

Health Impact Report Related to the Proposed Sale of

**Huntington East Valley Hospital
A Member of Southern California Healthcare Systems
To
PanPacific Health Enterprises, Inc.**

March 14, 2001



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I. REPORT OVERVIEW

I. REPORT OVERVIEW

PURPOSE

The purpose of this analysis is to determine if the proposed sale of Huntington East Valley Hospital (“HEVH”, the “Hospital”) by Southern California Healthcare Systems (“SCHS” or “the System”), a non-profit integrated health care delivery system, to PanPacific Health Enterprises, Inc. (“PHE”) a for-profit entity, may create a significant negative effect on the provision of health care services to the community. Specifically, the health impact analysis will identify how the proposed transaction may affect consumers, physicians, and other groups or individuals within the service area in relation to:

- Availability of hospital provided or sponsored programs and services
- Access to programs and services
- Utilization of programs and services
- Community benefit

METHODOLOGY

This report was compiled by The Camden Group, an independent health care consulting firm based in El Segundo, California, over an eight week period from January to March, 2001. Data and information contained in this report was obtained from numerous sources including:

- Information/data provided by SCHS and HEVH.
- Information/data provided by PHE.

I. REPORT OVERVIEW

- A review of various reports, documents, and correspondence including, but not limited to, the following:
 - ◆ Asset Sale Agreement dated February 14, 2001
 - ◆ Information filings from HEVH and its attorneys
 - ◆ Bylaws and policies of HEVH
 - ◆ HEVH's Community Needs Assessment and Community Benefit Plan
 - ◆ HEVH's audited and internal financial statements
- Publicly available health care data obtained from various sources including:
 - ◆ American Hospital Association ("AHA")
 - ◆ Claritas (a private demographics data firm)
 - ◆ Office of Statewide Health Planning and Development ("OSHDP")
 - ◆ Health Care Financing Administration ("HCFA")
- Approximately 40 individual interviews with HEVH management and Board members, staff physicians, representatives of SCHS and PHE, community leaders, public officials, County health officials, and representatives of competing area hospitals.
- Discussions with attorneys and other consultants involved in the transaction.

II. TRANSACTION BACKGROUND

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HOSPITAL BACKGROUND

Huntington East Valley Hospital was established in 1958 as a 76-bed hospital (formerly named Glendora Community Hospital). HEVH is now a 128-bed, nonprofit general acute-care hospital which provides health care services to residents of Glendora and East San Gabriel Valley. In 1995, HEVH became a member of Southern California Healthcare Systems. Prior to SCHS's acquisition of the facility, HEVH was a for-profit hospital for 36 years with several different owners.

HEVH has approximately 300 employees with an average length of service of five years. The medical staff represents multiple specialties and is comprised of approximately 257 physicians. HEVH's major services include emergency medicine, medical cardiology, surgery, obstetrics, and geropsychiatry.

FINANCIAL PERFORMANCE/CAPITAL NEEDS

- Over the last five years, the Hospital has experienced low overall occupancy percentages ranging between 22-37%.
- Over the past few years, HEVH's financial performance has deteriorated resulting in operating losses of \$3.1 million in 1999 and \$2.3 million in 2000.
- HEVH is a disproportionate share facility for both Medicare and Medi-Cal. Hence, DSH funding is an important revenue stream for the Hospital.
- HEVH's physical plant will require approximately \$4.9 million in capital expenditures by 2008 to complete seismic upgrades to meet SB 1953 earthquake retrofit standards.

II. TRANSACTION BACKGROUND

SCHS'S STRATEGIC OPTIONS/DECISION PROCESS TO SELL THE FACILITY

As a result of continuing financial losses at HEVH and the desire by System leadership to focus resources on its core geographic service area (Pasadena/Arcadia), SCHS initiated a strategic evaluation of facility options in 2000. After an in-depth organizational review of strategic options regarding HEVH and an estimation of their impact, System leadership identified sale or closure of the Hospital as the only viable options. The decision to sell HEVH was made based on the following:

- Projected continuing financial losses going forward.
- HEVH's financial performance is reliant on disproportionate share hospital ("DSH") funds, which presents a significant risk due to the uncertainty of the availability and amount of those funds in the future.
- Estimated seismic upgrade capital costs of approximately \$4.9 million.
- HEVH no longer fits into the strategic and geographic focus of SCHS which wishes to concentrate its efforts within the western portion of the San Gabriel Valley. Continuing to own and operate HEVH, located in east San Gabriel Valley, would divert needed human and capital resources from its other facilities, Huntington Hospital in Pasadena and Methodist Hospital in Arcadia.
- The desire by System leadership for HEVH to remain open.

SCHS engaged Shattuck Hammond Partners in June of 2000 to develop a list of potentially interested parties that could acquire HEVH. Of the 19 for-profit and nonprofit organizations contacted, only six entities were interested in reviewing HEVH's confidential information. Of the six remaining interested parties, only one of these entities submitted a reasonable bid. In December of 2000, PanPacific Health Enterprises, Inc. submitted to SCHS an acceptable offer to acquire HEVH.

At this juncture, SCHS is not able or willing to continue to sustain financial losses at HEVH and System leadership has stated that HEVH would most likely be closed if the facility cannot be sold.

III. SERVICE AREA ANALYSIS

III. SERVICE AREA ANALYSIS

SERVICE AREA DEFINITION

- Huntington East Valley Hospital's primary service area ("PSA") consists of 10 ZIP Codes from which approximately 64 percent of the Hospital's patients emanate (reside). Communities in the primary service area include the following:
 - ◆ Azusa
 - ◆ Baldwin Park
 - ◆ Covina
 - ◆ El Monte
 - ◆ Glendora
 - ◆ San Dimas
 - ◆ West Covina

- HEVH's secondary service area ("SSA") also consists of 10 ZIP Codes from which approximately 18 percent of the Hospital's patients emanate. Communities in the secondary service area include the following:
 - ◆ Duarte
 - ◆ El Monte
 - ◆ La Puente
 - ◆ Pomona
 - ◆ South El Monte
 - ◆ Walnut
 - ◆ West Covina

- Patient origin data was obtained from the Office of Statewide Health Planning and Development ("OSHPD"), California's official health care data collection agency. The most current year data available is 1999. HEVH's patient origin (discharges) by community is shown in the table on the following page. A map of the service area is provided on the second following page.

III. SERVICE AREA ANALYSIS

HUNTINGTON EAST VALLEY HOSPITAL
Discharge Patient Origin
CY 1999

ZIP Code	Community	Discharges		Draw Rate (%)
		#	%	
91702	AZUSA	615	17.4%	10.8
91740	GLENDORA	510	14.4%	19.6
91706	BALDWIN PARK	336	9.5%	4.3
91732	EL MONTE	217	6.2%	3.5
91773	SAN DIMAS	133	3.8%	3.8
91722	COVINA	126	3.6%	3.9
91723	COVINA	103	2.9%	6.1
91790	WEST COVINA	81	2.3%	1.9
91724	COVINA	67	1.9%	2.6
91741	GLENDORA	53	1.5%	2.0
	Primary Service Area	2,239	63.5%	
91744	LA PUENTE	212	6.0%	2.7
91733	SOUTH EL MONTE	89	2.5%	2.0
91731	EL MONTE	75	2.1%	2.6
91791	WEST COVINA	65	1.8%	2.1
91792	WEST COVINA	49	1.4%	1.5
91750	LA VERNE	46	1.3%	1.3
91010	DUARTE	35	1.0%	1.2
91768	POMONA	35	1.0%	1.1
91746	LA PUENTE	25	0.7%	0.8
91789	WALNUT	21	0.6%	0.5
	Secondary Service Area	651	18.5%	
	Other ZIP Codes	637	18.1%	
		<u>3,528</u>	<u>100.0%</u>	

