehabilitation Inpatient Services	X		X							
Physical Rehabilitation Outpatient Services	X	X	X		X		X	X	X	X
Positron emission tomography scanner (PET)	X	X	X			X				X
Psychiatric Care	X	X					X			
Radiation Therapy			X			X				X
Skilled Nursing or Other Long-Term Care Services	X	X				X				
Trauma Center (Certified)			X				X		X	
Ultrasound	X	X	X	X	X	X	X	X	X	X

Source: 2002-2003 and 2003-2004 AHA Guide

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Note: Rancho Springs Medical Center and Inland Valley Regional Medical Center are owned by UHS

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### EMERGENCY DEPARTMENT ANALYSIS

- The table below illustrates available capacity, volumes, and ED admissions for the region.
- ◆ All of the four area hospitals are running above capacity. Regionally, hospitals (in the aggregate) are running close to 100 percent full for emergency services with close to half well above capacity.

Emergency Department Capacity Analysis  
2001

Hospital	Distance from Corona Regional Medical Center	ED Level	Stations	Approx. Capacity(1)	ED Visits			Admitted from ER			
					% Non Urgent	% Urgent	% Critical	Total Num.	% of Capacity	Num	% of Total
<b>Service Area Hospitals</b>											
Corona Regional Medical Center	-	3	14	28,000	53.8%	35.2%	11.0%	33,554	119.8%	3,845	11.5%
Kaiser Foundation Hospital - Riverside	6.64 mi.	3	48	96,000	67.7%	31.3%	1.0%	105,612	110.0%	6,246	5.9%
Parkview Community Hospital	9.40 mi.	3	14	28,000	40.6%	56.3%	3.1%	32,000	114.3%	3,000	9.4%
Riverside Community Hospital	14.69 mi.	3	19	38,000	75.3%	23.5%	1.1%	44,192	116.3%	6,635	15.0%
<b>Subtotal</b>			<b>95</b>	<b>190,000</b>	<b>63.1%</b>	<b>34.0%</b>	<b>2.9%</b>	<b>215,358</b>	<b>113.3%</b>	<b>19,726</b>	<b>9.2%</b>
<b>Other Area Hospitals</b>											
Arrowhead Regional Medical Center	22.59 mi.	3	36	72,000	8.1%	89.7%	2.1%	66,635	92.5%	11,650	17.5%
Chino Valley Medical Center	20.43 mi.	3	14	28,000	26.4%	59.3%	14.2%	31,500	112.5%	3,831	12.2%
Doctors Hospital of Montclair	24.52 mi.	3	8	16,000	52.5%	45.8%	1.7%	9,835	61.5%	1,820	18.5%
Fallbrook Hospital	51.54 mi.	3	7	14,000	64.3%	34.4%	1.3%	9,815	70.1%	1,256	12.8%
Hemet Valley Medical Center	49.71 mi.	3	12	24,000	33.0%	53.5%	13.5%	37,431	156.0%	9,335	24.9%
Inland Valley Regional Medical Center	30.45 mi.	3	13	26,000	47.3%	51.0%	1.7%	28,682	110.3%	4,690	16.4%
Kaiser Foundation Hospital - Fontana	21.38 mi.	3	42	84,000	26.9%	38.2%	34.9%	82,436	98.1%	15,093	18.3%
Loma Linda University Community Medical C	23.97 mi.	3	8	16,000	30.0%	45.0%	25.0%	10,787	67.4%	1,444	13.4%
Loma Linda University Medical Center	23.47 mi.	3	33	66,000	30.0%	45.0%	25.0%	50,682	76.8%	10,758	21.2%
Menifee Valley Medical Center	39.96 mi.	3	5	10,000	35.0%	50.0%	15.0%	14,921	149.2%	3,401	22.8%
Moreno Valley Community Hospital	31.26 mi.	3	10	20,000	35.0%	50.0%	15.0%	21,619	108.1%	3,052	14.1%
Pomona Valley Hospital Medical Center	27.43 mi.	3	30	60,000	16.4%	56.4%	27.2%	54,494	90.8%	9,289	17.0%
Rancho Springs Medical Center	34.20 mi.	3	8	16,000	42.5%	56.6%	0.9%	21,074	131.7%	3,005	14.3%
Redlands Community Hospital	29.53 mi.	3	14	28,000	17.1%	70.0%	12.9%	21,830	78.0%	4,272	19.6%
Riverside County Regional Medical Center	28.97 mi.	3	41	82,000	37.3%	61.3%	1.5%	55,889	68.2%	8,145	14.6%
San Antonio Community Hospital	22.88 mi.	3	23	46,000	44.3%	50.4%	5.3%	59,421	129.2%	9,114	15.3%
San Geronio Pass Memorial Hospital	41.99 mi.	3	10	20,000	17.0%	79.9%	3.1%	15,556	77.8%	1,850	11.9%
St. Bernardine Medical Center	28.47 mi.	3	21	42,000	50.1%	32.3%	17.6%	38,694	92.1%	5,342	13.8%
Valley Plaza Doctors Hospital	32.85 mi.	3	4	8,000	35.4%	52.4%	12.1%	5,762	72.0%	1,012	17.6%
<b>Subtotal</b>			<b>339</b>	<b>678,000</b>	<b>31.0%</b>	<b>54.7%</b>	<b>14.3%</b>	<b>637,063</b>	<b>94.0%</b>	<b>108,359</b>	<b>17.0%</b>
<b>Total</b>			<b>434</b>	<b>868,000</b>	<b>39.1%</b>	<b>49.5%</b>	<b>11.4%</b>	<b>852,421</b>	<b>98.2%</b>	<b>128,085</b>	<b>15.0%</b>

