



IMMEDIATE RELEASE

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Onerous and Unprecedented Conditions Force Prime Healthcare to Withdraw Purchase Offer for DCHS Hospitals

(ONTARIO, CA, March 10, 2015) Unprecedented conditions imposed on the sale of the Daughters of Charity Health System (DCHS) hospitals by the state Attorney General would make it impossible for the hospitals to remain operational and have forced Prime Healthcare to withdraw its purchase offer.

"Prime Healthcare has been committed to saving the six struggling DCHS hospitals and securing their mission of care, just as we have done for 34 financially distressed hospitals across the country," said Prem Reddy, M.D., Founder and Chairman of Prime Healthcare. "Unfortunately, the conditions placed on the sale by the California Attorney General are so burdensome and restrictive that it would be impossible for Prime Healthcare - or any buyer - to make the changes needed to operate and save these hospitals."

The six DCHS hospitals include Seton Medical Center in Daly City; Seton Coastside in Moss Beach; O'Connor Hospital in San Jose; Saint Louise Regional Hospital in Gilroy; St. Francis Medical Center in Lynwood; and St. Vincent Medical Center in Los Angeles. The hospitals have been losing over \$150 million a year due to mounting labor costs and low medical reimbursement rates.

Prime Healthcare's generous purchase agreement with DCHS was far and away the best offer for the hospitals, meeting every requirement set by the DCHS board of directors. It included a commitment to keep all the hospitals open a minimum of five years, fully fund the pensions of 17,000 current and former employees, maintain or increase charity care and invest over \$150 million in capital improvements.

"We were humbled and honored by the confidence shown by the board and the sisters of DCHS, physicians, nurses, staff, patients and communities," continued Dr. Reddy. "It was with a heavy heart that we came to this decision, as we had sincerely hoped for DCHS to become a part of the Prime Healthcare family and did everything possible to try to make that happen. We have great respect for the mission of the Daughters of Charity and wish the best for the communities we had hoped to serve."

This was the largest hospital transaction ever reviewed by the California Attorney General's office. Unfortunately, under intense political pressure, the Attorney General ignored national and state precedents and imposed the most extensive and overreaching conditions in history.

"The sheer number of conditions – more than 300 – is unheard of in California, or anywhere else in the United States," said Troy Schell, General Counsel for Prime Healthcare. "Maintaining all services for 10 years regardless of whether the services are needed or 'essential' for the communities served is unprecedented and untenable. In essence, the Attorney General is telling Prime Healthcare to operate the hospitals exactly as DCHS has and expect different results."

Prime Healthcare has a history of acquiring distressed hospitals nationwide – including five successfully completed acquisitions in the past three months -- and restoring them to financial health while providing award-

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winning quality care. Prime Healthcare has been recognized as having the Top 100 Hospitals in the nation 33 times, and was ranked Top 15 Health System in the nation three times by Thomson Reuters/Truven Health Analytics.

Support for the sale of DCHS to Prime Healthcare was overwhelming across the state and included the DCHS board, hospital boards, physicians, patients, nurses, dozens of civic and health-care organizations and the Vatican. More than 50,000 signatures on petitions and letters were submitted to the Attorney General in favor of the sale to Prime Healthcare.

FACT SHEET ON PRIME DECISION

The Attorney General imposed more than 300 specific conditions on the sale, exponentially more than previous Attorney General decisions related to hospital acquisitions.

In essence, Prime Healthcare would be required to operate the hospitals as they are now, despite the fact that they are losing more than \$10 million a month. DCHS would lose nearly \$3 billion over the 10 years the conditions are in effect. Conditions dictate operations far beyond the scope of what is typical, including service offerings, financial reporting, governance, staffing levels, on-call coverage, seismic compliance and insurance contracts.

Among the 78 pages of conditions issued by the Attorney General:

- Maintain the majority of current hospital services for 10 years, regardless of whether the service is needed, "essential" or financially viable. No other transaction in California history has required so many service lines to continue, particularly in a hospital system suffering such financial losses.
- Provide increasing levels of uninsured care over the next 10 years, even though statistics show the number of uninsured patients is decreasing under the Affordable Care Act.
- Maintain grant-supported community services even though as a for-profit organization Prime may not be eligible to receive the grants.
- Maintain five hospitals, including a skilled-nursing facility, as acute care facilities for 10 years during a time when healthcare is changing daily. This is double the five years required in all other hospital transactions in the state.
- Continue insurance contracts with reimbursement rates that are well below fair-market value and far less than neighboring hospital rates.

Prime Healthcare Services

Prime Healthcare is an award-winning national hospital system with 34 acute-care hospitals providing more than 35,000 jobs in ten states. Based in California and one of the largest hospital systems in the country, Prime Healthcare is committed to ensuring access to quality healthcare. It has been recognized as among the "100 Top Hospitals" in the nation 33 times and among the "15 Top Health Systems" three times, and is the only "10 Top Health System" west of the Mississippi. Our hospitals have been recognized by The Joint Commission among the "Top Performers on Key Quality Measures" in 2014.

Prime Healthcare is dedicated to serving our patients and communities. Since 2010, our hospitals have provided more than \$2 billion in charity and uncompensated care. We provide more charity care than any other hospital system in California (excluding public hospitals) and nearly double the state average. With over \$800 million invested in capital improvements since 2005, we are committed to transforming all of our hospitals into award-winning centers of excellence. For more information, please visit www.primehealthcare.com

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