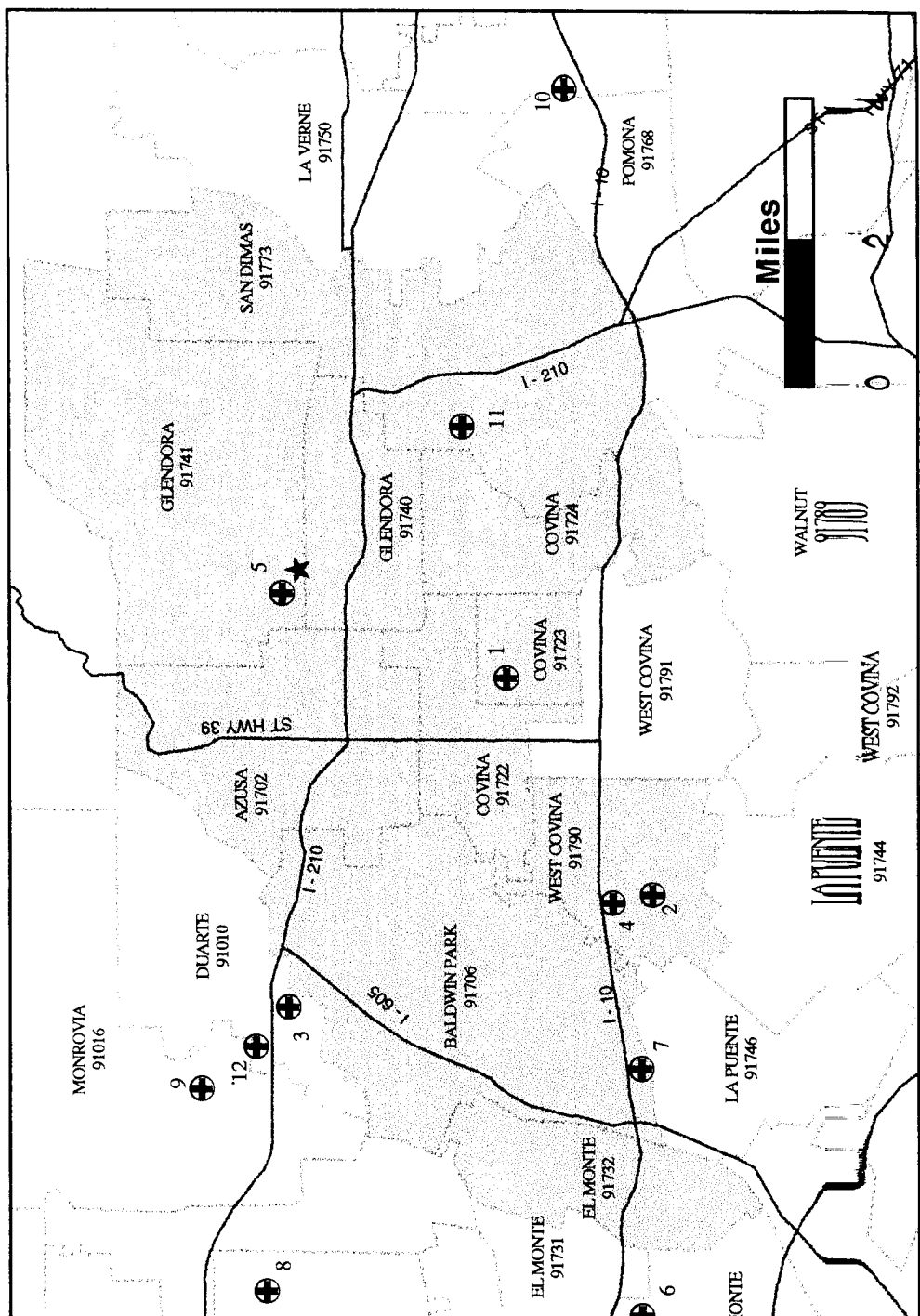
Source: OSHPD and Claritas
 (1) Discharges per 1,000 population

III. SERVICE AREA ANALYSIS

Huntington East Valley Hospital Service Area

- ★ Huntington East Valley Hospital
- ⊕ Other Hospitals
- 1 - Citrus Valley Medical Center - Inter-Community Campus
- 2 - Citrus Valley Medical Center - Queen of the Valley Campus
- 3 - City of Hope Medical Center
- 4 - Doctors Hospital of West Covina
- 5 - Foothill Presbyterian Hospital
- 6 - Greater El Monte Community Hospital
- 7 - Kaiser Foundation Hospital - Baldwin Park
- 8 - Methodist Hospital of So Cal
- 9 - Monrovia Community Hospital
- 10 - Pomona Valley Hospital Medical Center
- 11 - San Dimas Community Hospital
- 12 - Santa Teresita Hospital

Primary Service Area
 Secondary Service Area



III. SERVICE AREA ANALYSIS

DEMOGRAPHIC PROFILE

Population Characteristics and Growth

- The service area is projected to experience modest population growth of 4.7 percent from 2000 to 2005. This is slightly lower than Los Angeles County's 5.5 percent projected growth rate for the same time period.
- ◆ The service area is relatively “young” with a median age (2000) of 30.7, (compared to 33.8 for Los Angeles County). The area has a large pediatric population which is largely Hispanic.
- ◆ The service area's 45-64 age cohort is projected to experience the highest growth among all age groups.
- ◆ Women of childbearing age (15-44 years) account for 22.5 percent of the service area population in 2000. The female 15-44 population is projected to decrease slightly between 2000 and 2005.

HUNTINGTON EAST VALLEY HOSPITAL
 Total Service Area and Los Angeles County
 Population by Age Cohort
 2000 and 2005

Age Cohort (Years)	Total Service Area			Los Angeles County		
	2000	% of Total	Proj. 2005	2000	% of Total	Proj. 2005
0-14	204,988	26.0%	211,906	2,210,055	23.2%	2,251,059
15-44	367,870	46.7%	368,477	4,346,349	45.6%	4,334,768
45-64	148,133	18.8%	171,878	1,999,789	21.0%	2,409,599
65+	67,018	8.5%	72,396	973,528	10.2%	1,055,190
Total	788,009	100.0%	824,657	9,529,721	100.0%	10,050,616
Women 15-44	177,043	22.5%	176,704	2,086,715	21.9%	2,073,609
Median Age	30.7		31.5	33.8		35.2
					% Change	
						% of Total
						% Change

Source: Claritas, Inc.

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III. SERVICE AREA ANALYSIS

Population Characteristics and Growth – Primary Service Area vs. Secondary Service Area

- The projected rate of population growth for the primary and secondary service areas is similar. Refer to the table below.
- Both service areas are relatively “young” with a high percentage of women 15-44 and children.

HUNTINGTON EAST VALLEY HOSPITAL Primary and Secondary Service Areas Population by Age Cohort 2000 and 2005

Age Cohort (Years)	Primary Service Area			Secondary Service Area		
	2000	% of Total	Proj. 2005	2000	% of Total	2005
0-14	102,357	25.6%	105,745	102,631	26.4%	106,161
15-44	184,440	46.1%	184,370	183,430	47.3%	184,107
45-64	75,698	18.9%	88,617	72,435	18.7%	83,261
65+	37,414	9.4%	40,344	29,604	7.6%	32,052
Total	399,909	100.0%	419,076	388,100	100.0%	405,581
Women 15-44	88,982	22.3%	88,608	88,061	22.7%	88,096
Median Age	31.5		32.3	29.9		30.8

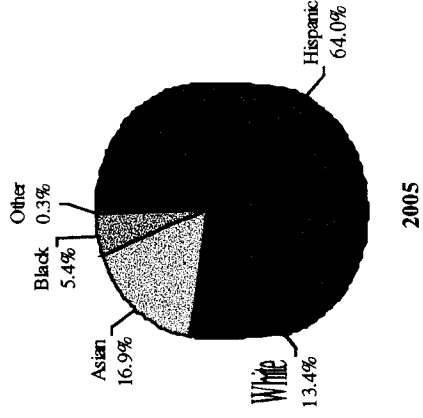
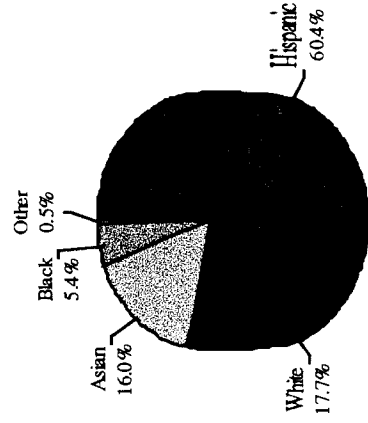
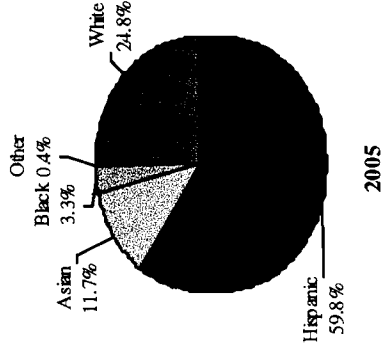
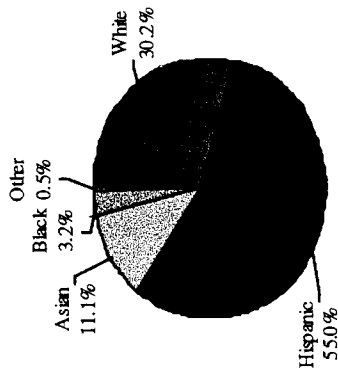
Source: Claritas, Inc. \\CAMDEN_CORP\SYSEXCEL97\HUNTINGTON EAST VALLEY\PSA & SSA Pop.xls]Sheet1

III. SERVICE AREA ANALYSIS

Ethnicity Profile

- ❑ The service area population is multiethnic with Hispanics as the largest ethnic group. Refer to the pie charts below.
- ❑ In terms of projected changes in ethnicity, the Hispanic population is projected to grow rapidly over the next five years within the service area.

Primary and Secondary Service Areas
Ethnic Composition
2000 and 2005



2000
Source: Ciantas
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III. SERVICE AREA ANALYSIS

Household Income

- Household income levels are highly variable across service area communities with pockets of wealth and low income.
- The overall median household income level for the service area is higher than that of the County.
- The income distribution for the PSA, SSA and the Los Angeles County are similar.