Sources: OSHPD 2001 Annual Hospital Utilization Report

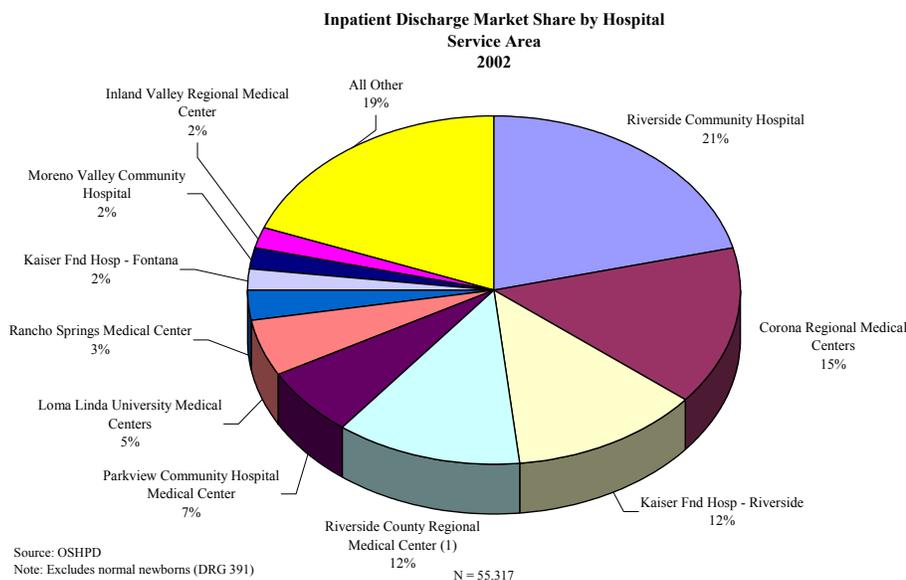
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(1) Estimated annual capacity per ED station is 2,000 visits per year based on data from the American College of Emergency Room Physicians, VHA, and The Camden Group.

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

### OVERALL HOSPITAL MARKET SHARE

- ❑ Riverside Community Hospital is the inpatient market share leader with 21.1 percent. Corona Regional Medical Center ranks second with 14.8 percent.
- ❑ An examination of hospital market share for the past five years (1998-2002) reveals the following:
  - ◆ Corona Hospital's market share has increased over the past five year period.
  - ◆ Outmigration from the service area has decreased substantially.