**Service Area Socioeconomic Profile
2000**

	PSA	SSA	LA County
Population	399,909	388,100	9,529,721
Households	119,683	103,799	3,175,119
Average Household Size	3.4	3.7	2.9
Median Household Income	\$47,738	\$51,490	\$44,692
Average Household Income	\$61,111	\$66,019	\$65,859
Income Distribution			
Under \$20,000	17.3%	16.3%	21.2%
\$20,000-\$49,999	34.8%	32.3%	33.5%
\$50,000-\$74,999	22.9%	22.6%	19.3%
\$75,000+	25.0%	28.8%	26.0%

Source: Claritas, Inc.

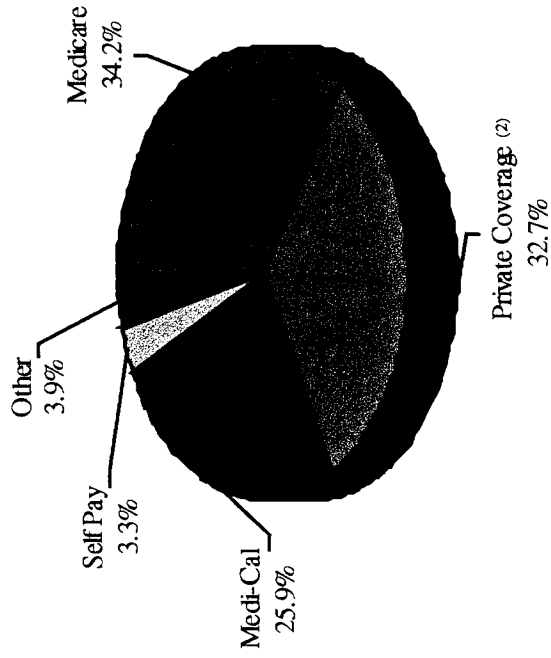
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III. SERVICE AREA ANALYSIS

SERVICE AREA PAYER MIX (HOSPITAL DISCHARGES)

An analysis of the service area payer (insurance) mix for residents discharged from all hospitals indicates a blend of Medicare, Medi-Cal and “managed care” (HMO/PPO). Refer to the chart below.

Primary Service Area
Discharge Payer Mix
CY 1999⁽¹⁾



N=44,284

Source: OSHPD
(1) Six Months Annualized
(2) Includes HMO, PPO, and Blue Cross/Blue Shield
Note: Excludes Normal Newborns

III. SERVICE AREA ANALYSIS

HOSPITAL PROVIDERS

☐ HEVH is one of ten acute care hospitals located within the service area. The nearest hospital is less than one mile away from HEVH. A brief profile of the facilities in the service area is provided in the matrix below.

Profile of Area Hospitals
CY 1999 Data*

Hospital	Distance from HEVH (mi.)	Emergency Department			Licensed Beds										
		Stations	Stations/Year	% Admitted	Med/Surg	Critical Care	OB	Peds	NICU	SNF	Rehab	Psych	Acute	Total	
Huntington East Valley Hospital	-	7	1,066	17.4%	67	10	30	0	0	0	0	0	0	21	128
Foothill Presbyterian Hospital	0.9	11	1,720	13.2%	69	18	13	18	0	29	0	0	0	0	147
San Dimas Community Medical Center	3.8	8	1,740	9.2%	49	8	7	0	0	29	0	0	0	0	93
Citrus Valley - Inter-Community Campus	4.3	14	1,347	25.4%	115	22	23	11	13	25	0	0	30	0	239
City of Hope	7.8	n.a.	n.a.	n.a.	137	12	0	0	0	0	0	0	0	0	149
Santa Teresita Hospital	7.8	9	1,223	9.0%	66	14	17	17	0	156	0	0	0	0	270
Citrus Valley - Queen of the Valley Campus	8.9	21	1,487	26.8%	138	18	38	18	22	23	12	0	0	0	269
Doctors Hospital of West Covina	9.0	n.a.	n.a.	n.a.	16	3	8	0	0	24	0	0	0	0	51
Kaiser Foundation Hospital - Baldwin Park	13.4	27	3,875	5.2%	154	18	50	21	20	0	0	0	0	0	263
Greater El Monte Community Hospital	14.5	6	2,535	11.7%	59	10	17	17	0	13	0	0	0	0	116

Sources: OSFPD and Yahoo! Map Quest

* Most recent publicly available data.

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III. SERVICE AREA ANALYSIS

□ HEVH has the lowest occupancy rate (available beds) among all hospitals within or immediately adjacent to the PSA and SSA. The table below provides the hospital beds and occupancy rates for area facilities in the PSA, SSA and surrounding region.

Area Hospital Bed Size and Occupancy Rates
CY 1999*

Hospital	Four Quarters Ending December 31, 1999			
	Total Licensed Beds	Occupancy Rate	Total Available Beds	Occupancy Rate
HUNTINGTON EAST VALLEY HOSPITAL	128	35.3%	118	38.3%
CITRUS VALLEY MEDICAL CENTER ⁽¹⁾	508	69.4%	508	69.4%
CITY OF HOPE	212	51.0%	145	74.6%
FOOTHILL PRESBYTERIAN HOSPITAL	106	46.0%	106	46.0%
GREATER EL MONTE COMMUNITY HOSPITAL	115	38.7%	115	38.7%
KAISER FOUNDATION HOSPITAL - BALDWIN PARK	272	27.0%	184	40.0%
LOS ANGELES CO USC MEDICAL CENTER	1,435	51.1%	1,395	52.5%
METHODIST HOSPITAL OF SOUTHERN CAL	347	51.2%	347	51.2%
MONROVIA COMMUNITY HOSPITAL	49	51.4%	49	51.4%
POMONA VALLEY HOSPITAL MEDICAL CENTER	436	57.0%	381	65.3%
SAN DIMAS COMMUNITY HOSPITAL	94	59.2%	94	59.2%
SANTA TERESITA HOSPITAL	253	64.8%	253	64.8%
Hospital Totals	3,955	52.6%	3,695	56.3%

* Most current publicly available data.

(1) Combined Queen of the Valley and Intercommunity Campuses

Source: OSHPD Quarterly Individual Hospital Financial Data for California, 4th Quarter, 1999.

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III. SERVICE AREA ANALYSIS

PROGRAMS AND SERVICES

□ A service matrix of the Hospitals in the primary service area is included on the following pages. The matrix reveals that the area's hospitals provide virtually all acute care services required by area residents. There are only a few services which area hospitals do not provide. It should be noted that most of these services are typically regional in nature (i.e., most community hospitals do not provide them) and only a limited number of facilities do offer these services (mostly tertiary services):

- ◆ Adult day care programs
- ◆ Alcoholism-Drug Abuse or Dependency Inpatient Services
- ◆ Crisis prevention
- ◆ Pediatric intensive care services
- ◆ Positron Emission Tomography Scanner (PET)
- ◆ Transplant Services
- ◆ Trauma Center

Service such as adult day care, mental health and dental services are typically offered by other specialty providers and social service agencies.

III. SERVICE AREA ANALYSIS

Comparative Service Listing
2000

Services	Huntington East Valley	Citrus Valley - Intercommunity	Citrus Valley - Queen of the Valley	Foothill Presbyterian Hospital	San Dimas Community Hospital
1 Adult Day Care Program					
2 Alcoholism-Drug Abuse or Dependency Inpatient Services					
3 Alcoholism-Drug Abuse or Dependency Outpatient Services					
4 Angioplasty		X	X	X	
5 Arthritis Treatment Center					
6 Assisted Living					
7 Birthing Room-LDR Room-LDRP Room	X	X	X	X	X
8 Breast Cancer Screening/Mammograms	X	X	X	X	X
9 Burn Care Services					
10 Cardiac Catheterization Laboratory		X	X	X	
11 Cardiac Intensive Care Services		X	X	X	
12 Case Management		X	X	X	X
13 Children Wellness Program.		X	X		
14 Community Health Reporting	X	X	X	X	
15 Community Health Status Assessment	X	X	X	X	X
16 Community Health Status Based Service Planning	X	X	X	X	
17 Community Outreach	X	X	X	X	X
18 Crisis Prevention					
19 CT Scanner	X	X	X	X	X
20 Dental Services					
21 Diagnostic Radioisotope Facility	X	X	X	X	X
22 Emergency Department	X	X	X	X	X
23 Extracorporeal Shock Wave Lithotripter (ESWL)		X	X		
24 Fitness Center					

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III. SERVICE AREA ANALYSIS

Comparative Service Listing
2000

Services	Huntington East Valley	Citrus Valley - Intercommunity	Citrus Valley - Queen of the Valley	Foothill Presbyterian Hospital	San Dimas Community Hospital
25 Freestanding Outpatient Care Center					X
26 Geriatric Services					X
27 Health Facility Transportation (to/from)					
28 Health Fair	X	X	X	X	X
29 Health Information Center	X	X	X		
30 Health Screenings	X	X	X	X	X
31 HIV-AIDS Services		X	X	X	
32 Home Health Services	X	X	X	X	
33 Hospice	X	X	X	X	
34 Hospital-Based Outpatient Care Center-Services	X	X	X	X	
35 Magnetic Resonance Imaging (MRI)	X	X	X	X	X
36 Meals on Wheels		X	X	X	
37 Medical Surgical Intensive Care Services	X	X	X	X	X
38 Neonatal Intensive Care Services		X	X	X	
39 Nutrition Programs	X	X	X	X	
40 Obstetrics Services	X	X	X	X	X
41 Occupational Health Services	X	X	X	X	X
42 Oncology Services		X	X		
43 Open Heart Surgery	X	X	X	X	X
44 Outpatient Surgery	X	X	X	X	
45 Patient Education Center	X	X	X	X	X
46 Patient Representative Services					
47 Pediatric Intensive Care Services					
48 Physical Rehabilitation Inpatient Services		X	X	X	
49 Physical Rehabilitation Outpatient Services	X	X	X	X	X
50 Positron Emission Tomography Scanner (PET)					

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III. SERVICE AREA ANALYSIS

Comparative Service Listing
2000

Services	Huntington East Valley	Citrus Valley - Interoommunity	Citrus Valley - Queen of the Valley	Foothill Presbyterian Hospital	San Dimas Community Hospital
51 Primary Care Department		X			
52 Psychiatric Acute Inpatient Services				X	
53 Psychiatric Child Adolescent Services				X	
54 Psychiatric Consultation-Liaison Services	X				
55 Psychiatric Education Services	X				
56 Psychiatric Emergency Services	X				
57 Psychiatric Geriatric Services	X				
58 Psychiatric Outpatient Services					
59 Psychiatric Partial Hospitalization Program		X	X	X	
60 Radiation Therapy					
61 Reproductive Health Services					
62 Retirement Housing					
63 Single Photon Emission Computerized Tomography (SPECT)		X	X	X	
64 Skilled Nursing or Other Long-Term Care Services		X	X	X	X
65 Social Work Services	X	X	X	X	X
66 Sports Medicine	X		X	X	
67 Support Groups	X	X	X	X	
68 Teen Outreach		X	X		
69 Transplant Services					
70 Trauma Center (Certified)					X
71 Ultrasound	X	X	X	X	
72 Urgent Care Center		X	X	X	
73 Volunteer Services Department	X	X	X	X	X
74 Women's Health Center/Services	X	X	X	X	X

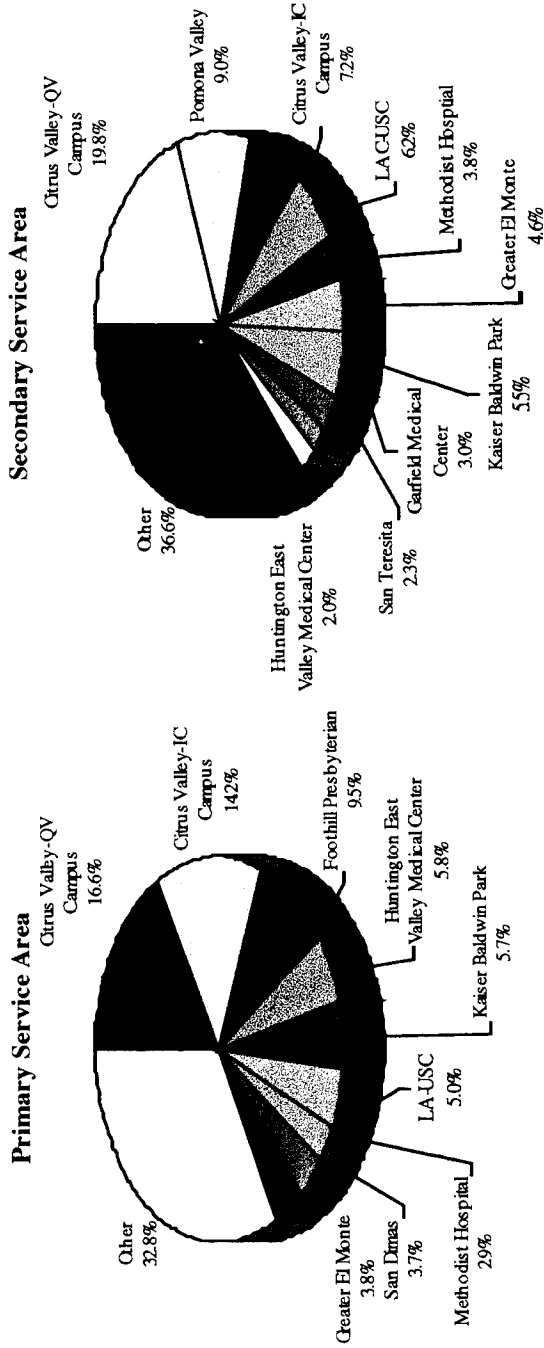
Source: 2000 AHA Guide
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III. SERVICE AREA ANALYSIS

HOSPITAL MARKET SHARE

HEVH ranks fourth in market share within the PSA with 5.8 percent of total service area discharges (refer to chart below). Citrus Valley Medical Center - Queen of the Valley is the market share leader in both the PSA and SSA with 16.6 percent and 19.8 percent of total area discharges, respectively. Market share by hospital (PSA and SSA) is provided in the charts below.

Service Area Discharge Market Share (Primary and Secondary Service Areas)
CY 1999 (1)



(1) Six months annualized data. Most recent publicly available data.
Note: Excludes normal newborns
Source: OSHPD

III. SERVICE AREA ANALYSIS

In 1999 (six months annualized), there were a total of 44,284 inpatient discharges in the primary service area. HEVH is not the inpatient market share leader for any of the ZIP Codes within its primary service area. Market share by ZIP Code is indicated below:

**Primary Service Area
Discharge Market Share by ZIP Code
1999 ⁽¹⁾**

ZIP Code	Community	Total Discharges		Huntington East Valley	Citrus Valley-OV	Citrus Valley-IC	Foodhill Presbyterian	Kaiser-Baldwin Park	LAC USC	San Dimas Community	All Other	Total
		#	%									
91702	Anusa	5,710	12.9%	12.3%	12.7%	12.7%	18.6%	4.8%	5.5%	1.6%	31.8%	100.0%
91706	Baldwin Park	7,958	18.0%	4.8%	31.9%	10.2%	1.8%	6.5%	8.4%	0.5%	35.9%	100.0%
91722	Covina	3,692	8.3%	3.9%	15.3%	28.3%	7.7%	8.3%	3.4%	2.2%	30.9%	100.0%
91723	Covina	2,418	5.5%	4.9%	10.8%	41.0%	6.0%	5.6%	2.6%	2.6%	26.5%	100.0%
91724	Covina	2,566	5.8%	3.0%	8.2%	22.8%	11.4%	6.0%	1.8%	8.7%	38.1%	100.0%
91732	El Monte ⁽²⁾	7,190	16.2%	3.4%	9.2%	3.1%	0.3%	4.0%	10.4%	0.1%	69.5%	100.0%
91740	Glendora	3,716	8.4%	15.7%	5.7%	10.2%	23.8%	4.5%	1.0%	5.3%	33.8%	100.0%
91741	Glendora	2,130	4.8%	2.8%	3.3%	6.9%	41.9%	4.6%	1.0%	4.6%	34.9%	100.0%
91773	San Dimas	3,750	8.5%	4.1%	3.9%	10.9%	10.9%	4.4%	1.2%	20.8%	43.8%	100.0%
91790	West Covina	5,154	11.6%	1.8%	38.0%	18.6%	1.7%	8.3%	2.9%	0.9%	27.8%	100.0%
	Total Market Share	44,284	100.0%	5.8%	16.6%	14.2%	9.5%	5.7%	5.0%	3.7%	39.5%	100.0%

Source: OS/HPD

Note: All DRCs excluding normal newborns
 Market share leader

(1) Six months annualized data.

(2) The market share leader in El Monte 91732 was Greater El Monte Community Hospital.

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III. SERVICE AREA ANALYSIS

Medicare (includes both FFS and HMO) is the primary service area's largest inpatient payer at 34.2 percent.

HEVH is not the market share leader for any single payer group.