**Service Area  
Market Share Trend  
1998 - 2002**

Hospitals	1998		1999		2000		2001		2002	
	Number	% of Total								
Riverside Community Hospital	7,279	12.8%	9,213	17.7%	9,197	17.3%	9,353	17.1%	11,695	21.1%
Corona Regional Medical Centers	7,655	13.5%	7,887	15.1%	8,040	15.1%	8,359	15.2%	8,185	14.8%
Kaiser Fnd Hosp - Riverside	5,631	9.9%	5,928	11.4%	6,222	11.7%	6,349	11.6%	6,889	12.5%
Riverside County Regional Medical Center (1)	1,539	2.7%	5,565	10.7%	5,959	11.2%	5,937	10.8%	6,729	12.2%
Parkview Community Hospital Medical Center	8,146	14.4%	7,058	13.5%	7,205	13.5%	7,224	13.2%	3,613	6.5%
Loma Linda University Medical Centers	2,708	4.8%	2,782	5.3%	2,762	5.2%	2,770	5.1%	2,841	5.1%
Rancho Springs Medical Center	501	0.9%	495	0.9%	478	0.9%	629	1.1%	1,614	2.9%
Kaiser Fnd Hosp - Fontana	1,039	1.8%	1,009	1.9%	1,033	1.9%	1,047	1.9%	1,065	1.9%
Moreno Valley Community Hospital	1,053	1.9%	997	1.9%	893	1.7%	1,122	2.0%	1,054	1.9%
Inland Valley Regional Medical Center	1,719	3.0%	1,750	3.4%	1,304	2.5%	1,962	3.6%	976	1.8%
<b>Subtotal</b>	<b>37,270</b>	<b>65.7%</b>	<b>42,684</b>	<b>81.9%</b>	<b>43,093</b>	<b>81.0%</b>	<b>44,752</b>	<b>81.6%</b>	<b>44,661</b>	<b>80.7%</b>
<b>All Other</b>	<b>19,484</b>	<b>34.3%</b>	<b>9,425</b>	<b>18.1%</b>	<b>10,084</b>	<b>19.0%</b>	<b>10,072</b>	<b>18.4%</b>	<b>10,656</b>	<b>19.3%</b>
<b>Total</b>	<b>56,754</b>	<b>100.0%</b>	<b>52,109</b>	<b>100.0%</b>	<b>53,177</b>	<b>100.0%</b>	<b>54,824</b>	<b>100.0%</b>	<b>55,317</b>	<b>100.0%</b>

Source: OSHPD  
Note: Excludes Normal Newborns (DRG 391)  
(1) Opened in 1998

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☐ = market share leader

## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

- ❑ Riverside Community Hospital is the hospital market share leader for most service lines.
- ❑ Corona Hospital is the market leader in only one service (rehabilitation). However, the facility has a strong market position in several services including medical cardiology, obstetrics, and pulmonary medicine.