Market Share By Payer (All DRGs Excluding Normal Newborns) Primary Service Area

1999 ⁽¹⁾

Facility	Medicare		Medi-Cal		Private Coverage ⁽²⁾		Self Pay		All Payers ⁽³⁾	
	#	%	#	%	#	%	#	%	#	%
Huntington East Valley Hospital	1,050	6.9%	1,016	8.0%	412	2.8%	40	2.7%	2,558	5.8%
Citrus Valley - Queen of the Valley	2,230	14.7%	2,456	21.5%	2,328	16.1%	198	13.5%	7,342	16.6%
Citrus Valley - Intercommunity	3,518	23.2%	1,090	9.5%	1,420	9.8%	194	13.2%	6,280	14.2%
Foothill Presbyterian	1,758	11.6%	512	4.5%	1,820	12.6%	94	6.4%	4,220	9.5%
Kaiser- Baldwin Park	638	4.2%	24	0.2%	1,854	12.8%	18	1.2%	2,540	5.7%
LAC - USC Medical Center	48	0.3%	1,134	9.9%	24	0.2%	382	26.0%	2,224	5.0%
San Dimas Community Hospital	706	4.7%	156	1.4%	726	5.0%	28	1.9%	1,630	3.7%
Total	9,948	65.7%	6,388	55.8%	8,584	59.3%	954	64.9%	26,794	60.5%
All Other Facilities	5,186	34.3%	5,056	44.2%	5,900	40.7%	516	35.1%	17,490	39.5%
Total All Facilities	15,134	100.0%	11,444	100.0%	14,484	100.0%	1,470	100.0%	44,284	100.0%
Percent of Total Discharges	34.2%		25.8%		32.7%		3.3%		100.0%	

⁽¹⁾ Six months annualized data

⁽²⁾ Includes HMO, PPO, Blue Cross/Blue Shield and Indemnity.

⁽³⁾ Includes payer groups shown as well as County Indigent, Other Governmental, Other Indigent, Other Payer, and Workers' Compensation (not shown)

Note: Medicare risk is included in Medicare within the OSHPD database.

Source: OSHPD Discharge Abstracts

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III. SERVICE AREA ANALYSIS

HEVH is not the market share leader for any single clinical service line for patients discharged from the PSA.

Market Share By Service Line (Primary Service Area)
CY 1999⁽¹⁾

Service Line	Total Discharges		Huntington East Valley %	Citrus Valley QV Campus %	Citrus Valley IC Campus %	Foothill Presby %	Kaiser Baldwin %	LAC USC %	San Dimas %	All Other %	Total %
	#	%									
Cardiovascular medical	6,158	13.9%	5.8%	15.9%	21.5%	12.9%	6.2%	3.5%	4.9%	29.3%	100.0%
Cardiovascular surgery	1,318	3.0%	2.3%	3.8%	25.2%	1.8%	0.5%	3.8%	0.5%	62.1%	100.0%
Chemical dependency*	432	1.0%	3.2%	8.3%	3.7%	0.0%	2.3%	4.2%	1.9%	76.4%	100.0%
Chemotherapy	286	0.6%	2.8%	12.6%	4.2%	0.7%	0.7%	23.8%	0.0%	55.2%	100.0%
Deliveries - complicated	2,304	5.0%	10.5%	18.8%	5.8%	13.4%	12.0%	2.0%	3.8%	33.7%	100.0%
Deliveries - uncomplicated	4,524	10.2%	9.7%	20.8%	4.0%	11.8%	12.3%	2.5%	3.6%	35.3%	100.0%
ENT	252	0.6%	8.7%	13.5%	10.3%	7.1%	2.4%	11.0%	3.2%	43.7%	100.0%
Eye surgery	40	0.1%	0.0%	5.0%	0.0%	5.0%	5.0%	25.0%	0.0%	60.0%	100.0%
General surgery	1,670	3.8%	4.8%	21.9%	12.6%	7.7%	8.1%	7.9%	3.5%	33.5%	100.0%
GI/endocrine	4,090	9.2%	4.8%	17.0%	19.4%	10.1%	6.0%	5.9%	5.0%	31.8%	100.0%
Gynecology	1,100	2.5%	3.5%	14.5%	7.1%	16.7%	11.1%	7.1%	8.4%	31.6%	100.0%
Neoplasms/oncology	1,224	2.8%	2.3%	16.5%	16.2%	10.3%	4.9%	11.4%	2.9%	35.5%	100.0%
Neurology	994	2.2%	4.6%	16.5%	19.9%	8.9%	2.6%	5.6%	5.6%	36.3%	100.0%
Neurosurgery	548	1.2%	1.5%	12.8%	11.3%	9.1%	2.2%	4.7%	1.1%	57.3%	100.0%
Newborns - special care	2,364	5.3%	13.3%	25.9%	7.7%	12.3%	8.4%	5.8%	2.5%	24.1%	100.0%
Obstetrics (non-delivery)	912	2.1%	4.8%	31.4%	5.5%	13.6%	4.6%	7.7%	3.9%	28.5%	100.0%
Orthopedics	2,432	5.5%	1.7%	11.7%	21.1%	8.6%	3.9%	9.4%	3.9%	39.7%	100.0%
Pediatrics	2,120	4.8%	0.4%	30.7%	0.7%	6.0%	0.2%	4.0%	0.4%	57.6%	100.0%
Plastic Surgery	232	0.5%	1.7%	8.6%	3.4%	6.0%	3.4%	13.8%	2.6%	60.5%	100.0%
Psychiatry*	3,018	6.8%	8.1%	0.7%	18.5%	0.3%	0.1%	1.7%	0.0%	70.6%	100.0%
Rehabilitation	298	0.7%	0.0%	35.6%	0.0%	0.0%	0.0%	0.0%	0.0%	64.4%	100.0%
Respiratory	3,424	7.7%	6.2%	17.7%	18.9%	9.3%	4.4%	2.3%	5.3%	35.9%	100.0%
Urology	1,436	3.2%	4.7%	13.4%	16.4%	11.1%	5.0%	6.8%	5.6%	37.0%	100.0%
Other medical	1,912	4.3%	4.2%	15.1%	15.0%	9.9%	4.7%	7.4%	4.0%	39.7%	100.0%
Other surgery	1,212	2.7%	3.0%	11.9%	17.2%	7.9%	3.6%	5.8%	4.5%	46.1%	100.0%
Non-specified DRGs	84	0.2%									
Total Market Share	44,284	100.0%	5.8%	16.6%	14.2%	9.5%	5.7%	5.0%	3.7%	39.5%	100.0%

Source: CSHPD

(1) Six months annualized data

* The market share leader for chemical dependency is the American Recovery Center and for psychiatry it is Charter BHS - Covina

Notes: All DRGs excluding normal newborns and service lines defined by The Camden Group.

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III. SERVICE AREA ANALYSIS

Outmigration for acute care services from the service area is approximately 44 percent. The high percentage of outmigration is not surprising as patients in Los Angeles County can readily access services at numerous nearby facilities. Outmigration by service line is shown in the table below.

Hospital Discharges for Primary Service Area Residents
1999⁽¹⁾

Service Line	Discharges		Total PSA	Resident Use Outside PSA	
	PSA Hospitals	PSA Hospitals		Discharges	Percent
Cardiovascular medical	4,144	6,158	2,014	32.7%	
Cardiovascular surgery	442	1,318	876	66.5%	
Chemical dependency	94	432	338	78.2%	
Chemotherapy	60	286	226	79.0%	
Deliveries - complicated	1,418	2,204	786	35.7%	
Deliveries - uncomplicated	2,814	4,524	1,710	37.8%	
ENT	114	252	138	54.8%	
Eye surgery	6	40	34	85.0%	
General surgery	978	1,670	692	41.4%	
GI/endocrine	2,548	4,090	1,542	37.7%	
Gynecology	674	1,100	426	38.7%	
Neoplasms/oncology	650	1,224	574	46.9%	
Neurology	578	994	416	41.9%	
Neurosurgery	208	548	340	62.0%	
Newborns - special care	1,656	2,364	708	29.9%	
Obstetrics (non-delivery)	582	912	330	36.2%	
Orthopedics	1,238	2,432	1,194	49.1%	
Pediatrics	812	2,120	1,308	61.7%	
Plastic Surgery	60	232	172	74.1%	
Psychiatry	840	3,018	2,178	72.2%	
Rehabilitation	138	298	160	53.7%	
Respiratory	2,118	3,424	1,306	38.1%	
Urology	808	1,436	628	43.7%	
Other medical	1,010	1,912	902	47.2%	
Other surgery	582	1,296	714	55.1%	
Non-specified DRGs	24,572	44,284	19,712	44.5%	

Source: OSHPD
 (1) Six months annualized data
 Note: PSA hospitals consist of HENTH, Citrus Valley, Medical Centers (both Intra-Community and Queen of the Valley),
 Foothill Presbyterian Hospital, Kaiser Foundation Hospital - Baldwin Park, and San Dorcas Community Hospital

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

SIZE/CONFIGURATION

HEVH is licensed for 128 beds in the following bed categories:

Bed Category	Licensed Beds
Medical/Surgical	67
Critical Care	10
Obstetrics	30
General Acute Care Subtotal	107
Acute Psychiatric	21
Total	<u>128</u>

- HEVH has 4 surgical operating rooms.
- The Hospital has a 7 station (bed) basic level Emergency Department.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

PROGRAMS AND SERVICES

- 24-Hour Emergency Services – Physician on Duty
(American Heart Association approved) Inpatient and Outpatient Services
- “Babies are Special” Comprehensive Perinatal Services Program Intensive Care/Critical Care Unit
(Approved – American Heart Association)
- Cardio-Pulmonary Services – Inpatient and Outpatient Mammography
- Clinical Laboratory – Inpatient and Outpatient
(Accredited, College of American Pathologists) Nuclear Medicine
- Community Education Nutritional Services
- CT Scanner Open-air MRI
- Diagnostic and Therapeutic Services Physical Therapy
- Echocardiography Physician Referral Service
- Family Centered Maternity Care Same-Day Surgery
- FastTrack Service (Non-emergency, after hours care) Senior Mental Health Services – Inpatient, Outpatient and
Partial Hospitalization
- 50+ Health Connection (Senior Membership Program) Social Services/Discharge Planning
- The Hill Breast Center Volunteer Services (Adults, College and High-School Age)
- The Huntington Imaging Center Women’s Health