Service Area  
Market Share by Service Line  
2002

Service Line	Total Discharges		Corona Regional Medical Center		Riverside Community Hosp		Kaiser Foundation Riverside		Riverside County Regional Med Ctr		Parkview Community Hosp		Loma Linda Univ Medical Centers	
	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot
Cardiology - Diagnostic/Interventional	1,177	2.1%	28	2.4%	356	30.2%	50	4.2%	3	0.3%	4	0.3%	108	9.2%
Cardiology - Medical	5,169	9.3%	984	19.0%	1,067	20.6%	781	15.1%	486	9.4%	456	8.8%	183	3.5%
Cardiology - Surgery	468	0.8%	1	0.2%	167	35.7%	0	0.0%	0	0.0%	0	0.0%	72	15.4%
Chemical Dependency <sup>(1)</sup>	612	1.1%	10	1.6%	22	3.6%	9	1.5%	93	15.2%	10	1.6%	1	0.2%
Endocrine	1,678	3.0%	274	16.3%	397	23.7%	251	15.0%	135	8.0%	145	8.6%	114	6.8%
ENT	467	0.8%	32	6.9%	50	10.7%	41	8.8%	76	16.3%	8	1.7%	109	23.3%
Gastroenterology	4,024	7.3%	612	15.2%	890	22.1%	560	13.9%	435	10.8%	338	8.4%	229	5.7%
General Medicine	2,657	4.8%	349	13.1%	526	19.8%	317	11.9%	477	18.0%	130	4.9%	130	4.9%
General Surgery	3,021	5.5%	470	15.6%	738	24.4%	345	11.4%	323	10.7%	160	5.3%	175	5.8%
Gynecology	1,532	2.8%	252	16.4%	355	23.2%	281	18.3%	132	8.6%	34	2.2%	68	4.4%
Neonatal Intensive Care	2,390	4.3%	416	17.4%	529	22.1%	294	12.3%	242	10.1%	163	6.8%	142	5.9%
Neurology	2,243	4.1%	286	12.8%	526	23.5%	303	13.5%	244	10.9%	114	5.1%	179	8.0%
Neurosurgery	1,069	1.9%	28	2.6%	321	30.0%	58	5.4%	59	5.5%	62	5.8%	109	10.2%
Obstetrics & Deliveries	11,287	20.4%	1,943	17.2%	2,781	24.6%	1,663	14.7%	903	8.0%	1,175	10.4%	199	1.8%
Oncology	1,887	3.4%	231	12.2%	317	16.8%	259	13.7%	196	10.4%	90	4.8%	225	11.9%
Ophthalmology	100	0.2%	8	8.0%	7	7.0%	4	4.0%	29	29.0%	4	4.0%	9	9.0%
Orthopedics	3,400	6.1%	367	10.8%	858	25.2%	500	14.7%	378	11.1%	130	3.8%	186	5.5%
Pediatrics	304	0.5%	47	15.5%	41	13.5%	39	12.8%	39	12.8%	11	3.6%	65	21.4%
Plastic Surgery	198	0.4%	10	5.1%	34	17.2%	14	7.1%	35	17.7%	4	2.0%	34	17.2%
Psychiatry	3,751	6.8%	222	5.9%	23	0.6%	23	0.6%	1,852	49.4%	4	0.1%	6	0.2%
Pulmonary Medicine	4,919	8.9%	981	19.9%	1,077	21.9%	703	14.3%	374	7.6%	448	9.1%	272	5.5%
Rehabilitation	361	0.7%	195	54.0%	45	12.5%	0	0.0%	0	0.0%	0	0.0%	38	10.5%
Thoracic & Vascular Surgery	548	1.0%	64	11.7%	142	25.9%	83	15.1%	25	4.6%	16	2.9%	41	7.5%
Transplant	27	0.0%	0	0.0%	8	29.6%	0	0.0%	0	0.0%	0	0.0%	14	51.9%
Urology	2,028	3.7%	375	18.5%	418	20.6%	311	15.3%	193	9.5%	107	5.3%	133	6.6%
<b>Total</b>	<b>55,317</b>	<b>100.0%</b>	<b>8,185</b>	<b>14.8%</b>	<b>11,695</b>	<b>21.1%</b>	<b>6,889</b>	<b>12.5%</b>	<b>6,729</b>	<b>12.2%</b>	<b>3,613</b>	<b>6.5%</b>	<b>2,841</b>	<b>5.1%</b>

Source: OSHPD

❑ = market share leader

Note: Excludes normal newborns (DRG 391)

(1) Knollwood Psychiatric & Chemical Dependency Center is the market share leader with 33.8%

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## IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

- As indicated in the table below, Corona Hospital has a very low market share for County indigent admissions while Riverside County Regional Medical Center treats over 91%.

Corona Regional Medical Center - Service Area  
Market Share by Payer  
CY 2002

Hospital	Total Discharges		Medi-Cal			Medicare			Private Coverage				County Indigent	Other Payer <sup>(1)</sup>
	Num	% of Total	Managed Care	FFS	Total	Managed Care	FFS	Total	HMO	PPO	Indemnity	Total		
Corona Regional Medical Center	8,185	14.8%	4.8%	18.3%	14.8%	14.4%	23.1%	19.4%	14.0%	10.7%	31.1%	14.9%	1.6%	6.2%
Riverside Community Hospital	11,695	21.1%	37.0%	17.4%	22.4%	28.5%	27.4%	27.9%	17.0%	30.4%	1.9%	18.1%	2.0%	21.1%
Kaiser Fnd Hosp - Riverside	6,889	12.5%	0.1%	2.6%	2.0%	32.9%	1.3%	14.8%	26.1%	0.4%	2.7%	19.3%	0.0%	5.2%
Riverside County Regional Medical Center	6,729	12.2%	0.0%	19.6%	14.6%	0.0%	5.4%	3.1%	4.0%	1.1%	13.0%	4.2%	91.4%	29.8%
Parkview Community Hospital Medical Center	3,613	6.5%	14.4%	14.1%	14.1%	5.6%	8.7%	7.4%	2.8%	5.1%	0.9%	3.1%	0.7%	4.1%
Loma Linda University Medical Centers	2,837	5.1%	25.7%	3.7%	9.3%	1.9%	5.1%	3.7%	1.6%	12.3%	14.9%	4.8%	1.2%	3.2%
Southwest Healthcare System-Murrieta	1,614	2.9%	0.0%	4.3%	3.2%	0.0%	3.7%	2.1%	3.5%	6.0%	1.9%	3.8%	0.1%	2.1%
Kaiser Fnd Hosp - Fontana	1,065	1.9%	0.1%	0.6%	0.5%	4.6%	0.1%	2.0%	4.2%	0.0%	0.2%	3.1%	0.0%	0.8%
Moreno Valley Community Hospital	1,054	1.9%	7.6%	2.9%	4.1%	1.6%	2.9%	2.4%	0.9%	0.2%	0.7%	0.8%	0.1%	1.1%
Southwest Healthcare System-Wildomar	976	1.8%	0.1%	2.1%	1.6%	0.0%	2.3%	1.3%	2.5%	2.9%	1.0%	2.5%	0.0%	1.4%
<b>Subtotal</b>	<b>44,657</b>	<b>80.7%</b>	<b>89.8%</b>	<b>85.6%</b>	<b>86.6%</b>	<b>89.5%</b>	<b>79.9%</b>	<b>84.0%</b>	<b>76.7%</b>	<b>69.1%</b>	<b>68.3%</b>	<b>74.6%</b>	<b>97.0%</b>	<b>75.0%</b>
<b>All Other</b>	<b>10,654</b>	<b>19.3%</b>	<b>10.2%</b>	<b>14.4%</b>	<b>13.4%</b>	<b>10.5%</b>	<b>20.1%</b>	<b>16.0%</b>	<b>23.3%</b>	<b>30.9%</b>	<b>31.7%</b>	<b>25.4%</b>	<b>3.0%</b>	<b>25.0%</b>
<b>Total</b>	<b>55,311</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>							
N =			2,921	8,649	11,570	6,432	8,619	15,051	15,798	3,973	1,953	21,724	2,559	4,407
% of Total			5.3%	15.6%	20.9%	11.6%	15.6%	27.2%	28.6%	7.2%	3.5%	39.3%	4.6%	8.0%

Source: OSHPD

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☐ = market share leader

Note: Excludes Normal Newborns (DRG 391)

(1) Other Payer includes: Other Payer, Other Indigent, Self Pay, Workers' Compensation and Other Government

#### IV. MARKET ANALYSIS (RELEVANT GEOGRAPHIC SERVICE AREA)

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##### MAJOR OBSERVATIONS/FINDINGS FROM MARKET ANALYSIS

- ❑ The population of the service area in general and the City of Corona in particular continues to grow at a steady pace. Demand for emergency services, obstetrics, pediatrics, cardiology, oncology and surgical services continues to grow in the region.
- ❑ The region requires additional emergency department beds and any loss of capacity would have a negative impact. The shortage of primary care physicians in the area may be a contributing factor to the strong and increasing demand for emergency services. Individuals without a personal physician or those who cannot readily access a primary care practitioner often utilize a hospital emergency department as an alternative when medical needs arise.
- ❑ Based on market share data, Corona Hospital is a key facility within the service area with 14.8 market share in 2002. There are only three non-Kaiser hospitals in the service area, one of which, Parkview Community Hospital, is emerging from bankruptcy with an uncertain future. Riverside Community Hospital, the largest full-service regional hospital is running at a relatively high occupancy rate in several key areas, such as critical care, according to management of that facility.
- ❑ Corona Hospital is not a provider of tertiary/quaternary services. Based on interviews and data analysis, patients requiring services such as burn care, pediatric intensive care, NICU, open heart surgery, neurosurgery, and transplants are referred or transferred to a regional, full service hospital such as Loma Linda Regional Medical Center, Riverside Community Hospital, St. Bernardine Medical Center, or St. Joseph Medical Center in Orange.
- ❑ It is likely that UHS, which owns Inland Valley Regional Medical Center and Rancho Springs Medical Center (both in the Temecula Valley), will be able to create economies of scale across the three hospitals which will benefit Corona Hospital (e.g., quality of care initiatives, enhanced managed care rates).