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

HISTORICAL UTILIZATION

- A three year historical review of HEVH's volumes and occupancies (CY 1998-2000) is provided in the tables on the following pages.
- Historical utilization data are as follows:
 - ◆ HEVH's total bed size has not changed, nor has its allocation of beds by licensed bed category.
 - ◆ The Hospital's total discharges increased 4% from 1998 to 2000. Patient days declined by 4% over that period as the Hospital's average length of stay decreased from 4.9 to 4.0.
 - ◆ HEVH's total occupancy percentage is relatively low (33% in 2000).
 - ◆ Surgical volume increased 13% from 1998 to 2000.
 - ◆ HEVH is highly reliant on its emergency department for admissions as 37% of patients admitted come through the E.D.
 - Emergency department visits increased 33% from 1998 to 2000.
 - ◆ The number of deliveries performed at the Hospital decreased 17% from 1998 to 2000.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

The tables below and on the following pages illustrate HEVH's historical utilization (CY 1998-2000) by licensed bed category.

Emergency Department and surgical volumes are also profiled.

Historical Utilization by Licensed Bed Category
1998 - 2000

	1998	1999	2000	% Change '98-'00
Medical/Surgical/DOU				
Licensed Beds	67	67	67	
Discharges	1,419	1,547	1,686	18.8%
Patient Days	6,073	6,253	6,062	-0.2%
ALOS	4.3	4.0	3.6	
Occupancy %	24.8%	25.6%	24.7%	
Average Daily Census	16.6	17.1	16.6	
Critical Care (1)				
Licensed Beds	10	10	10	
Discharges	781	791	753	-3.6%
Patient Days	2,044	1,961	1,961	-4.1%
ALOS	2.6	2.5	2.6	
Occupancy %	56.0%	53.7%	53.6%	
Average Daily Census	5.6	5.4	5.4	
Obstetrics				
Licensed Beds	30	30	30	
Discharges	1,309	1,281	1,048	-19.9%
Patient Days	3,087	3,272	2,766	-10.4%
ALOS	2.4	2.6	2.6	
Occupancy %	28.2%	29.9%	25.2%	
Average Daily Census	8.5	9.0	7.6	
Deliveries				
Number C-section	1,127	1,123	938	-16.8%
% C-section	365	374	323	
	32.4%	33.3%	34.4%	

Source: OSHPD Annual Utilization Report of Hospitals

(1) Includes intrahospital transfers.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

Historical Utilization by Licensed Bed Category
1998 - 2000

	1998	1999	2000	% Change '98-'00
General Acute Care Subtotal				
Licensed Beds	107	107	107	
Discharges	2,928	3,122	3,038	3.8%
Patient Days	11,204	11,282	10,789	-3.7%
ALOS	3.8	3.6	3.6	
Occupancy %	28.7%	28.9%	27.5%	
Average Daily Census	30.7	30.9	29.6	
Acute Psych				
Licensed Beds	21	21	21	
Discharges	325	406	335	3.1%
Patient Days	4,879	5,015	4,623	-5.2%
ALOS	15.0	12.4	13.8	
Occupancy %	63.7%	65.4%	60.1%	
Average Daily Census	13.4	13.7	12.7	
Total Hospital				
Licensed Beds	128	128	128	
Discharges	3,253	3,528	3,373	3.7%
Patient Days	16,083	16,297	15,412	-4.2%
ALOS	4.9	4.6	4.6	
Occupancy %	34.4%	34.9%	32.9%	
Average Daily Census	44.1	44.6	42.2	

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Source: OSHPD Annual Utilization Report of Hospitals

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

Operating Room and Emergency Room Selected Indicators
1998 - 2000

	1998	1999	2000	% Change '98-'00
Surgical Services				
Number of ORs	4	4	4	
Inpatient Surgeries	1,049	1,163	1,118	6.6%
Outpatient Surgeries	1,577	1,571	1,843	16.9%
Total Surgeries	2,626	2,734	2,961	12.8%
O/P as a % of Total Surgeries/OR	60.1%	57.5%	62.2%	
	657	684	740	
Inpatient Minutes	74,262	77,770	74,185	
Minutes/Surgery	71	67	66	
Outpatient Minutes	110,566	103,078	110,343	
Minutes/Surgery	70	66	60	
Emergency Department				
Stations	7	7	7	
Visits	6,279	7,459	8,334	32.7%
Visits/Station/Year	897	1,066	1,191	
Resulting in Admission	999	1,297	1,256	
% Resulting in Admission	15.9%	17.4%	15.1%	
% of Total HEV Admissions	30.7%	36.8%	37.2%	

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Source: OSHPD Annual Utilization Report of Hospitals

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

MEDICAL STAFF

Currently there are 257 physicians on staff at HEVH. A count of physicians by specialty is provided below.

Huntington East Valley Hospital
Medical Staff by Specialty
As of January, 2001

Specialty	Number of Physicians	Specialty	Number of Physicians
Allergy & Immunology	2	Neurology	3
Anesthesiology	3	Neurosurgery	1
Cardiology	17	Obstetrics/Gynecology	17
Clinical Pathology	4	Ophthalmology	5
Dentistry	1	Orthopedic Surgery	9
Dermatology	2	Otolaryngology	5
Diagnostic Radiology	14	Pediatric Cardiology	5
Emergency Medicine	7	Pediatrics	14
Endocrinology	2	Plastic Surgery	2
Family Practice	8	Podiatry	6
Gastroenterology	11	Psychiatry	9
General Practice	17	Psychology	5
General Surgery	18	Pulmonary Disease	7
Gynecology	4	Radiation Oncology	2
Hematology/Oncology	13	Rheumatology	1
Infectious Disease	5	Thoracic Surgery	1
Internal Medicine	17	Urology	4
Neonatology	3	Vascular Surgery	4
Nephrology	9		
		Total	257

Source: HEVH

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IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

HEVH is highly reliant on a small base of physicians. The top 10 physicians account for 65 percent of total Hospital admissions. The top 20 physicians account for 84 percent of total Hospital admissions. The table below provides the top 20 admitting physicians and their corresponding inpatient admissions for 2000.

Huntington East Valley Hospital
Top 20 Admitting Physicians
CY 2000

Physician	Specialty	Admissions ⁽¹⁾	
		Admits	% of Total Cum. %
1 Patel, Prakash	Cardiology	563	17.2%
2 Nashed, Adel	Ob/Gyn	319	26.9%
3 Choi, David	Ob/Gyn	239	7.3%
4 Lee, Jeffrey	Ob/Gyn	202	6.2%
5 Patel, Dilip	Pulmonology	168	5.1%
6 Soria, Felimon	General Practice	166	5.1%
7 Domaguing, Marc	Family Practice	144	4.4%
8 Eldridge, Kenneth	Internal Medicine	115	3.5%
9 Koh, Joshua	Psychiatry	111	3.4%
10 Gillespie, William	Psychiatry	110	3.4%
11 Patel, Vijay	Internal Medicine	88	2.7%
12 Jacob, Said	Psychiatry	84	2.6%
13 Umali, Filmon	Ob/Gyn	76	2.3%
14 Gupta, Narendra	Ob/Gyn	70	2.1%
15 Hamad, Ruth	Internal Medicine	64	2.0%
16 Betts, Randolph	General Practice	60	1.8%
17 Shah, Faren	Nephrology/IM	55	1.7%
18 Atil, Plandiel	General/Thoracic Surgery	52	1.6%
19 Cabebe, Franklin	Nephrology/IM	44	1.3%
20 Latif, Alaa	Hematology/Oncology	35	1.1%
Subtotal		2,765	84.3%
All Other Physicians		514	15.7%
Total Hospital		3,279	100.0%

Source: HEVH

⁽¹⁾ Excludes normal newborns. Note: Dr. Gualber Dinglasan had 844 normal newborn admits.
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IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

The following community benefit programs have been offered by the Hospital over the last two years:

- Senior outreach programs
- Use of HEVH's facility for health education and community events
- Babies Are Special Program (Comprehensive Perinatal Services Program)
- Community outreach and education
- Cash and in-kind donations to schools and to community organizations/agencies
- Health fairs
- Medi-Cal Resource Center
- AT&T Language Line and the Health Access Line
- Volunteer department
- Hospital Chaplain

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

HEVH CHARITY CARE POLICIES

HEVH has a written policy for inpatient and outpatient charity care services. The charity care policy for HEVH is as follows:

“Charity patients are identified as those whose assets or income exceed Medi-Cal eligibility levels but whose income is less than twice the poverty guidelines.”

This policy establishes guidelines for identifying and processing charity/uncompensated accounts. HEVH attempts to collect or arrange payment in all instances. However, if the patient qualifies for charity care, services are rendered and the necessary forms are filled out for uncompensated care.

HEVH’s charity care expenditures (i.e., charges) are illustrated below:

Calendar Year	Operating Revenue	Charity Care	
		Annual Expenditures	Percent Change from Previous Year
1997	\$20,944,255	\$2,101,709	N/A
1998	\$24,429,867	\$2,369,597	+12.7%
1999	\$21,472,000	\$1,918,695	-19.0%
2000	\$20,615,000	\$1,367,004*	-28.8%

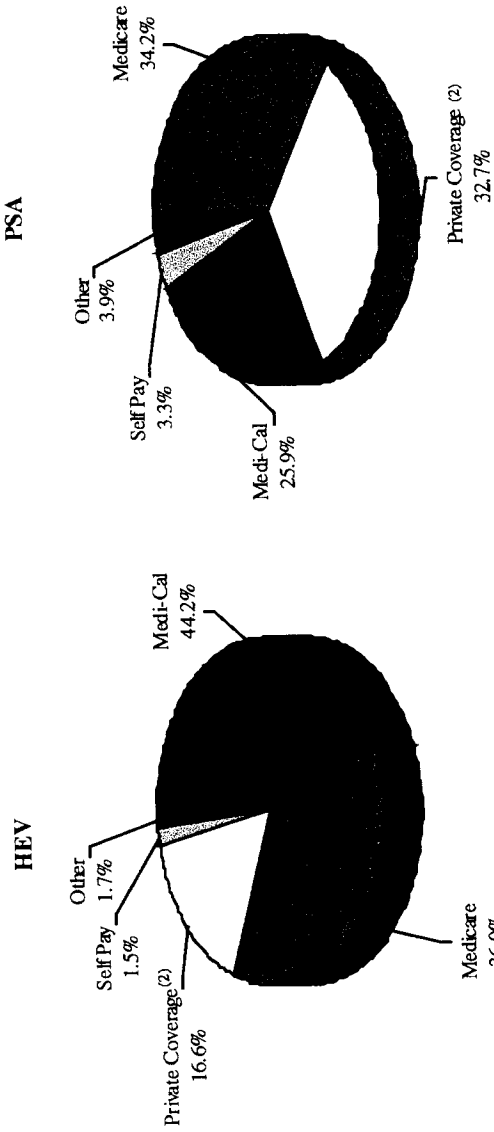
* Charity Care calculation for 2000 may change due to reclassification. Figure is accurate as of March 9, 2001.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

PAYER MIX

Provided below is the 1999 inpatient payer mix for both HEVH and the service area. Overall, HEVH has a higher Medicare and Medi-Cal patient base than the service area. Conversely, HEVH has a significantly lower percentage of Private Coverage (HMO, PPO, and Indemnity) patients than the area overall. All other payers are approximately the same for both HEVH and the service area.

Discharge Payer Mix
CY 1999⁽¹⁾



N=4,030

N=44,284

Source: OSHPD

(1) Six Months Annualized

(2) Includes HMO, PPO and Blue Cross/Blue Shield

Note: Excludes Normal Newborns

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**V. OVERVIEW OF PANPACIFIC HEALTH ENTERPRISES, INC.
AND THE MARDEL GROUP**

V. OVERVIEW OF PANPACIFIC HEALTH ENTERPRISES, INC. AND THE MARDEL GROUP

PANPACIFIC HEALTH ENTERPRISES, INC., (“PHE”)

PHE is a for-profit corporation of approximately seven investors. PHE was organized to acquire HEVH and operate the Hospital as an owned facility, rather than as an agent manager. PHE plans to subcontract the management and operations of the Hospital to The Mardel Group, a hospital management company. Because PHE is a new entity, it does not have a historical track record as an organization.

PHE’s overall goal is to continue operating the Hospital as a stand-alone entity. PHE’s specific long-term goals and plans for HEVH include the following:

- Expand health care services.
- Invest in seismic improvements.
- Provide competitive salaries for employees.
- Recruit and retain physicians in the area.

THE MARDEL GROUP

The Mardel Group is a hospital management company located in Riverside, California which has been in existence for approximately 10 years. The organization has managed Parkview Community Hospital Medical Center in Riverside for the past six years, and will manage Chino Valley Medical Center upon transfer to the new owner. Members of the organization have been involved in managing other acute care hospitals over the past 15 years.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

The Camden Group conducted interviews with 38 individuals regarding the proposed transaction and related potential health impact issues. The individuals interviewed included staff physicians, hospital management, HEVH board members, community residents and county and other government representatives.

GENERAL FINDINGS/OBSERVATIONS

- Overall, there were few stated concerns regarding the potential conversion of HEVH from non-profit to for-profit status. The Hospital was a for-profit entity for more than 30 years prior to joining SCHS.
- ♦ Virtually all interviewees feel that keeping the facility open as a for-profit entity is unquestionably preferable to closure.
- Some individuals interviewed believe that HEVH is an important component of the community and supports the health care needs of the population. However, some individuals indicated that HEVH could close and that there would probably be minimal, if any, adverse impact to the availability and accessibility of health care services in the community.
- While supportive, some community representatives interviewed are concerned about the intentions of PHE and the capabilities of the new owner to make the improvements necessary to operate the Hospital successfully. Community members want services to be maintained or expanded, and facilities to be upgraded. Community members are also concerned that quality employees be retained by paying fair market wages.
- Some individuals interviewed thought that the transaction would be very positive due to the potential of adding new services that were previously moved to other SCHS hospitals, such as pathology and angiography.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

- Some community representatives expressed concerns that the following core services be maintained:
 - ◆ Emergency room
 - ◆ Intensive care
 - ◆ Obstetrics
 - ◆ Geropsychiatric services
 - ◆ Community benefit programs (health fairs, screenings)
- Most community and Board members interviewed believe that if a new owner invested properly in the Hospital, services could be expanded and new services could be added in response to community needs.
 - ◆ Community leaders are looking for PHE to demonstrate community involvement and a commitment to local concerns.
- Some individuals are concerned that if PHE is not successful in purchasing HEVH, services may be curtailed or the Hospital may be shut down.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

KEY POINTS RAISED BY PHYSICIANS

- Generally, the active medical staff is highly supportive of the proposed transaction based on the following:
 - ◆ Most of the active staff physicians have been at HEVH for 10 to 20 years with extensive experience operating with a for-profit owner.
 - ◆ Staff physicians want the facility to remain open.
 - ◆ Virtually all of the physicians interviewed feel that it would be very difficult for a new owner to eliminate key services (e.g., Emergency Department, obstetrics, psychiatry) and be able to operate the Hospital successfully.
 - ◆ Physicians are highly supportive of retaining the current senior management team, which PHE has agreed to do.
 - ◆ Most physician leaders feel that a new owner will have a better ability to focus exclusively on the Hospital, which SCHS did not do.
 - ◆ Feedback regarding The Mardel Group's role as the operator has been positive from several key physicians.

KEY POINTS RAISED BY COMMUNITY/BOARD MEMBERS

- Board members and community leaders interviewed generally support the transaction for the same reasons indicated by staff physicians.
- As previously indicated, some community leaders and Board members have questions regarding the financial viability and depth of resources of PHE to maintain the Hospital over an extended period of time.
- Numerous interviewees indicated that HEVH is an important health care provider for Medi-Cal enrollees and other low income families on other government programs.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

- Some interviewees feel that a potential closure of HEVH would not have a significant negative effect on the community.
- ◆ There are numerous hospitals locally, including one less than a mile away.
- ◆ There is a perception among some that HEVH does not offer any unique services.
- Representatives of Consumers Union were contacted to discuss the transaction but declined to participate.

KEY POINTS RAISED BY COMPETING FACILITIES

- There were virtually no stated concerns from representatives of competing hospitals (three interviewees) regarding the proposed sale of HEVH.
- General comments received were as follows:
 - ◆ HEVH is a small local hospital with relatively low volumes and market share.
 - ◆ Most other facilities' representatives have long term concerns about the general availability/supply of hospital beds in light of SB1953 and possible facility closures/downsizings. From this perspective, other hospitals would prefer to see HEVH stay open regardless of ownership.
 - ◆ If HEVH were to close, the general consensus is that volume could be absorbed by other area hospitals
 - ◆ There is little medical staff overlap between HEVH and other area hospitals in terms of active users. Hence, most active staff physicians at HEVH are loyal and dedicated (i.e., do most of their cases at the Hospital) to HEVH.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

KEY POINTS RAISED BY PUBLIC OFFICIALS

- City leaders, including the Mayor of Glendora, verbally support the transaction if it will ensure that the facility stays open.
- Local leaders feel that the City of Glendora is “fortunate to have three hospitals immediately available to its citizens” [HEVH, Foothill Presbyterian Hospital and San Dimas Community Hospital].
- Key points from representatives of the LA County Department of Health Services were as follows:
 - ◆ The County would not want to see community benefit programs curtailed or eliminated.
 - ◆ The County does not have concerns regarding inpatient services at HEVH due to relatively low volumes and numerous area hospitals that have capacity.
 - ◆ In general, the County is looking to work closer with community hospitals regarding disease management, etc.