**V. SUMMARY OF KEY FINDINGS/THEMES FROM INTERVIEWS**



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- ❑ There is general acknowledgement that Vista’s overall financial performance has been poor and the corresponding inability to reinvest into its hospitals (e.g., equipment, service enhancement, and upgrading physical facilities) has hindered their ability to complete and effectively meet growing community demand/needs for services.
  - ◆ Staff physicians who were interviewed expressed frustration with the inability of Vista to fund needed projects at Corona Hospital such as expansion of the Emergency Department and the ICU.
- ❑ Interviewees generally do not oppose a for-profit entity purchasing Corona Hospital. There were no specific concerns raised regarding UHS as a potential owner. Members of Corona’s medical staff who were interviewed provided positive testimonials based on their experience with Inland Valley Regional Medical Center (owned by UHS).
- ❑ Representatives of potentially affected hospitals, particularly Riverside Community Hospital and Parkview Community Hospital, indicated that Corona Regional Medical Center is needed in the community and any curtailment of major programs and services such as emergency medicine and obstetrics would have a negative health impact.
- ❑ Management of the Riverside Emergency Medical Services Agency strongly emphasized the importance of Corona Hospital’s ED to the community.



**VI. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS  
OF PROPOSED TRANSACTION**



## **VI. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION**

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This section will address identified potential health impacts resulting from this transaction and provide recommendations to mitigate potential negative health impacts.

### **A) EFFECT ON EMERGENCY SERVICES, REPRODUCTIVE HEALTH SERVICES AND OTHER HEALTH CARE SERVICES**

#### **Emergency-Services**

Corona Hospital has one of the fastest growing Emergency Departments in the State. Over the past five years, ED visits at the facility (nearly 40,000 in 2002) have increased approximately 42%. The ED at Corona Hospital is a vital portal of entry for patients as 43% of its total admissions come through the Department. ED volume has surpassed the Hospital's optimal capacity threshold. The inability to expand the Department (i.e. increase bed size) has led to overcrowding and longer than desired waiting times. Fortunately, the Hospital has implemented "Urgent Access", a separate treatment location across the street from the ED for diversion of minor injuries and illnesses that come to the ED. This has helped to better balance patient load.

Based on our analysis and input from the Riverside County Emergency Medical Services Agency, Corona's ED is a key provider of emergency medical services for the Hospital's service area population, particularly residents of Corona and Norco. Based on strong area population growth and a shortage of primary care physicians, Corona Hospital's ED will need to be expanded in order to meet growing demand. Vista's inability to adequately invest in the facility has limited needed physical plant upgrades and the ability to expand. From a community need standpoint, it would be desirable for the new owner to have the ability and desire to upgrade the ED. Any reduction in emergency department capacity or services would have a significant negative impact on the availability and accessibility of emergency medical services within the service area.

#### **Reproductive Health Services**

Corona Hospital is also an important area hospital provider of women and children's services. The Hospital delivers nearly 2,000 babies per year in a burgeoning "bedroom community" of young families. Delivery volume has increased 6% over the past five years. The obstetrics program at Corona Hospital is needed in the service area particularly for residents of the Corona/Norco area.

It is not anticipated that the proposed transaction would have an effect on the availability and accessibility of tubal ligations, abortions, or other non-obstetric related reproductive health services as there is broad availability of the services at other area hospitals, ambulatory surgery centers, and clinics.

**VI. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION**

**Inpatient Rehabilitation Services**

Through its Magnolia Campus, Corona Hospital has a 10-bed inpatient rehabilitation unit which has run at 60% occupancy this year. Service area market share data indicates that 51% of inpatient rehabilitation inpatients emanating from the service area utilize Corona Hospital. This is the only service for which Corona Hospital is the hospital market share leader within the service area. Changes in reimbursement and more stringent licensing and regulatory requirements have forced some general acute care hospitals to eliminate inpatient rehabilitation programs as market share has shifted to specialized rehabilitation facilities. Service line financial or contribution margin data was not available for The Camden Group to comment on the historical financial performance (or the future viability) of inpatient rehabilitation services at the facility. In the final analysis, although inpatient rehabilitation is an important service for the local community, this service tends to be regional in nature with numerous hospital providers in Southern California which have available capacity. With an average daily census of only 6, Corona has a relatively low volume compared to most other regional inpatient rehabilitation programs.