VII. KEY HEALTH IMPACT ISSUES

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TRANSACTION RELATED ISSUES

The following matrix identifies key issues related to the proposed transaction, comments and conclusions relating to health impact.

Transaction Related Issues	Information/Comments	Conclusions
Purchase Price	<ul style="list-style-type: none"> • \$6,500,000 	<ul style="list-style-type: none"> • Represents the highest bid price; however, any conclusions regarding the valuation are outside the scope of the health impact analysis
Financial viability of prospective buyer	<ul style="list-style-type: none"> • No historical track record • Financial data not provided 	<ul style="list-style-type: none"> • Financial ability to own and operate a hospital facility is unclear
Qualifications of management company	<ul style="list-style-type: none"> • The Mardel Group has demonstrated an ability to manage hospitals within the regional health care market 	<ul style="list-style-type: none"> • The Mardel Group appears to be qualified to operate the facility
Charitable Trust Provisions	<ul style="list-style-type: none"> • No Conversion Foundation will be established 	<ul style="list-style-type: none"> • No surplus funds are created from the sale
Governance	<ul style="list-style-type: none"> • According to findings from interviews, PHE plans to create a local Advisory Board with hospital, physician and community representatives. • Provides an opportunity for community input on planning and operational matters 	<ul style="list-style-type: none"> • Minor safeguard to help protect the interests of the local community • The powers of the Advisory Board would be limited

VII. KEY HEALTH IMPACT ISSUES

Transaction Related Issues	Information/Comments	Conclusions
Emergency services guarantees	<ul style="list-style-type: none"> • PHE agrees to continue to operate emergency services • Guarantees continued local access to emergency medical services 	<ul style="list-style-type: none"> • No time commitment is specified. • From a business standpoint, it would be difficult for PHE to compete successfully in the region without an Emergency Department (approximately 37 percent of admissions result from emergency room visits)
<p>Other major service guarantees such as:</p> <ul style="list-style-type: none"> ◆ Obstetrics ◆ ICU ◆ Geropsychiatric 	<ul style="list-style-type: none"> • PHE has stated that it intends to continue to provide existing programs and services • PHE has not specifically guaranteed that particular services will be maintained • State regulations (Title XXII) stipulate that a general acute care hospital must have, at a minimum, a medical/surgical unit, nursing, surgery services (operating rooms), anesthesia, laboratory, radiology, pharmacy and dietary. 	<ul style="list-style-type: none"> • In light of HEVH's service mix, it would be difficult to eliminate key services, such as obstetrics because they are vital to the facility's ability to remain financially viable.

VII. KEY HEALTH IMPACT ISSUES

Transaction Related Issues	Information/Comments	Conclusions
Charity and indigent care policies	<ul style="list-style-type: none"> PHE agrees to retain the charity/indigent care policies of HEVH 	<ul style="list-style-type: none"> Ensures that charity and indigent care policies will continue
Provision of care to Medi-Cal and Medicare patients	<ul style="list-style-type: none"> PHE agrees to continue providing services for Medi-Cal and Medicare patients Medi-Cal and Medicare represent significant patient volume for the hospital which is essential for financial success HEVH "shall accept Medicare, Medicaid, and Medi-Cal patients; accept all patients in an emergency condition in the emergency rooms of the facilities without regard to the ability of such emergency patients to pay" 	<ul style="list-style-type: none"> Ensures access for Medi-Cal and Medicare patients As a disproportionate share provider for both Medi-Cal and Medicare, HEVH's financial future and survival is reliant on maintaining/increasing Medi-Cal and Medicare volume.
Capital commitments	<ul style="list-style-type: none"> Indications are that HEVH facilities need to be upgraded PHE would need to provide approximately \$4.9 million in capital for all seismic improvements in order to comply with SB 1953 	<ul style="list-style-type: none"> PHE has stated verbally that it plans to comply with SB 1953 requirements. As with many hospitals in California, the true ability to meet SB 1953 capital requirements will probably not be known for several years.

VII. KEY HEALTH IMPACT ISSUES

Transaction Related Issues	Information/Comments	Conclusions
Maintaining employees	<ul style="list-style-type: none"> • PHE agrees to keep "substantially all" employees of the Hospital including the management team. Employees will maintain the same wages and salaries and PHE will offer the same or better employee benefits plan 	<ul style="list-style-type: none"> • Supports local economy both directly through employment and indirectly by increasing the area's attractiveness to other employers
Community benefits	<ul style="list-style-type: none"> • The Hospital is one of the major employers in the area • PHE agrees to "provide public benefit health programs with educational benefits to the community". 	<ul style="list-style-type: none"> • Retaining the current management team will enhance continuity and maintain physician satisfaction. • Does not commit a specified dollar amount toward community benefit programs

VIII. CONCLUSIONS

VIII. CONCLUSIONS

In conclusion, it is anticipated that PHE's acquisition of HEVH will not have a significant negative effect on the availability or accessibility of health care services to the affected community. Major supporting points are as follows:

- PHE is the only interested buyer of HEVH. If SCHS cannot sell the facility, HEVH would most likely be closed. Hence, the transaction will ensure the short-term survival of the Hospital.
- ◆ Although there are some concerns regarding the financial wherewithal and lack of hospital operating experience of PHE, the organization is the only prospective buyer. The contractual relationship with The Mardel Group to manage the hospital does offset some of the concerns.
- PHE plans to maintain HEVH's existing complement of programs and services.
- PHE will continue to provide charity care by retaining the Hospital's policies regarding charity/indigent care.
- Access to health care services are expected to be maintained and potentially enhanced through a more focused local ownership/management entity.
- It is anticipated that existing payer contracts will be maintained including, HMO/PPO, Medicare and Medi-Cal, which will provide continued access for consumers.
- It is anticipated that the number of physicians currently on the medical staff will remain stable or possibly increase. This will also enhance consumer access to health care services and the utilization of HEVH.
- The majority of HEVH's medical staff members, Board members, public officials and residents who were interviewed support PHE as the acquiring entity rather than closure. Further, there was no stated objection from representatives of other area hospitals.

Appendix A

INDIVIDUALS INTERVIEWED

Appendix A INDIVIDUALS INTERVIEWED

Last Name	First Name	Title / Organization
<i>Board Members</i>		
Gordon	Robert	Board Chairman
Heinrich	Ed	Board Treasurer
Liegler	Rose	Community Leader
Fracasse	Ida	Community Leader
Flores	Sarah	Community Leader
<i>Competing Hospitals</i>		
Bowers	Dan	Chief Operating Officer, San Dimas Community Hospital
Fetters	Larry	Chief Executive Officer, Foothill Presbyterian Hospital
Foulk	Elvia	Interim Chief Executive Officer, Citrus Valley Medical Centers
<i>Management</i>		
Auth	Jeanette	Human Resources Director, HEVH
Carmack	Tim	Chief Financial Officer, Southern California Healthcare System
Caswell	Bill	Vice President, Southern California Healthcare System
Maki	Jim	President and CEO, HEVH
Trousdale	Cindy	Vice President, Finance, HEVH
Zimmerman	John	Vice President, Operations, HEVH

Appendix A INDIVIDUALS INTERVIEWED

Last Name	First Name	Title / Organization
<i>Public Officials/ Community Leaders</i>		
Glenn	Larry	Mayor City of Glendora
Mouw	Marshall	Council Member Glendora
Smith, RN	Susan	Azusa Wellness Center
Meyers	Pat	Rep. Senator Mounjoy Office
Gallegos	Martin	Former Assembly Member
Freeland	Chris	Aide, Representative Dreier
White	Jan	Chairperson, Board Of Director Glendora Chamber
Holm	Tom	Pres. Rotary, Local Businessman, Glendora Resident
Watts	Cecil	Lion Club Rep., Past Glendora Chamber Board Member
Derby	Dan	Kiwanis Club Rep., Member Glendora Chamber
Calaycay	Corey	Rep. Assembly Margett
Starky	Jim	Rep. Assembly Margett
Curley	Darleen	Adm. Health Care Partners Clinic, Former Adm. Emmanuel Nursing Home - Glendora
Lamirault	Ingred	Director of the Office of Planning, LA County Department of Health

Appendix A INDIVIDUALS INTERVIEWED

Last Name	First Name	Affiliation	Title / Organization
<i>Physicians</i>			
Atil, M.D.	P. Cerna	Medical Executive Committee	HEVH
Cabebe, M.D.	Franklin	Medical Executive Committee	HEVH
Domaguing, M.D.	Marc	Medical Staff Member	HEVH, Chief of Medical Staff and Board Member
Kumar, M.D.	Manmohan	Medical Executive Committee	HEVH
Patel, M.D.	Prakash	Medical Staff Member	HEVH, Medical Executive Committee
Sahhar, M.D.	Fred	Medical Staff Member	HEVH, Medical Executive Committee and Board Member