**B) EFFECT ON THE LEVEL AND TYPE OF CHARITY CARE HISTORICALLY PROVIDED**

UHS proposes to “use its efforts to provide charity and indigent care that is equivalent, in the aggregate, to the levels previously provided at the Hospitals”. The dollar amount of charity care historically provided by Corona Hospital over the last five years has fluctuated. Average figures for the facility (based on latest three years and five years respectively) are as follows:

	Charity Care Expenditures	
	3 Year Average	5 Year Average
Corona Hospital	\$450,780	\$452,476

**C) EFFECT ON THE SERVICES TO MEDI-CAL, COUNTY INDIGENT AND OTHER CLASSES OF PATIENTS**

Corona Hospital currently has a contract with Medi-Cal. Indigent volume at the facility is low as a result of Riverside County owning a hospital that receives almost all area indigent hospital patients.

UHS has not indicated if it will maintain a Medi-Cal contract for inpatient services.

## **VI. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION**

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### **D) EFFECT ON COMMUNITY BENEFIT PROGRAMS**

The Corona Hospital Foundation has provided significant amounts of community benefit grants to Corona Hospital over the past few years as reported in the Hospital's most recent Community Benefit Plan and by the finance department of the Hospital. Services provided by the Children's Clinic and transportation van services appear to be the most significant to the community. UHS has not specifically quantified a minimum amount that it will spend on community benefit activities.

### **E) EFFECT ON STAFFING AND EMPLOYEE RIGHTS**

UHS has agreed to offer employment to all "active" employees on the closing date at their then salaries or wages.

It is anticipated that medical staff bylaws will remain intact and that active staff physicians will continue practicing at the Hospital.



## **VII. PROPOSED MITIGATION MEASURES AND ALTERNATIVES**



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### A) RECOMMENDATIONS FOR ADDITIONAL FEASIBLE MITIGATION MEASURES

- ❑ As set forth in section 13.16 of the Asset Purchase Agreement, UHS should operate Corona Regional Medical Center as a general acute care hospital as long it owns the hospital.
- ❑ For five years from the transaction closing date, UHS should not close or reduce existing levels of basic emergency medical or obstetrical services. These services should continue to be maintained without regard to potential future reimbursement levels.
- ❑ UHS should provide at Corona Hospital at least \$450,000 in charity and indigent care costs (not charges) for each year from the transaction closing date (Annual Period). The definition and methodology for calculating “charity care” and the method for calculating cost should be the same as that used by the Office of Statewide Health Planning and Development.
- ❑ If the minimum charity care cost level is not met during an Annual Period, UHS should pay the difference between actual charity care costs and the minimum required charity cost to any nonprofit public benefit corporation for health care purposes in the City of Corona. Such payment should be made within six months of the close of the Annual Period.

**Appendix A**  
**INDIVIDUALS INTERVIEWED**

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**INDIVIDUALS INTERVIEWED**

- ❑ James Braley, COO, Vista Hospital Systems and Cambio Health Solutions
- ❑ John Calderone, CEO, Corona Regional Medical Center
- ❑ Charles Gunnoe, M.D., Family Practice
- ❑ Mary Kaylor, Assistant Director, Riverside County Emergency Medical Services Agency
- ❑ Jeff Miller, Mayor Pro Tem, City of Corona
- ❑ John Nilsson, Chief Financial Officer, Cambio Health Solutions, LLC
- ❑ Alan Smith, CFO, Corona Regional Medical Center
- ❑ Subhash Deshmukh, M.D., General Practice, Board Member, Corona Regional Medical Center
- ❑ G. Carleton Wallace, M.D., Orthopedics, Board Member, Assistant Chief of Staff, Corona Regional Medical Center
- ❑ Richard Wright, Vice President, UHS
- ❑ Jaime Wesolowski, CEO, Riverside Community Hospital